

The Magazine Category

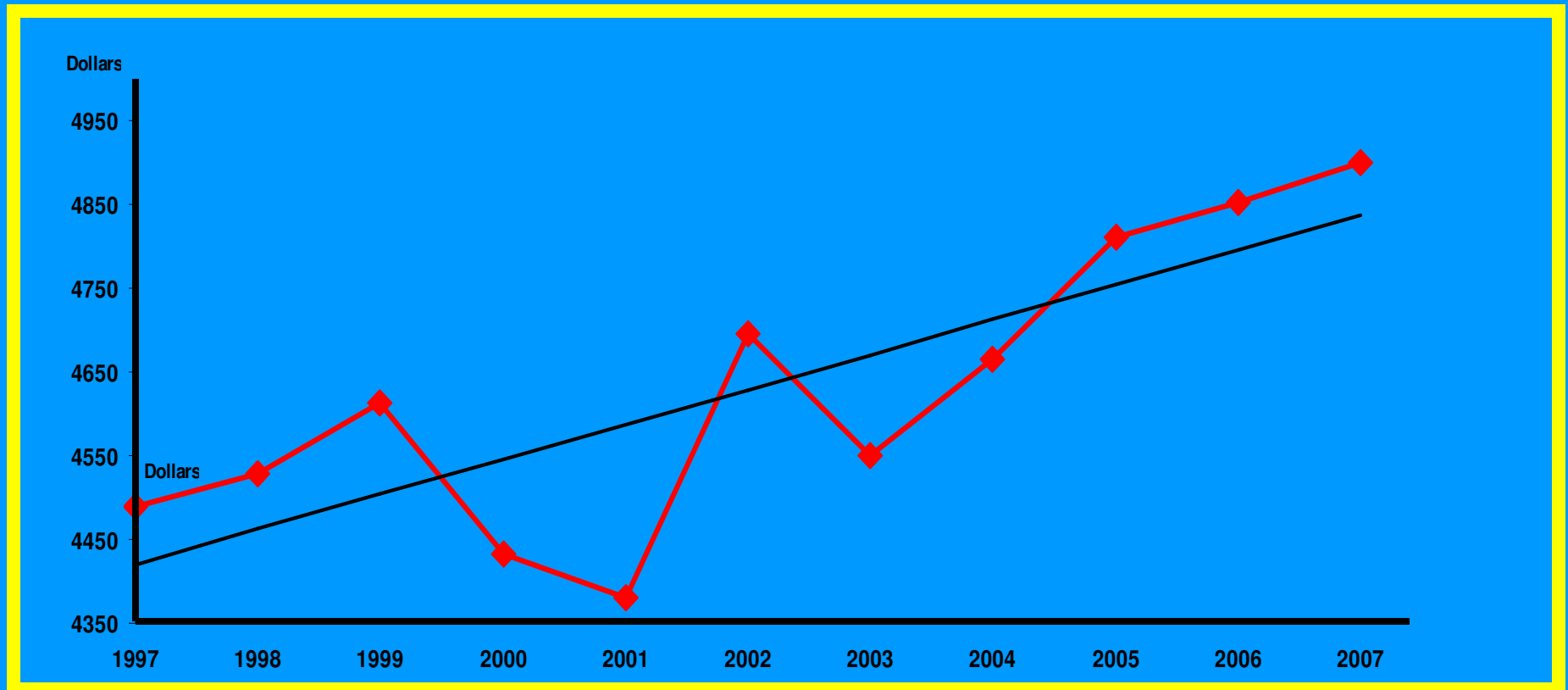
Unleash the Potential

Magazine Category Powerful Retail Fundamentals

- Strong Retail Sales Metrics
 - Retail Dollar Growth + Transactional Sales
- Magazines have High Customer Appeal
 - High Household Penetration, High Impulse, & Frequently Purchased
- Retail's Best Customers are Magazine Buyers
 - Appeals to "Big Basket" and "Elite/Influential" Customers
- Magazines have Entertainment and/or Informational Elements
 - Improve Customer Satisfaction
- Strong Brand Recognition
 - Magazines Often Support Retail Branding Efforts
- Superior Margins, Profits and Inventory Turns
 - DSD – Requires Little In-Store Labor Investment

