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WEEKLY INDUSTRY UPDATE

November 22nd, 2010

ECONOMIC UPDATE

GDP: 2.0% in Q3 2010 (up from 1.7% Q2 2010) (Next release Tuesday, Nov. 23rd)

Unemployment Rate: 9.5% in October 2010 (unchanged from September) (Next release Friday, Dec. 3rd)

Consumer Confidence: 50.2 in October 2010 (up from 48.5 in September)

US POSTAL NEWS

USPS gets into customized greeting cards business

(*Printing Impressions* – November 15th, 2010)
Original Link: http://www.piworld.com/article/usps-gets-into-customized-printed-greeting-cards-postage-business/1

Turn precious digital photos into greeting cards and postage stamps with a simple click of the mouse. Create a treasured holiday greeting at usps.com without ever leaving the house.

“The Postal Service’s Website brings the card store directly to you,” said Paul Vogel, president, Mailing and Shipping Services. “With a computer, an internet connection and a digital photo, anyone can design perfect cards and postage stamps.”

At CardStore (usps.com/createmail/), customers can create greeting cards using personal photos or choose from more than 50 card designs, including traditional, religious, multi-cultural and non-denominational images. Ordering online takes only minutes and the cards are printed and shipped the next business day. Customers can choose to have the cards sent directly to recipients or to their own address. Prices start at just $0.79 per card.

Other online options for holiday greetings include Click2Mail and Premium Postcards. Click2Mail provides the perfect solution for end-of-year holiday letters and can be sent by First-Class Mail or Standard Mail rates. Premium Postcards can be created in black and white or full color to announce new holiday products or discounts, to send a personal greeting, say Happy New Year!, or to thank customers for their support throughout the year.

Adding the personal touch doesn't have to stop with the card. The outside of the envelope can be personalized as well. Customized postage allows customers to create postage using digital photos or images—a family photo from the vacation this past summer, a warm embrace under the mistletoe, or a favorite pet playing in the snow. It can be used on First-Class Mail, Priority Mail and Express Mail.

Customers in 1,600 locations across the country can purchase greeting cards at a local post office. In addition to holiday greetings, the selection includes cards celebrating birthdays, new babies and wedding anniversaries, as well as those offering encouragement and sympathy.

Select post offices also are offering Evergreens note cards featuring artwork from the 44-cent Evergreens Forever stamps, depicting the foliage and cones of four different conifers: ponderosa pine, eastern red cedar, blue spruce and balsam fir. The set of eight blank cards and envelopes comes with eight Evergreens Forever stamps.

The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations.

U.S. Postal Service revamps 'how-to' Direct Mail website

(*Printing Impressions* – November 16th, 2010)
Original Link: http://www.piworld.com/article/us-postal-service-revamps-how-to-direct-mail-direct-marketing-website/1

Embracing electronic technology to promote the use of direct mail, the U.S. Postal Service recently revamped the companion Website to Deliver, its magazine for marketers. The new "how-to" Website offers all the direct mail and multichannel marketing strategy content of Deliver—and much more.

delivermagazine.com provides direct marketers and agency professionals with scores of articles, case studies, white papers and online marketing tools to help them grow their businesses through acquisition, retention and brand-building.

"We redesigned the Website with more content and a new look, and made it easier for direct marketers to find just what they need," said Paul Vogel, president, Mailing and Shipping Services. "delivermagazine.com is a great place for direct marketers to gather and share success stories, and with the smart phone option, these busy professionals can keep tabs on the hottest direct mail and multichannel news."

With approximately 7,000 visitors a month, delivermagazine.com features the latest research, news and commentary for the direct marketing industry. Article topics include brand marketing, prospecting and green marketing, among other direct marketing strategies.
The site also includes an array of online marketing tools, including a "Direct Marketing 101" series that teaches the basics of an effective marketing strategy, helping marketers make smart use of their resources,

according to Vogel. "Resource Wizard" helps users search for articles based on business size and marketing needs and includes information on using the Intelligent Mail Barcode.

The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations.

BOOK/DIRECTORY INDUSTRY NEWS

Audio Look: The physical product/digital product divide

(Book Publishing Report – November 11th, 2010)
Original Link: http://www.bookpublishingreport.com/content/audio-look-physical-productdigital-product-divide

Now that the Association of American Publishers is splitting the audio book figures between physical books and digital downloads, we can take a fresh look at a market that has always been affected by digitization faster than print books.

