

WEEKLY INDUSTRY UPDATE

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ECONOMIC UPDATE
GDP: (3rd Revision) 3.1% in Q4 2010 (up from 2.6% Q3 2010)

Unemployment Rate: 8.8% in March 2011 (down from 8.9% in February)

Consumer Confidence: 67.5 in March 2011 (down from 77.5 in February)

US POSTAL NEWS
Tentative labor agreement between Postal Service, Union

(Folio – April 5, 2011)

 Original Link: <http://www.foliomag.com/2011/tentative-labor-agreement-between-postal-service-union#>

The U.S. Postal Service told Congress Tuesday that, after eight months of negotiations with the American Postal Workers Union [APWU], a tentative labor agreement has been reached between the two groups that will generate an estimated \$3.8 billion in savings.

The plan, if accepted by APWU, will freeze wages for two years for career postal employees, ratify pay schedules for new employees and incorporate more non-career postal workers.

Postmaster General Patrick R. Donahoe told the House Committee on Oversight and Government Reform that the deal represents a "greater workforce flexibility, immediate financial impact and long-term structural changes," according to a news release.

Donahoe wants to take postal reform a step further.

"We need reform in the laws that govern us," he told the committee, according to a news release. "We must get beyond the mandates that we prefund retiree health benefits, that we overfund Federal Employee Retirement Systems [FERS] and that we deliver mail six days a week."

A 2006 law requires the Postal Service to prefund retiree health benefits which totals \$5.5 billion per year. The postal system also has a statutory mandate to contribute to FERS, which has caused an overpayment of \$6.9 billion to date.

Since 2008 there has been a 21 percent decrease in mail volume, which prompted a reduction of 110,000 employees and \$11 billion in costs. In 2010, however, the Postal Service recorded a net loss of \$8.5 billion.

It is estimated that six day a week service costs the Postal Service \$3.1 billion every year. No tax dollars contribute to the Postal Service's operating expenses -- there is a reliance on the sale of postage, products and services.

"After many months of difficult negotiations, (the tentative agreement) was the best achievable under existing law," Chairman of the Postal Service Board of Governors, Louis J. Giuliano, told the House committee, according to a news release. "Years of experience have taught us that these types of breakthrough changes in workforce utilization are very unlikely in an arbitrated settlement."

The agreement covers 205,000 career postal employees for a four-and-one-half period up until the year 2015 - wages will be frozen during the first two years. The deal also establishes a two-tier career pay schedule for new employees that are lower than the existing schedule by 10.2 percent.

Currently, the Postal Service is restricted to using 5.9 percent of non-career employees for services; the deal will remove restrictions and boost the number to 20 percent.

"It's the nature of such negotiations that neither side got everything they wanted," Donahoe said in a news release. "Neither side was willing to take the expedient way out, to simply roll the dice, and leave our respective fates to a third party arbitrator. We need the flexibility to properly schedule our workforce and we have achieved that. Interest arbitration is not going to result in flexibility gains of this magnitude."

BOOK/DIRECTORY INDUSTRY NEWS

Mockett names new executive VP of sales and marketing at Dex One

(Yellow Pages & Directory Report – April 5, 2011)

Original Link: <http://www.yellowpagesanddirectoryreport.com/content/mockett-names-new-executive-vp-sales-and-marketing-dex-one>

Richard Hanna, who has held key executive positions at AT&T, Cidera and MCI, has been named executive vice president of sales and marketing at Dex One (Cary, NC), according to a company announcement. "To compete in today's marketplace we must build a world-class, 21st century sales force that is professionally trained and armed with the latest tools and technology," said CEO Alfred Mockett in a prepared statement.

“Rick has a wealth of experience assembling high-performance sales teams and he will ensure this gets done at Dex One.”

Hanna is the newest of the key executives named to Dex One this year following the announcement in late 2010 that three long-term executives—George Bednarz, executive vice president of enterprise sales and operations; Sean Greene, senior vice president of interactive; and Maggie LeBeau, senior vice president and chief marketing officer—were leaving the company.

