

Publishing Executive

Master Manufacturer:

Striving for Zero Returns on the Newsstand Our pipe dream is China's reality

By Steven W. Frye

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In today's electronic age, it's becoming harder and harder to justify our magazine business model anymore. We can longer claim that we are a cheap source of dispensing information.

We cut down trees, transport them to be ground into pulp, use energy and water to create paper, transport the stock to printing plants, print with inks (which go through a similar process in a petroleum-based market), mail magazines in an increasingly more expensive "snail mail" system, and/or ship them in a series of delivery trucks to every newsstand in America.

These magazines have a self-imposed average expiration date of 30 days (with the month of "relevance" printed right there on the cover), and thereafter are destroyed. We then rate their success on how many we sell, which currently averages around only 30 percent to 35 percent.

This is a huge waste of resources. And it always bothers me that once the next issue comes out, the current one is perceived as worthless. In most cases, however, that editorial and advertising is still relevant and has value. With sold copies it's called "pass-along" readership. Yet, unsold copies are deemed worthless and destroyed.

China's Model

It's different in China though. They have zero returns on newsstands. That's right—zero returns. Almost every magazine placed on the newsstands in China has a 100-percent sell-through. So if they can do it, can we?

There are obvious differences between our two systems, one being China's censorship of all media, but mainly, they do not have national distribution of any kind. Also, readers have a much smaller choice of publications than we do, but more importantly, they perceive magazines as a luxury item—not a cheap source of information.

Historically, many U.S. magazine publishers have thought they needed to keep the cover price as low as possible, believing that with every increase, they lost a proportional amount of subscribers.

But this conventional wisdom, like so many parts of our business model, doesn't seem to be working anymore. When I look around, the most successful magazines seem to be breaking all the rules.

While, with every postal and paper increase, many magazines got smaller with lighter paper, others grew in size and used very heavy stock. While some fretted over the inefficiencies of the postal, newsstand and advertising sales systems, as well as required auditing, others are distributing small, unaudited, but highly targeted, quantities and have no trouble selling ads.

So, I ask: Do we need to continue further wasting resources with our current newsstand distribution system or can we, too, sell nearly 100 percent of our newsstand copies?

How do the Chinese sell every magazine placed on their racks? It is simple, really. When the January issue (for example) expires and the February issue comes out, any unsold January copies are discounted in price. If, by chance, there are still January copies in March, they are further reduced until every copy is gone.

The Chinese understand that even though the issue is one day, one week or even one month old, it still has value. Magazines are a luxury item in China and are sold as such. Maybe it's time we think of magazines as a luxury item, too.

The Industry's Shift

If you think about it, our related industries may already be moving us toward that model by demanding high material costs. The paper mills shut plants and equipment to create a supply shortage with premium prices. Ink, packaging materials and energy are all on the rise.

Titles that are successfully breaking the rules get it. They understand that their readers will pay \$15 or more per issue, and advertisers are clamoring to get in. They make their book different, valuable and desirable.

Printed magazines cannot compete with cheap electronic media. We have become a luxury item whether we like it or not, and I suggest we grasp that concept and start remarketing ourselves as such. I believe our readers already see us as luxury item, or they wouldn't have bought the magazine in the first place. Our readers also use the Internet, yet they purchased our printed product for whatever reason ... other than a source of timely information.

It's common knowledge that publishers lose money with every issue they place on the newsstand. And now newsstand racks are shrinking because retailers aren't getting the revenue they earn with other products. Wal-Mart announced earlier this year it was eliminating 1,100 "nonperforming" titles. Grocery stores rather sell canned peas than magazines. Yet, except for mailed subscriber copies, newsstands are still the only place one can buy most magazines.

Potential in Dollar Stores?

Do we need to change our current system to survive? Can we learn from the Chinese?

In China, publishers, both Chinese and foreign-leased, produce for a regional market. Beijing publishers distribute within the northeast part of China, and Shanghai and Hong Kong publishers distribute within their respective regions. Publishers individually work out distribution with newsstand vendors to sell their products.

Readers in China are not used to mass amounts of printed media at their disposal, and all magazines are in great demand. Sales are expected to continue at an unprecedented rate.

Changing the perception of a magazine as a luxury item is one thing, but it is quite obvious we do not have the rack space available to put outdated copies on sale. The management of those issues would be complicated, time-consuming and expensive for a relatively small return.

I wondered if the series of "dollar" stores, which are in every town in America, could become our new newsstands. We could place copies in the stores, and all expired copies could be sold for a dollar. It would save waste, allow a longer life for the magazine's advertisers, and allow more titles to be made available.

What I found was that selling magazines in dollar stores is not a new concept. As a matter of fact, the Wal-Mart cuts have been reportedly linked to a successful program in which Meredith Corp. (though Meredith denies any link to the Wal-Mart cuts) was selling magazines and annuals through Dollar Tree stores at a lower rate than at Wal-Mart. A spokesman at Dollar Tree declined to elaborate on that deal, but stated that details were widely available on the Internet. He also said that Dollar Tree's partnership with Meredith was highly successful for both companies, and the company would be interested in discussing deals with other interested publishers. In an April 16 article in the New York Post, however, Andy Sareyan, president of Better Homes and Gardens and a corporate executive vice president for Meredith, is cited as saying the Dollar Tree program will be shut down at some point in the first half of the year. "It was a testing program," Sareyan told the Post.

The Chinese system of selling "old" copies at a discount until they were gone didn't seem to be attractive to Dollar Tree. They have the same issues with rack space as everyone else. But, they can offer a means for publishers to put out affordable magazines. Ad sales will benefit from these newsstand numbers.

Then maybe we can turn our current conventional newsstand racks into a premium source of purchasing luxury items. Travelers buy magazines in the airport because it is convenient—where and when they want it. I propose we price our conventional newsstand copies at a premium. Consumers already accept the fact that milk is more expensive at a 7-Eleven than at a larger grocer, but they'll pay the difference for the convenience.

Being in this industry for 30 years has allowed me to see the industry from many different perspectives. One that I didn't like, as a production manager, was the constant belief that the magazine had to do whatever it needed to get an advertiser in. We'd hold up deadlines just to accommodate late advertisers, and salespeople would promise the world to them. I tried to point out that it was the advertisers who needed us, because if they weren't in the issue, their competitors were. In other words, our magazine had value.

It's time we all realize that our magazines have value for what they are. We have to stop trying to be something we no longer are. Our readers see us as a luxury item, and our suppliers are selling at the highest historical rates.

We need to cut the waste that is inherent in our newsstand system. We need to charge a premium for the luxury of having the magazine delivered to the home, we need to charge a premium for the convenience of newsstand offerings, and we need to open new avenues of distribution.

If you are not already doing so, it is time to think outside the box. Challenge old methods. Dare to try new ones. Make a statement for the environment and minimize our old acceptance of material waste. The magazine market is changing. The question is, are you progressive enough to change, too? PE

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