In July, AAP figures indicated downloaded audio books had an increase of 38.4% over the same period in 2009, with sales of $6.6 million. Meanwhile, physical product sales decreased 35.6% in July with sales totaling $8.7 million. In other words, a full 43% of the audio book segment this past July was downloadable books, and the pace of the change is gaining.

Some may wonder why that kind of rapid change hasn't enveloped the print book business (a topic covered in Simba's Audiobook Intelligence Briefing 2010): when a consumer thinks about reading e-books, there are a number of little trade-offs (cost of the product, remembering to pack the charger when one travels, etc.) and few benefits besides the immediacy of the access. On the other hand downloadable audio solves three distinct problems for the consumer: the physical product for an unabridged book is cumbersome, the cost of the product can be rather high and a good number of retailers don't have a major selection of titles. The biggest trade-off regarding the switch to digital audio—increased piracy risks—is borne by the publisher.

Still, we're clocking sales of the physical product, and the AAP isn't the only source bearing this out. Experion Simmons spring 2010 data compiled by Simba shows about 8.7 million adults, or 3.9% of the adult population, bought audio books. Finally, 72.5 million adults own MP3/digital media devices. Even though just 3.9 million of that group bought audio books, it represents 46% of all audio book buyers, which is rather close to the 43% revenue figure the AAP numbers show. We'll wait and see if things will pass the 50% mark next year.

McGraw-Hill announces management, organizational changes

(B to B Online – November 17th, 2010)
Original Link: http://www.btobonline.com/article/20101117/MEDIABUSINESS/101119920/mcgraw-hill-announces-management-organizational-changes

McGraw-Hill Cos. announced Monday that it is splitting its financial services unit into two segments: Standard & Poor's and McGraw-Hill Financial.
Deven Sharma will continue as president of Standard & Poor's, while Lou Eccleston has been named president of McGraw-Hill Financial, a unit that will include the S&P indices, Capital IQ and MarketScope Advisor. Eccleston previously led Standard & Poor's Fixed Income Risk Management Services.

Additionally, McGraw-Hill announced that Jack F. Callahan Jr., most recently CFO of Dean Foods, has been named CFO of McGraw-Hill. Previous CFO Robert J. Bahash will become the new president of McGraw-Hill Education, replacing Peter Davis, who is leaving to "pursue other career opportunities," according to a McGraw-Hill press release.

Beginning Jan. 1, McGraw-Hill will report its results from four business units: Standard & Poor's, McGraw-Hill Financial, McGraw-Hill Education and McGraw-Hill Information & Media, which includes Platts, McGraw-Hill Construction and the Aviation Week group.

CATALOG/RETAIL INDUSTRY NEWS

Retail stocks aided by retail sales; Lowe's up

(MarketWatch – November 15th, 2010)
Original Link: http://www.marketwatch.com/story/retail-stocks-lifted-by-retail-sales-lowes-up-2010-11-15?reflink=MW_news_stmp

Retail stocks rose on Monday after the Commerce Department reported the biggest monthly retail sales increase since March, giving an encouraging note as the industry readies for its biggest selling period.

Lowe's Cos. jumped 2.3%, leading the sector gainers, after the No. 2 U.S. home-improvement retailer's profit rose 17% as it widened gross margin more than Wall Street estimated. See full story on Lowe's.

Shares of larger rival Home Depot Inc., which reports Tuesday, rose 1.3%. The home-improvement sector also was boosted by the retail sales data that showed sales at building supplies stores rose 1.9%.

Retail giant Wal-Mart Stores Inc., which also reports Tuesday, rose 0.2%. See curtain raiser on Wal-Mart, Home Depot.

The S&P Retail Index rose 0.4% to 480.01.

Retail sales rose 1.2% in October, the largest increase since March, according to the Commerce Department. While the gain was largely driven by auto purchases, sales at catalog and online retailers rose 1%. Clothing and accessories stores saw a 0.7% increase in sales. See story on retail sales.

Still, there were some disappointments. Shares at department stores, furniture and home stores all declined.

Nordstrom Inc. shares were little changed. Urban Outfitters Inc. were up 0.3%. Both are expected to release their results after the close of the regular trading.