Hanna will report directly to Mockett and be responsible for all sales and market functions.

Mockett, who took the helm of Dex One (Cary, NC) in September, began the reorganization of his management team with the appointment of a new senior vice president of operations Donna Towles.

Mockett, the former head of British Telecommunications' yellow pages group, replaced retiring CEO Dave Swanson who left the company in May 2010. Mockett focused on mobile, business and global communication, data and broadband as well as yellow pages at BT Group during a 10-year career.

Swanson, whose career at Dex One was often controversial, received a \$12.1 million retirement package and agreed to be released from any claims, demands, damages or actions arising from his employment.

Swanson, who had been with Dex One for 16 years in positions including president of the directory division and then chief operating officer, became CEO in late 2002, replacing Frank Noonan who retired after 11 years at the helm.

Swanson was at times criticized for his decisions to relocate the company, then R.H. Donnelley, from Purchase, NY to Cary, NC and acquisitions that created \$12 billion in debt and an eventual filing in bankruptcy court.

Among Dex One's acquisitions were the \$2.23 billion acquisition of Sprint Publishing & Advertising in 2003, the \$1.4 billion acquisition of AT&T's DonTech yellow pages operations in Illinois and northwest Indiana in 2004 and the \$9.5 billion acquisition of Dex Media in 2006.

Donnelley's financial problems surfaced publicly when its common stock stopped trading on the New York Stock Exchange as of Jan. 2, 2009 after the SEC determined that trading should be suspended because the company did not maintain market capitalization of at least \$25 million over a consecutive 30 trading day period.

Donnelley announced its common stock would trade over the counter under the trading symbol of RHDC. The situation worsened over the next few months until bankruptcy was officially declared in May. Donnelley came out of bankruptcy in early 2010 with the new name of Dex One.

New ideas for directories

(Folio – April 5, 2011)

Original Link: <http://www.foliomag.com/2011/new-ideas-directories#>

B-to-b publishers have long relied on directories (or buyer's guides, depending on company terminology) to produce revenue and establish themselves as a valuable resource to their readers. Now, b-to-b publishers are finding new ways to add value to their directories, even as print is challenged (and often succeeded) by digital, and Google dominates the search market.

How Media Companies are Repackaging Directory Offering

Dave Iannone, president and CEO of Go Forward Media (a full-service print and social/integrated media solutions company) identified social media as a way to enrich the typical company profile, along with other resources the Web has to offer. He explains that Go Forward creates the most complete listings for industries as possible; each company is given a simple profile, and if they choose to advertise, Go Forward will create a robust Internet offering.

He said, "I integrate real time social media, the company's real time Facebook and Twitter presence – not just within their profile, but what's in their directory. [We] integrate real time product feeds, distributors and vendors. They're also feeding into Google products, Google information."

The Push into Content

One of the biggest draws of the digital directory is the ability to bring the user from directory to content, or vice versa.

Eric Kammerzelt, vice president of technology for the digital department with Cygnus, said Cygnus has, "...focused on SEO and integration of the guides with the rest of our content, thus the strategy for bringing all that into a common platform. We want to be able to provide a sectional database structure to associate all content together for a particular topic or company."

Cygnus aims to show all of the relationships possible with the product by linking articles, videos, photos or white papers that include the product; not just the company's relationship with the product. Several of Cygnus's 27 Buyer's Guides exist both in digital and print.

Penton's Source ESB, a resource serving the electronics industry's audience of design engineers, "procurement people in the electronic space" and semi-conductors, is using digital directories as an opportunity to link back to traditional print brands.

Bill Baumann, market leader and group publisher for Penton's electronics groups, said Source ESB was launched digitally to, "...provide more unique data that couldn't be provided in print. What we're providing is a part number search. For a specific part number, who actually has in inventory now, in what quantity, at what price. It really drills down into the buying process."