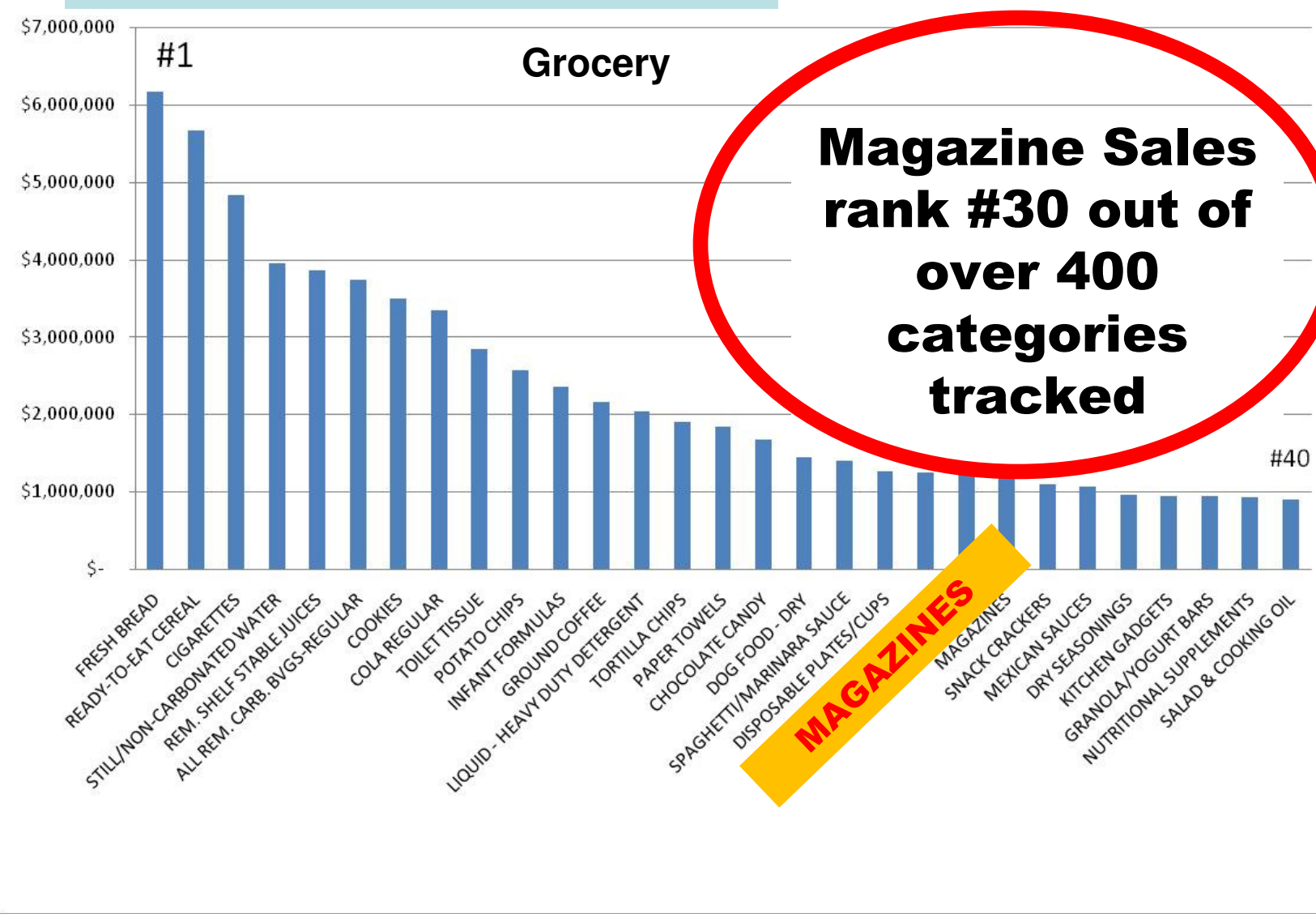
Magazines are a Power Category at Retail Generating in Excess of \$4.9B Annually