Gymboree Corp., which is being taken private by private-equity firm Bain Capital, said its profit in the fiscal third quarter ended Oct. 30 fell slightly to $34.4 million or $1.26 a share, from $34.8 million or $1.15 a share.

Excluding $3.5 million of transaction-related expenses, it said it earned $1.33. Analysts surveyed by FactSet estimated profit of $1.30 a share.

Study reveals tremendous Facebook growth for retailers

(*Retail Online Integration* – November 15th, 2010)
Original Link: http://www.retailonlineintegration.com/article/study-reveals-tremendous-facebook-growth-retailers/1

The value of Facebook and other social media sites to retailers is greater than previously thought, according to a recent survey conducted by Media Logic, a company recognized for specializing in marketing for a social world. After all, Facebook would be the third most populated country in the world if it were, in fact, a country. Therefore, it makes perfect sense for retailers to be involved with the social media site.

"People use Facebook as a way to organize their social life, and they're considering retail and purchasing to be a part of their social life," says Ronald Ladouceur , executive vice president and executive creative director of Media Logic. "Facebook has become a control panel people are using for their web experience as much as they've been using Google."

Out of 100 retailers participating in the study, all of them have seen tremendous growth on their respective Facebook pages. The four retail sectors surveyed included speciality apparel, speciality hardlines, department/discount and recreation. When the study began in July, only Victoria's Secret could boast over one million "likers" on Facebook. When the study concluded in September, 14 other brands could hoist the same trophy including, J.C. Penney, American Eagle, Kohl's, Forever 21 and Abercrombie & Fitch.

Out of the retailers with less than a million "likers," more than a quarter of the brands saw their fan base grow by 30 percent or more during the duration of the study. Michael's Crafts, Dress Barn, Kenneth Cole, and New York & Company each saw greater than 100 percent growth.

Although Facebook dominates the social space for retailers, Macy's, Staples and Toys"R"Us realized strong Twitter growth rates as well.

What Causes the Growth?

Retailers' status updates often include special offers and product updates. By offering these promotions, brands encourage their fans or "likers" to participate and become a piece of the marketing puzzle, which seems to yield great results. Fans repost these offers, and from there the fan base grows.

"Retailers are using Facebook as a way to market, establish and promote their brand," says Ladouceur. "Promotions are being offloaded from Facebook to microsites. Say someone goes to a brand's Facebook page — they either like it or don't. Then they're directed to a promotional engagement, where the retailer can monitor the amount of activity surrounding the promotion. This activity is generally a significant multiplier of engagement."

Facebook also allows retailers to provide an optimized brand experience. By allowing two-way conversations on their "Wall," visitors can feel like they're a part of the experience. Likers can express how much they love a new product, write reviews and ask questions. They can also critizice, but retailers have found that the occasional mistake is easily forgiven and manageable, as seen in the latest Gap logo controversy.

However, some retailers choose to have a "closed wall" vs. an "open wall." The study revealed that limiting this engagement doesn't significantly lower engagement rates. American Eagle has a "closed wall," and its fan base grew 41 percent during the span of the study.

Retailers are able to expand their brand experience using social media, a tool that has emerged to allow retailers to connect their physical and online worlds into a single entity. By reaching out and offering special deals, social media is effective at driving web traffic into foot traffic, as the stores surveyed also saw growth in their brick-and-mortar stores. With an estimated population of of 4 million, retailers can't afford to pass up the social media space.

Tips for finding the best catalog prospects

(Directmag.com – November 15th, 2010)
Original Link: http://directmag.com/lists/1116-lists-tips/

Now is when catalogers should cautiously increase their prospecting efforts. After all, as we emerge from the recession, those companies who continue marketing and mining for new buyers will be in a much better position to take advantage of the rebound.

Of course, there is a cost associated with acquiring a new buyer. How much you're willing to pay for a new buyer depends on what you can afford to spend, how fast you want to grow and the life-time-value of the buyers being acquired. Two big variables in prospecting for catalogers are the performance of cooperative databases and rented lists.

Cooperative Database

As you begin to prospect more, resist the temptation to pull out of your current cooperative databases in favor of others. Performance is only one factor that a cataloger looks at when deciding which coops they will use. Another is contribution of names. If a cataloger feels they are supplying "x" amount of buyers to a coop but only taking less than "x" amount of prospect names from the database, they feel the contribution is not in their favor and that particular cooperative database should be dropped.