Source ESB (part advertising-, part data-based) currently houses billions of part numbers within the site.

Bridging Event to Directory Listing Sale

Anne McMahon, the group director of information marketing services for Aviation Week, said they created MRO Link as a site that focuses on product and service information.

MRO Links also has a small section at the back of print issues of Aviation Weekly's publications that includes product and service information.

To house more in-depth company information and financial stats about these companies, Aviation Week launched Aviation Intelligence Network, a paid online subscription model.

Connecting events with publications like Aviation Weekly and Overhaul and Maintenance to MRO Links was "the sweet spot" for Aviation Week. Last year, Aviation Week rolled out their enhanced exhibitor package to create lead generation for their vendors. Vendors can buy a space at the show, or can choose the package, which includes premium location on the show floor, online profile, connection to a lead generation tool and 1/6th product/service ad in MRO Links.

Vendors are also offered the option to increase ad sizes and feature video in Aviation Week's own video channel and in the company's profile.

Revenue Gainers

And these directory efforts have not gone without reward. Penton said Source ESB online revenue will more than double from 26 percent in 2008 to 53 percent in 2011. For Aviation Week, 50 percent of the exhibitors at the U.S. MRO event last year bought enhanced packages, which panned out to 280 exhibitors in total.

Houghton Mifflin Harcourt, St. Lucie schools forge \$23.8M collaboration

(Educational Marketer – April 6, 2011)

Original Link: <http://www.educationalmarketer.net/content/houghton-mifflin-harcourt-st-lucie-schools-forge-238m-collaboration>

Houghton Mifflin Harcourt (Boston) in March signed a five-year agreement with the St. Lucie County (Fla.) school district to provide instructional materials, professional development and other services worth \$23.8 million as the district works to build STEM education, early childhood education and parental involvement to close the achievement gap and narrow the digital divide.

The agreement reflects a growing trend among the large traditional publishers to work collaboratively with districts in extended partnerships that go beyond providing textbooks, courseware and tests. While the concept of publisher or provider as partner—among large and small companies—has been percolating for years, several factors are accelerating the trend: economic pressures on school districts, technology advancements, the need to improve struggling schools and the broad adoption of Common Core State Standards.

St. Lucie schools superintendent Michael Lannon told EM that schools must pursue public/private partnerships to do all that schools are asked to do to prepare students for the global economy.

“I faced a choice—accept vastly limited set of resources (state budget cuts), or I’m going to say, ‘OK, do what you’re going to do and I’m going to find other ways to do parts of my job’,” Lannon said.

School and Business

Houghton Mifflin Harcourt and St. Lucie reached agreement in concept in December 2010, after the district solicited bids in an RFP process in November for consultant services to develop strategic goals and an implementation plan.

Solutions had to be turnkey; the district did not want to deal with multiple vendors, Lannon said. Also, vendors would have to agree to provide at least 40% of the total value of deliverables and services at no charge.

According to the final agreement, St. Lucie will pay Houghton Mifflin Harcourt \$12.4 million over the five years of the agreement; HMH will provide in-kind services and materials worth an estimated \$11.3 million, or 47.7% of the total value of the agreement.

St. Lucie essentially is paying 50 cents on the dollar for services. Houghton Mifflin Harcourt executives see potential in packaging the solution for sale to other districts, particularly abroad, Lannon said.

“There’s business perspective here, there’s societal perspective here, and there’s clearly a schoolchild perspective here,” Lannon said.

School and Community

The investment is in the schools and the community, for students and the adults. For instance, HMH and St. Lucie will create a standard preschool curriculum to offer to the 67 individual preschool operators in the county and expand the opportunity to 3-year-olds. HMH will work directly with preschool operators. Materials will be free; the emphasis will be on comprehensive professional training.

Similarly, HMH will work directly with an already established parent group to build a Parents Academy, including funding office space and staffing.

