

## Sub-Pricing vs Newsstand Sales Study

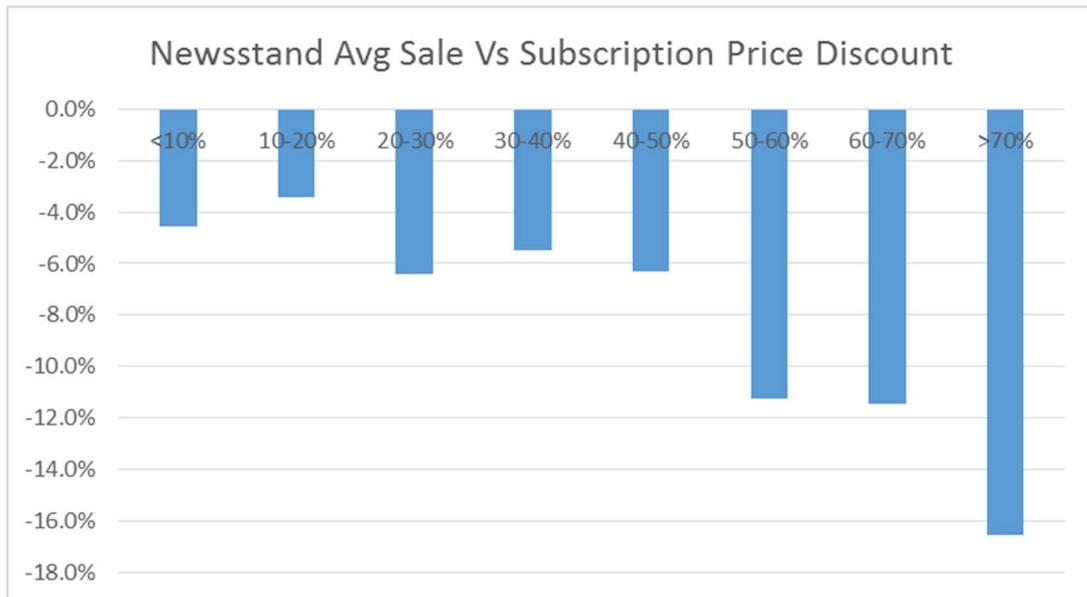
MagNet recently embarked on a research study in an attempt to determine the correlation between newsstand sales trends and the price of subscription magazines.

### Method:

MagNet gathered subscription pricing, publicly listed on popular websites, for 900 top titles. The most used site to gather subscriptions was Magazines.Com, as well as individual title websites. Additionally, blow-in card subscription prices for 50 of the top selling 100 regular frequency titles were aggregated and analyzed. For titles included in the study, newsstand sales trends were overlaid against current annual subscription pricing for the most current two year period available, which ended December, 2015. The title mix included monthly and bi-monthly titles, every major weekly title, as well as 70 of the top 100 selling titles nationally. SIPs and Bookazines were eliminated from the analysis as they generally are not offered as subscriptions, because they have no rate bases. The annual subscription price was compared against the annual price of purchasing those same number of issues at the newsstand to create a percentage discount that the subscription price represented over the retail price. Finally, the sub discount percentage was compared with the year-over-year newsstand unit sales trends in the final analysis.

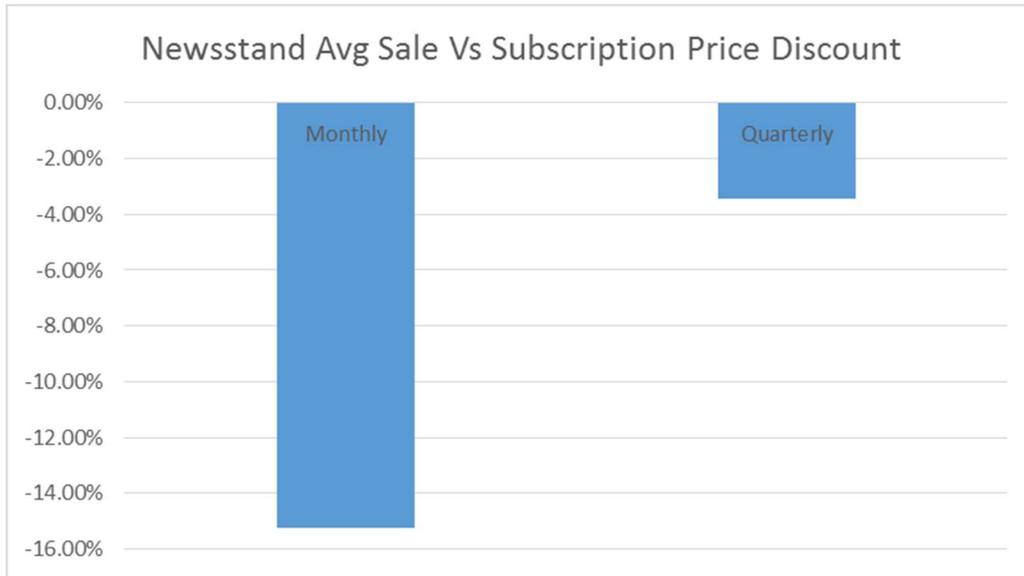
### Key Findings:

A strong correlation was found between the subscription discount percentage and the newsstand unit sales trends. For those titles that maintained a lower subscription price discount, the overall newsstand sales trends were much more positive, suggesting that consumers will purchase from the newsstand more often if the subscription price is more in line with retail pricing. These correlations are detailed in the chart below. As an example, titles that discounted their subscription prices less than 10% off of the newsstand price had sales declines of a little over 4%, while titles that discounted their subscription prices by over 70%, declined by over 16% at newsstand.