But how does this effect models and prospecting names overall within the databases? Even within the same product category, certain coops work well for some catalogers but not others. However, the names shared by all are still required to build an effective model and supply the best prospecting names. In order for catalogers to keep their prospect names at their highest level to get through these tough times, it is imperative that everyone continues to stay within all cooperative databases they have been using.

Outside List Performance

Maximizing outside list performance can be accomplished by either increasing the response rate or the average order size or both. I prefer to focus on improving the response rate because it will yield a great number of new buyers, thus growing your 12-month buyer file faster. Select outside lists based on the recency of last purchase. Maximize rollouts before testing new lists. Double the usage each time (assuming there are enough names in the list universe). After maximizing list continuations, fill-in with the lists you want to test. Looking for buyers who have purchased multiple times recently is also a good way to improve response rates.

When prospecting in back-to-back mailings four to six weeks apart, should previously used names from an outside list or coop model be eliminated? For example, if an outside list or coop segment is mailed a catalog on Aug. 28, should the same list or database segment be mailed again on Sept. 25?

There will be duplicate names but I do not recommend omitting previous usage. On outside list rentals, any omits would mean a zero balance, unless older names are mailed that most likely will not perform as well. There is the option to replace some of the prospecting quantity with lists that are not already being used. However, the prospecting universe is substantially reduced if previous names are eliminated from a given list. What's more, if the results support mailing the same list consecutive times, why not mail them?

As for coop database prospect models, thee duplication rate between mailings depends on a number of factors—product category, which months the models are run, how different the customers are between the various mailings, number of names being taken.

Also, duplication is higher in top segments than it is in lower segments. A model is designed by building a profile of customers and selecting prospects from the database that look like those customers being modeled. If the customers for one mailing and for the next mailing are pretty much the same the profile will look the same. If the models are built in August and September, for example, the database does not change much. Since the profile and databases do not change, the model will pull many of the same names. For the most part, our analysis has indicated names receiving both catalogs tend to perform better than those that receive only one catalog.

Wal-Mart earnings grow, but world's biggest retailer sees same-store sales fall again

(*Los Angeles Times* – November 16th, 2010)
Original Link: http://latimesblogs.latimes.com/money_co/2010/11/wal-mart-earnings-retail.html

Wal-Mart Stores Inc. on Tuesday reported a 9.3% increase in profit for its fiscal third quarter, but said an important measure of U.S. sales fell as customers of the retail giant continue to watch their spending.

“Our own surveys and reports … indicate that financial uncertainty still weighs heavily on everyday Americans, including many of our core customers,” Chief Executive Mike Duke said.

The world’s largest retailer posted a profit of $3.4 billion, or 95 cents a share, for the quarter ended Oct. 31. Earnings were boosted by a one-time tax benefit of $191 million, which added 5 cents a share to earnings. Last year, the company had net income of $3.1 billion, or 81 cents a share, for the third quarter.

More worrisome for Wal-Mart, though was that sales at U.S. Wal-Mart stores open at least a year -- a key performance measure known as same-store sales -- dropped 1.3% because of soft customer traffic.

It marks the sixth straight quarter of same-store sales declines for the Bentonville, Ark., company.

The discount retailer has benefited from the recession as many frugal shoppers flocked to the chain for necessities such as groceries and household items, but company officials said its primary customers remain financially stressed as the unemployment rate remains at 9.6%.

“Remember 68% of our business comes from customers with household incomes under $70,000 per year,” said Bill Simon, president of Wal-Mart’s U.S. business. “These customers deliver to us about 22% of their share of their wallet.”

In an effort to attract more of their customer base, the company said it was changing merchandising, including restocking and expanding the array of basic grocery items. Wal-Mart executives also said Tuesday that the retailer was reverting back to everyday low-pricing strategies.

The company remains optimistic about the holiday season and raised its profit outlook for the year to a range of $4.08 to $4.12 a share, up from the previous estimates of $3.95 to $4.05 a share.

DIRECT MARKETING INDUSTRY NEWS

Ways to win in a lower average order world

(Directmag.com – November 16th, 2010)
Original Link: http://directmag.com/integration/1116-lower-average-order/

Performics recently released its holiday 2010 forecast, predicting a 15% increase in sales from actively managed holiday paid search campaigns year over year (YoY) versus 2009. That's good news and continues a year in which we have seen advertiser spend and consumer demand remain constant coming out of a deep economic downturn. Still, despite all the improving results of 2010, marketers have seen a persistent decline in average order value over the course of the year.