Technology is a key focus of the district and of the collaboration, and Lannon expects the collaboration to accelerate the district’s digital migration, including providing access to all digitized resources by students, parents and school personnel. HMH materials will be digital for this district technology environment. Among them are the virtual labs in the HMH K-8 science materials the district adopted under this agreement.

While the collaboration is a five-year plan, an anxious Lannon wants to see the technology component up and running in three years.

CATALOG/RETAIL INDUSTRY NEWS

Why catalogers should try QR codes

(*Multichannel Merchant* – April 5, 2011)

Original Link: <http://multichannelmerchant.com/ecommerce/catalogers-need-qr-codes-0405tpp4/#>

We're starting to see an uptick in the use QR codes by retailers. Most recently, Home Depot added the 2D barcodes to certain in-store products to deliver how-to guides and product reviews to smartphone users. Macy's used them in-store to entertain mobile device owners with "behind-the-scenes" videos.

But most of the emphasis on these 2D barcodes has been on delivering a better in-store experience, and not on driving away-from-store traffic. And with a few exceptions, such as like Pottery Barn and Sears, most are not using their catalogs to connect smartphone users to content.

And merchants with catalogs should be taking advantage of QR codes to step up their games, says Lois Brayfield, president of multichannel consultancy J. Schmid & Associates.

"They need to realize the potential of QR codes as a way of engaging customers and prospects in new ways," Brayfield says. "Merchants can't look at their catalogs as a transactional tool anymore; they need to see them as a device for engaging customers."

Perhaps the biggest reasons catalog marketers should try to QR codes is to reduce the lag time from when consumers read the catalog to when they go online to order, Brayfield says. With a QR code, the catalog recipient can instantly scan the code and go direct to the site without being near his or her computer.

So what's the best way to incorporate QR codes in your catalog? Just like the products in the book, the QR code needs a strong call to action, Brayfield says. You need to explain to the user what the code is, how to scan it, and what will see when they scan the 2D barcode.

And merchants shouldn't try to pack their catalogs with the 2D barcodes—you don't need with for every product, she notes. "You can't just use QR codes in your catalog because they are cute and fun," Brayfield says. "There needs to be a compelling reason for the user to scan the barcode."

For example, Brayfield says she's done QR codes with catalog client Relax The Back to drive smartphone users to a video demonstration of its back-pain relief products in action.

She also points to Sears' holiday 2010 Wishbook, which included the codes to drive readers to product information about video game systems and flat-screen televisions.

So catalogers need to get off the sidelines with QR codes and embrace the technology before it's too late, Brayfield says. This is also a great way for merchants to start learning about mobile commerce before they fall far behind the competition.

"There's a hesitation to test QR codes, but catalogers need to start thinking outside the box now," Brayfield says. "Mobile is coming, and it may overtake ecommerce before we know it."

March a solid month for retail

(Retailing Today – April 6, 2011)

Original Link: <http://www.retailingtoday.com/article/march-solid-month-retail?ad=news>

Most retail segments showed solid year-over-year retail growth in March, according to MasterCard Advisors SpendingPulse, a macroeconomic report tracking national retail and services sales.

Electronics sales and department stores showed modest gains while luxury and e-commerce recorded strong growth. Some segments of the restaurant sector also showed strength in March.

“Most retail sectors continued to record solid growth year-over-year, similar to February, although we’re not seeing an acceleration of momentum from February to March,” said Michael McNamara, VP research and analysis, MasterCard Advisors SpendingPulse. The lack of increased momentum in some sectors could be due to calendar shifts, given that Easter falls very late this year.”

Gasoline prices remain a concern as the average price continues to be above \$3.50 a gallon,’ McNamara said.

“Compared to March 2010, we’re seeing drivers pump less gasoline,” he said. “Based on what we’ve observed in the last three to four years, high gasoline prices typically result in consumers consolidating shopping trips, shopping closer to home, and making fewer trips to the brick and mortar locations as we get to Saturday. On the other hand, we’ve seen the e-commerce channel benefitting somewhat from this trend.”