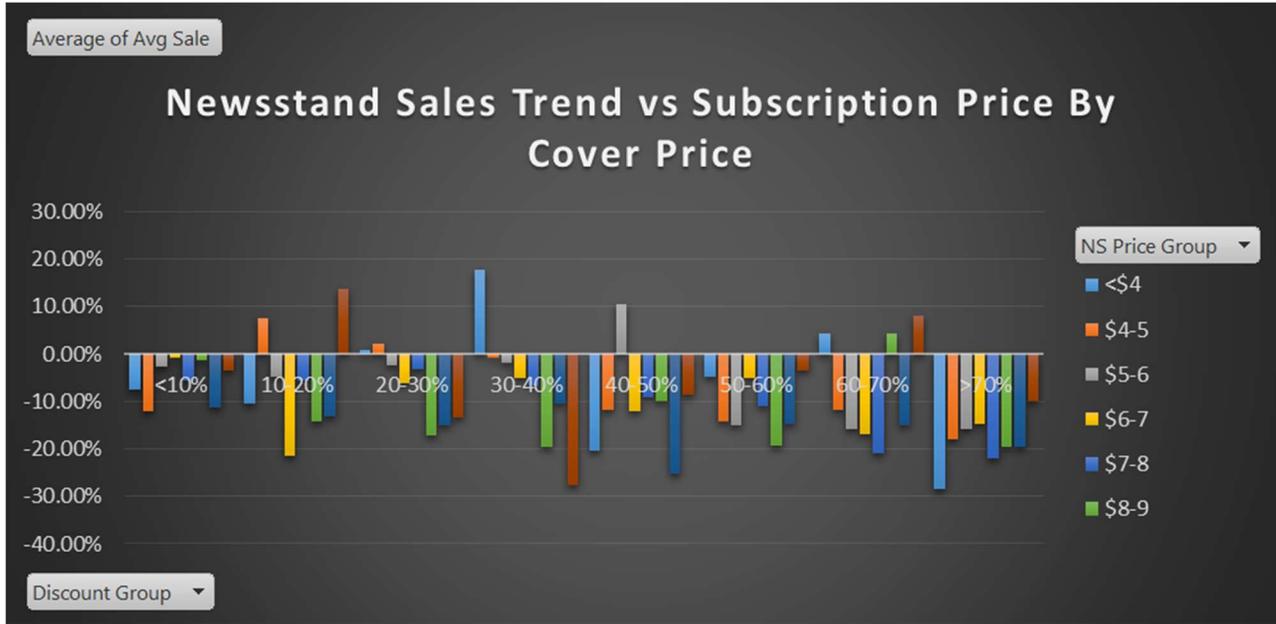
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The differences are even more pronounced when the results were split between title frequencies. The average subscription discount percentage offered was 27% off for quarterlies, while the average for monthlies was 63% off cover price. Monthly titles included in the study had an average newsstand sales decline of 15.2%, while quarterly titles included declined by only 3.4%, as indicated in the chart below.



It should be noted that there is a consistent pattern and correlation of decreased newsstand sales to higher subscription discounts off of newsstand pricing regardless of the retail cover price of a title. The overall worst performing group of titles in this slice are titles under \$4 that are offering a subscription discount of more than 70%. Their collective newsstand sales decline was nearly 30%. Yet other titles that sell for less than \$4 at newsstand that discount their subscription prices to their cover prices by less than 10%, had newsstand sales declines of about 7%, as depicted in the chart below.

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Blow-in cards were studied as well for 50 of the top selling 100 regular frequency titles. The purpose was to determine if the blow-in card discounts were on par with average subscription prices, or if consumers were getting a lower priced offer via the blow-in cards. MagNet found that the average discount offered to consumers via traditional subscription websites for these titles was 64.8%, while blow-in card discounts for these same titles was slightly higher, discounted 70.7%. The titles included had a 14.6% decline in unit sales. The top 100 selling titles which represent over 50% of newsstand sales have had the greatest aggregated decline in sales over the last five years, significantly impacting overall newsstand sales.

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### Conclusion:

While there are more detailed analyses that could be conducted, our findings clearly indicate a correlation between discounted subscription pricing and newsstand sales trends. Moreover, half of the top 100 titles, which include many weekly frequency titles and major monthly titles, that represent a majority of newsstand sales have increased their subscription offers to over 70% off the retail price. This has significantly incited newsstand buyers to no longer purchase copies at retail. Print circulation in the US is about 90% subscription and only about 10% newsstand, caused mainly by highly discounted subscription offerings because of publishers' strategy of overly aggressive rate bases in an attempt to drive print advertising revenue. As newsstand sales declined, wholesalers charged publishers additionally through margin and subsidy demands in order to stay in business. That has caused some major publishers to double down and provide even higher discounts off of newsstand pricing in their subscription offerings, exacerbating an already tough newsstand environment. We ask publishers to take a step back and reconsider their aggressive rate bases, their deeply discounted subscription offerings and to again refocus on the newsstand, which we believe is, or could again be, their most profitable circulation revenue source.

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