Through Q3, average order value is down almost nine percent year-to-date. Simply stated, customers are spending less per transaction. This means that, in order to increase total sales, marketers must work hard to up-sell related products to boost orders and substantively increase the number of orders they generate either by getting more orders from existing customers or bringing more new customers into the fold.

To up-sell customers as they shop, marketers can employ a wide range of tactics. A couple of the most effective include suggesting products related to other products the shopper has viewed or added to their cart and offering incentives to buy more.

Amazon.com has led the pack here in many ways. For years, Amazon has offered product suggestions to its customers, and in most instances, the site offers free shipping for qualifying orders totaling at least $25. This incentive alone is enough to get many customers to make another purchase or two to avoid paying shipping fees.

Even the most sophisticated strategies can leave average orders lower than marketers would like, so it's imperative to simultaneously work to increase the total number of orders.

This starts with creating more demand at the beginning of the purchase funnel, but the extra spending required to do so must be done carefully and in an accountable fashion. This requires evaluating your marketing mix to ensure additional expenditures result in increased qualified impressions and traffic from all viable media sources that have a high propensity to convert once on site. Keeping in mind that each additional transaction generated may be of less value than that to which a marketer has become accustomed only reinforces the importance of qualifying all traffic from a performance basis.

Marketers can achieve this increased audience coverage by expanding search campaigns as well as buys across well-targeted display, mobile and social channels.

Beyond broader buys and diligent work to increase, marketers should embrace customer frugality and reward it. It will continue through the holidays and may very well be a permanent purchase dynamic in the future. Review your offer mix and presentation to highlight:

• Sharp price points

• Bundled offers

• Special deals

• Opportunities to compare and save

• Lowest to highest price on site search and merchandising

When appealing to customer frugality, make sure to reinforce a value message through every part of the user experience from ad copy to landing pages to customer service groups. Every price point and piece of copy counts, and marketers should know how their value stacks up versus the competition.

MAGAZINE INDUSTRY NEWS

Monthly mag 2010 ad pages 'improve' to +4.22%

(*Min Online* – November 19th, 2010)
Original Link: http://www.minonline.com/news/Monthly-Mag-2010-Ad-Pages-Improve-to-+4-22-percent_15796.html

After 2009's recession-impacted -20.05%, the 149 monthlies in min's boxscores rebounded modestly in 2010—a year without any major economic shocks but also one plagued by high unemployment and home foreclosures.

The uncertainty is reflected in the modest +4.22% ad-page differential, but the 99-monthlies-up/50-down ratio is far better than 2009's 10-up/141-down. Among the big monthly magazine gainers for 2010 is Vogue, with a 16.04% gain in 2010 vs. 2009 (318 additional ad pages), People Stylewatch, with a 49.47% gain (311 additional pages) and Elle Décor with a 34.65% gain (288 additional pages).

Below is a five-year (2006-2010) timeline of year-end ad-page differentials from min's magazine database, based on the total tallies of monthly magazine ad-page data year-over-year.

Fall GfK MRI readership numbers split down the middle

(*Audience Development* – November 17th, 2010)
Original Link:
http://www.audiencedevelopment.com/2010/fall+gfk+mri+readership+numbers+split+down+middle

The fall GfK MRI numbers are out. The stats, which measure topline readership numbers for about 215 consumer titles, are a decidedly mixed bag. Out of the total number of magazines and newspapers tracked, 48 percent recorded declines in readership counts compared to same period 2009.

While that might sound dire—and the declines ranged from insignificant to alarming—the flip side is fully half of the publications tracked realized positive readership gains. And when looked at in the aggregate, total readership squeaked a 1 percent gain, about the same as the spring survey.

The top readership gain belongs Meredith's More magazine, which shot up 31 percent. Meredith titles in general did fairly well. While a spokesperson says that there were no specific campaigns that contributed to the boost for the titles, More benefitted from a solid newsstand performance, among other tactics. "In More's case we have had strong newsstand sales, a very effective public place strategy, solid digital presence, and increased visibility with Lesley Jane Seymour in event and media, which all contributes to the brand's overall audience awareness and reach," he says.