Here are details of some specific sectors for March 2011:

- Total apparel sales recorded their eighth consecutive year-over-year sales gains, increasing by 4.4% year-over-year. Nevertheless, March’s gain is approximately half of the average growth recorded between September 2010 and February 2011. The only sub-sector posting a loss was footwear, with sales declining 1.6%. The Easter calendar shift may have limited the year-over-year growth in the men’s and women’s apparel segments.
- The furniture sector posted a modest increase of 2.4%, its fifth consecutive month of positive growth.
- E-commerce continued to grow in double digits, highlighting the continued strength in online sales. The sector posted its fifth consecutive month of double-digit growth, rising by 16.1%, higher than February’s 13.2% increase.
- The SpendingPulse Luxury Index, which measures sales at high-end restaurants, food stores, department stores and general apparel categories, was up 8.5%, the largest year-over-year increase since December 2010, and the sixth consecutive month of growth.

Walgreens' March sales jump*(Retailing Today – April 5, 2011)*Original Link: <http://www.retailingtoday.com/article/walgreens-march-sales-jump>

Walgreens on Tuesday reported March sales of \$6.3 billion, an increase of 7.6%. Duane Reade stores, acquired in April 2010, contributed 280 basis points to the total sales increase for the month.

Total front-end sales increased 8.4% in March, including 470 basis points from Duane Reade stores. Despite the negative impact of this year's later Easter, which falls on April 24 this year, compared with April 4 last year, comparable-store front-end sales increased 1.6%. Customer traffic in comparable stores increased 0.8%, while basket size increased 0.8%.

Prescriptions filled at comparable stores increased 3.5% in March. Calendar day shifts negatively impacted prescriptions filled in comparable stores by 90 basis points.

March pharmacy sales increased 7.3%, while comparable pharmacy sales increased 3.7%. Comparable pharmacy sales were negatively impacted by 230 basis points due to generic drug introductions in the last 12 months. Pharmacy sales accounted for 66.4% of total sales for the month.

Sales in comparable stores for the month increased 3%. Duane Reade stores are not included in any comparable store results. Walgreens will report combined comparable-store sales for March and April with its April sales results.

MAGAZINE INDUSTRY NEWS**Bonnier gives away its new iPad magazine builder***(paidContent.org – April 4, 2011)*Original Link: <http://paidcontent.org/article/419-bonnier-gives-away-its-new-ipad-magazine-builder/#>

As we revealed last month, Bonnier has spun out its Mag+ concept, which is used by Popular Science's iPad edition, for commercialisation by a separate business, Moving Media+.

From today, that business is offering the software framework for download by publishers. CEO Staffan Ekholm told me recently the strategy is to release the software as a free download, so publishers can test it and build editions without committing outlay. Moving Media+ will, however, charge both a flat and a per-title fee to magazines that go ahead and distribute editions to consumers.

Ekholm said Mag+ is currently used by about 25 titles, including IDG's MacWorld in Sweden.

Mag+ was worked up by global seven teams created by Bonnier over eight months in 2009, Ekholm told me. London design house BERG was the lead creative agency for what was then just a concept, but the software was actually realised. The pitch is that this is a production tool developed by publishers for publishers.

Bloomberg *Businessweek* expands sales team with new office in Atlanta

(MPA – April 4, 2011)

Original Link: <http://magazine.org/ASSETS/55B42B8DB692484686CE54DCB5A65A54/bw040411.docx>

Bloomberg Businessweek announced today that it is expanding its sales team with the opening of a new office in Atlanta to meet the growing demand from clients based in the Southeast. John Reock, a respected and long-time advertising executive, will be joining Bloomberg Businessweek to lead the new sales office's initiatives. His territory will include Georgia, Florida, Alabama and Kentucky.

April marks the one-year anniversary of the relaunch of Bloomberg Businessweek and advertisers and readers have embraced the redesign and increased global business coverage. The magazine has seen significant growth on the advertising front, with an expected 50% increase in advertising pages year-over-year for the first quarter of 2011.