The second highest jump belongs to PC World, which added another 25 percent to its readership. PC World was also a big gainer in the spring this year, with a 39 percent jump over spring 2009.

Diabetes Forecast, published by the American Diabetes Association, lost 29 percent of its readership between fall 2009 and fall 2010. Not far behind are Penthouse (-24 percent) and Motorcyclist (-23 percent), a Source Interlink Media title.

Newsweek, which just merged with IAC's The Daily Beast, dropped 16 percent in readership. Meanwhile, Time magazine dropped 8 percent compared to fall 2009 readership numbers.

Bloomberg Businessweek dropped a slight 6 percent, while Forbes dipped about 11 percent.

Wired **magazine to open noho retail store**

(WWD.com – November 16th, 2010)
Original Link: http://www.wwd.com/media-news/fashion-memopad/memo-pad-fighting-back-3384275?navSection=media-news&toc_preselected=65#/articlehttp://www.wwd.com/media-news/fashion-memopad/memo-pad-fighting-back-3384275?page=1

“The gloves are off here at Condé [Nast],” said Wired publisher Howard Mittman, whose magazine will end the year in the number-one spot at the company, up 24 percent in ad pages. “We’re bigger than we’ve ever been, and we’ve put the brand in a place to focus on other things, like licensing deals.” This week, Wired will begin testing the waters with a small collection of limited edition “hybrid” products, such as Jack Spade messenger bags, “The El” bike, headphones and iPad cases. The title will sell this merchandise in a pop-up store that opens on Friday in the three-story Tower Records building in NoHo. “There are now opportunities for publishers to expand the footprint of their brands,” Mittman added. “We have more white space to play in — we are seeing passionate interest now from fashion and lifestyle brands, for instance.” One example is Burberry, Wired’s first-ever fashion advertiser, which can be seen in the November iPad edition. “Last week I went to Paris, Geneva and Milan. Five years ago, this wasn’t the most obvious trip for a Wired publisher to make,” Mittman said.

The magazine has enjoyed a strong year, thanks in part to the iPad launch. The debut issue in June sold around 105,000 copies. Since then, that figure has leveled off to about 32,000 sold an issue. (On newsstands, Wired typically sells around 83,000 copies.) The new issue, featuring an image from the film “Tron: Legacy,” hits newsstands on Thursday.

Is *Esquire's* November issue too sexy for the app store?

(*Mashable* – November 16th, 2010)
Original Link: http://mashable.com/2010/11/16/esquire-sexiest-woman-alive-app-store/

The print edition of Esquire's November issue, featuring the newly crowned "sexiest woman alive," Minka Kelly, hit newsstands in mid-October — yet four weeks after it was submitted to Apple for approval, the iPad edition of the issue has yet to appear in the App Store.

The problem? The issue is simply too risque for the App StoreApp Store, one source familiar with the matter told MashableMashable. The publication has submitted a revised version it expects to be approved in the next few days, around the time the December issue is slated to hit the App Store.

An executive at Hearst said that Apple has not, in fact, communicated at all to Esquire since the issue was submitted to the App Store, despite multiple entreaties — nor that the publication has submitted a revised version.

Apple has a history of rejecting apps that contain sexually suggestive material. Its App Store Review Guidelines for developers states that "'explicit descriptions or displays of sexual organs or activities intended to stimulate erotic rather than aesthetic or emotional feelings' will be rejected." This includes — but is not limited to — text, graphics, images, photographs and sounds "that in Apple's reasonable judgment may be found objectionable…obscene, pornographic or defamatory," according to the official developer agreement.

Apple has previously purged a number of apps featuring women in bikinis or lingerie, such as SlideHer, an app that challenged users to put together a puzzle of a skimpily dressed actress, and Sexy Scratch Off, which allowed users to "swipe off" a woman's dress to display her undergarments. Apple was prompted to remove these apps by customers, most of whom were female, Philip W. Schiller, head of worldwide product marketing at Apple, told The New York Times in an interview earlier this year.

Yet apps from bigger brands tend to slide by. Playboy's iPhone app, which features dozens upon dozens of photographs of scantily clad women, is on display in the App Store, as is Sports Illustrated's annual swimsuit issue.

When the Times asked Schiller why that particular issue had made it into the App Store, he claimed that "the difference is this is a well-known company with previously published material available broadly in a well-accepted format."

Neither source was willing to disclose what content Apple objected to specifically, but we're willing to bet some of the video footage of Minka Kelly, which can be found on Esquire's website might have been the problem.

Are magazine iPad apps profitable in the long haul?

(*PBS* – November 17th, 2010)
Original Link: http://www.pbs.org/mediashift/2010/11/are-magazine-ipad-apps-profitable-in-the-long-haul321.html

Magazine editors and publishers are excited about tablet devices like the iPad.
In them, they see a chance to give consumers the best that digital media can offer -- and to be able to charge them for the content.

But does the profit from the apps justify the expense of building and marketing them? And even when the apps are profitable on their own, can they ever bring in enough revenue to sustain a sizable portion of the business?

Conde Nast, Meredith, Hearst and other leading magazine publishers have all been experimenting with the iPad. They are touting their successes, while acknowledging it's too soon to tell what the ultimate business will be.

"Our tablet strategy," said John Loughlin, executive vice president and general manager of Hearst Magazines, at the recent Ad:Tech conference in New York, "is to learn by doing." To determine what's sustainable, what's a fad, and what's "a significant new component to our business model."

Here Come the Apps

Conde's Wired magazine in June released a $4.99 iPad app that sold 100,000 copies of that month's issue, more than the 73,000 newsstand copies typically sold at the same price, according to WWD.

Earlier this month Conde's fashion flagship Vogue announced the release of an app as well, adding to a growing stable of magazine apps from the publisher.

It's easy to see why the editors are excited. After watching print subscriptions, newsstand sales and advertising drop sharply, and unable to make up the difference on the web, they now see a way to regain the ability to not only charge consumers but also make advertisers pay a premium to reach them.

Loughlin ticked off some encouraging figures: Popular Mechanics sold 54,000 single copies in its first six to seven weeks; there will be eight magazines on the Barnes & Noble Nook e-reader by the end of the month; most titles will also be on the iPhone, PC, Mac and Android devices, which compete with the iPad and iPhone. Users were using Hearst magazine apps "well beyond the issue expiration date," which presumably gives Hearst a way to continue to reach them for more sales and advertising.

Lauren Weiner, who oversees Meredith publications' digital and emerging media business, said at Ad:Tech that the company was working to transform itself "from a print publishing entity into a multimedia powerhouse," and that apps were a part of that strategy.

Loughlin noted how his company was moving beyond simply putting magazines with complementary video and interactivity into apps and was instead gearing experiences for the devices themselves. He mentioned Cosmopolitan magazine's version of the Kama Sutra which was revamped in an app called "Sex Position of the Day" and sold more than 100,000 copies for the iPad. A version has also been released for Android.

Weiner talked of popular for-pay recipe apps that lived separately from the many popular home-oriented titles Meredith publishes such as Family Circle, Better Homes and Gardens, and Ladies Home Journal.

Is There Enough of a Profit?

Still, despite the froth, it's difficult to make a case for apps as a savior for the magazine industry.
Weiner noted it can cost $75,000 to $300,000 to produce a paid app worthy of her magazines' brands.

Even assuming a generous 50 percent margin on each app sale, that means a magazine would have to sell 30,000 to 120,000 copies at $4.99 before it breaks even (assuming they aren't selling iPad-specific ads). That doesn't include added costs such as reconfiguring the app for other platforms and marketing it to consumers.

And users can be notoriously fickle in buying single-issue copies. Wired's iPad app sales were reported to have plunged to 31,000 in July and 28,000 in August.

The market for apps is much more limited than for magazines. Consumers with iPads, other tablets and e-readers are a fraction of the media-consuming public, and those who would buy magazine apps are a fraction of those. Even if a subscription model comes to all the devices, revenues in the near- or even medium-term are not likely to match print overall.

Magazines like Wired and Popular Mechanics have a natural appeal to the technically adept who are using tablet devices. Many magazines, though, sell only in the low thousands for their apps.

Not a Savior

"Will the tablet save the magazine industry? No," said noted magazine and digital media designer Roger Black, who is a partner in a new e-reader platform venture called Tree Saver. "Will they get a percentage of the market? Sure."

The paid magazine apps, which tend to range in price from $2.99 to $4.99 for single issues, also compete with free ones, like Conde Nast's Epicurious recipe app and their one for Style.com.