"While our competitive set has had to retrench and pull back, Bloomberg Businessweek continues to invest, hiring top talent, adding new products and platforms, and increasing frequency and edit pages," said Hugh Wiley, publisher of Bloomberg Businessweek.

Reock was most recently with Rocket Media, which he launched in 2003. Prior to that he was with Forbes Media, where he served as the Atlantic group advertising director from 1999 to 2002 and the southeast manager from 1986 to 1999. John has also held sales positions at U.S. News & World Report and House Beautiful.

"John is a leading and established advertising executive. He has trusted relationships and a deep understanding of the market," said Wiley. "With his insight and experience, he is particularly well suited for this key assignment. We are fortunate to have him join our team and help us strengthen our position in the marketplace."

Hearst to test new *HGTV Magazine*

(Audience Development – April 7, 2011)

Original Link: <http://www.audiencedevelopment.com/2011/hearst+test+new+hgtv+magazine>

Hearst Magazines announced Thursday that starting in the fall of 2011 a test publication will be launched on newsstands nation wide called HGTV Magazine.

The new magazine will come through a partnership with Scripps Network Interactive, Inc., which owns HGTV and several other TV networks.

HGTV Magazine will focus its content on themes like real estate, decorating, home renovation, gardening, food and other topics that viewers are already familiar with from the network programming.

The title will debut in October with 300,000 copies on newsstands. A second issue is planned for January 2012. During the test period the two media companies will gauge consumer interest.

"We're pleased to be testing this new magazine in the market, once again partnering with Scripps Networks. Our first joint venture, Food Network Magazine, is currently the number one selling food magazine on

newsstands,” David Carey, President of Hearst Magazines, said in a news release. “Hearst is known for its successful partnerships and HGTV’s enormous fan base and rich lifestyle content dovetails well with our expertise at delivering entertaining and compelling content.”

Every month HGTV’s Web site attracts 5 million unique visitors in search of home-and-garden information and entertainment. The HGTV cable network is distributed to over 99 million U.S. households, according to Hearst.

The former editor of Costal Living magazine, Sara Peterson, will be HGTV’s editor-in-chief. The test publication is expected to showcase the television talent featured on HGTV programs. Consumers will be able to read personal tips from their favorite stars and get behind-the-scenes looks at their shows.

If the venture proves successful a possible full-scale launch in 2012 will move forward. A Hearst spokeswoman says no advertising will be sold for the test issues. She added that if the magazine goes to a full schedule the publisher will give readers the opportunity to sign up for a subscription.

“We are already partners with Scripps on Food Network Magazine and it has been a success; we felt there was an opportunity to introduce a lifestyle title based on the HGTV brand,” the spokeswoman said.

The frequency of the publication will be determined after the test period.

***BusinessWeek* sees first quarter upswing in ad pages**

(Folio – April 6, 2011)

Original Link: <http://www.foliomag.com/2011/businessweek-sees-first-quarter-upswing-ad-pages>

Bloomberg BusinessWeek is certainly seeing the fruits of its redesign labors.

According to figures released by the Publisher’s Information Bureau, BusinessWeek experienced an increase of 49 percent in ad sales for 2011’s first quarter, compared to 2010’s first quarter.

BusinessWeek has also been nominated for the National Magazine Awards, and is launching a new iPad app this month.

Hugh Wiley, the publisher of BusinessWeek, said, “We’ve positioned ourselves in the marketplace as an investment story – sending the strong message that we’re the only business magazine that is investing while others are cutting back – and as the only weekly and global business magazine with an eye on preparing our readers for the week ahead.”

Bloomberg BusinessWeek relaunched in April 2010. The redesign included an “Opening Remarks” column for each issue. The magazine was also divided into five sections: global economics, companies and industries, politics and policy, technology and markets and finance. The boost in editorial is a result of utilizing 146 bureaus in 72 countries.