Commenters in the iTunes store, meanwhile, show their ire, complaining about the pricing, and in some cases, the technology. "Boycott full price mags," wrote one, adding, "Digital magazines are fantastic but we should be able to buy a year's subscription for close to the price of a paper subscription." It was a call repeated by many others.

"Would give five stars [as a rating], but paying that much for a magazine is ridiculous," wrote a user ID'd as William Shelton on the Popular Science page, where the app, which had been $2.99, now lists for $4.99. He gave one star.

To justify the cost of producing apps, magazines have to amortize them over time. But "what happens in the year 2012 when Steve Jobs announces that, 'We've upgraded,' and your app suddenly no longer works?" Black asks.

Magazines are also competing on the iPads for attention from social networks like Twitter and Facebook; apps for TV shows; movies and music; mashup applications like Flipboard that combines social networks and media; games and more.

True, development costs are coming down as more programmers learn the tablet programming languages. Plus companies like AppMobi are helping web developers write programs in JavaScript that can then be ported over to mobile devices. HTML5, which allows new kinds of functionality and interactivity in a browser, could also prove to be a solution.

The technology is improving, and there will be economies of scale, as well. As Loughlin noted, this is an experimental period, when magazines are learning what they can offer and how much they can charge.

Some apps will be breakout hits. A combination of web, apps, mobile and print sales may bolster magazines and give them new life and sustained profitability.

But the excitement over apps has some difficult realities to confront until that day is reached.

Exclusive: *Economist* unveils enhanced tablet edition
(Mediaweek – November 19th, 2010)
Original Link: http://www.mediaweek.com/mw/content_display/news/magazines-newspapers/e3id2a9a8ed9c4a58a9fb4614b3cf8d4be9?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+Mediaweek-Magazines-And-Newspaper+%28Mediaweek+News+-+Magazines+and+Newspaper%29

The Economist has launched an enhanced version for the iPad and iPhone with a subscription option, addressing major sticking points magazine publishers have with Apple.

But it's unlikely others will be able to follow suit because most lack the Economist's preexisting online pay model.

Many magazine publishers saw the Apple tablet as a cure for their declining print fortunes, but its benefit has been limited because they haven't come to terms with Apple over a subscription option. As a result, most publishers are selling single issues only, at relatively small volumes.

But Apple let The Economist sell subscriptions directly because the title already charges for its content online, said Oscar Grut, managing director of digital editions for the Economist.

"What they want to make sure of is, you're not selling something new through the app," he said of Apple. "It's something that's already on the Web, and charged for."

The app combines a few models already out there, but seems unique in how it does so. Consumers can sample a free selection of articles or buy a single issue of the full print edition through iTunes, the model most common to magazines. They can subscribe to the Economist app directly, a la The Wall Street Journal. A subscription to the app is free to current print or online subscribers, which is similar to People's model.

With single-copy sales of the Economist app, Apple keeps the customary 30 percent of the revenue for itself. But with the subscription sales, which includes the app and online access, the Economist keeps the subscriber information and revenue.

The Economist app shows that mainstream, well-established publications with significant market share can set some of their own terms when it comes to both information and revenue, said Seth Kahan, a consultant who has worked with publishing companies on their digital strategies. "Customer information and CRM systems themselves are sources of innovation and leverage in the marketplace," he said.

The Economist charges a premium for its content and accordingly, has been protective of it.

While raising the prices of the print edition, the Economist has restricted its online content to subscribers. As of few weeks ago, it raised the paywall again so that non-subscribers can only view up to five articles per week.

And like the print version, the app edition doesn't come cheap. A single issue is $5.99, $1 less than the print. A yearly subscription costs $110, which is below the suggested retail price of $138 for a print subscription (but slightly above the average net price of $107).

The Economist continues to sell editions on the Kindle ($126 per year) and through digital newsstand Zinio ($127).

"Our view is that if you want to read our premium weekly content, it's paid for, and it doesn't matter what channel you choose," Grut said.

The Economist took a while to get its app ready for the iPad, which hit stores seven months ago. Grut said one challenge was building a system that recognizes subscribers regardless of which channel they come through.

Another was recreating the text- and graphics-heavy Economist for the small screen. (Part of the solution was to let users pinch and zoom charts and graphics without losing the layout.) The Economist also wanted to incorporate an audio feature so that users could have the entire issue read to them.

"You're trying to recreate your print magazine but redesign it to make the most of the medium," Grut said.