Total Retail Dollars Magazine Industry in millions



Magazines are a strong category in store

#1 Select Nielsen Top 40 Categories



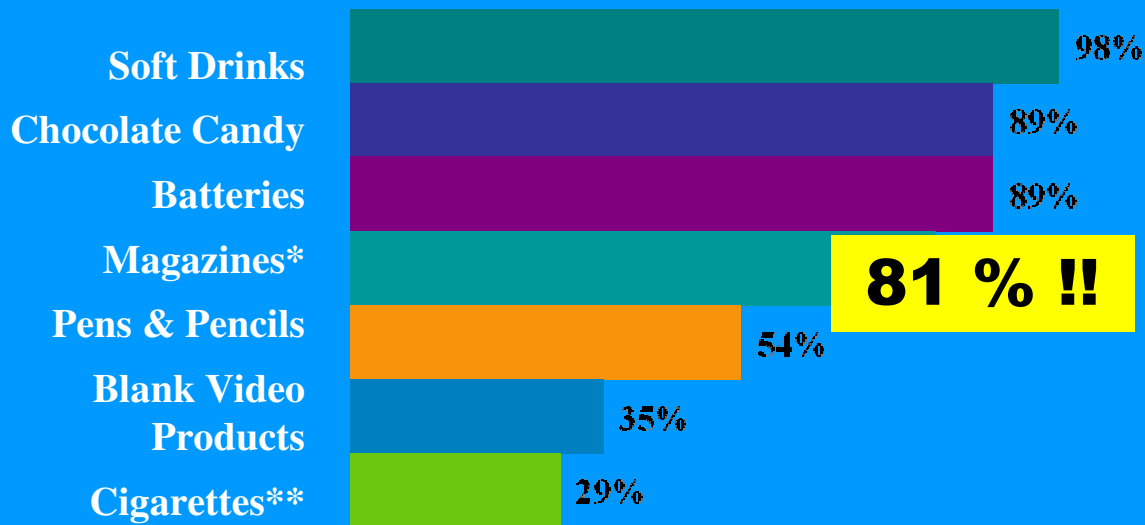
Magazine Sales rank #30 out of over 400 categories tracked

MAGAZINES

Magazine Household Penetration Compares Favorably

- 8 out of 10 households buy Magazines!

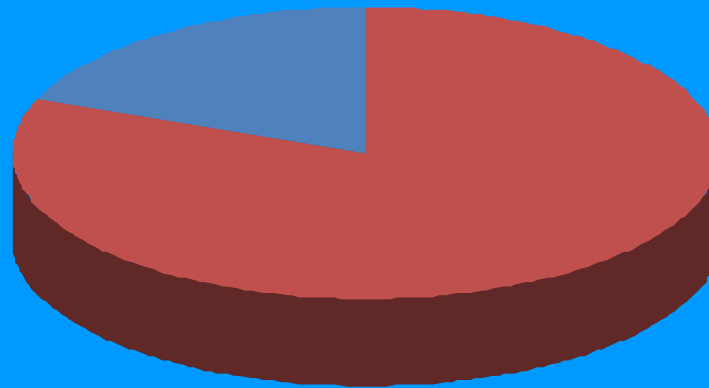
% Households Buying



Magazine Purchases - - Highly Impulsive

% of Magazine Purchases

Planned
19%



Impulse
81%

Optimum Merchandising = MAX GROWTH

Magazine Readers' Demographics are Appealing

• **Consumers who read magazines *heavily* are**

- **Affluent**
- **Educated**
- **Professionals**
- **“Influencers”**

Heavy Magazine Readers

Index vs. Total U.S. Adult Population

Median Age	40.1
Median Household Income	\$ 60,947
Median Value of Owned Home	\$ 228,279
Household Income	\$ 75,000+
Graduated College	116
Employed	111
Professional/Managerial	112
Top Management	125
Look at/Use Internet 3+ Times/Week	121

Source: MRI Fall, 2006

Magazine Readers are your “Elite” Customers

Magazines Create Demand for the Consumer Products Sold in Your Stores

Magazine Advertising Drives Consumption at Retail



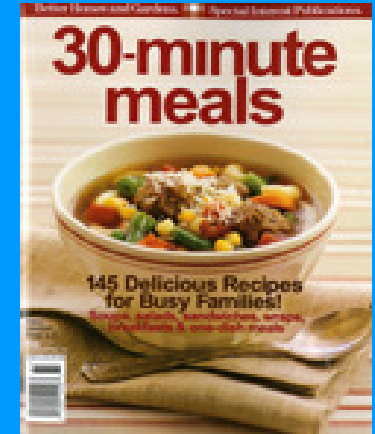
Magazines create a 'boomerang effect' by driving return shopping trips and generating incremental sales



Return to the Store to pick up...

Magazine buyers have more reasons to shop in your stores!

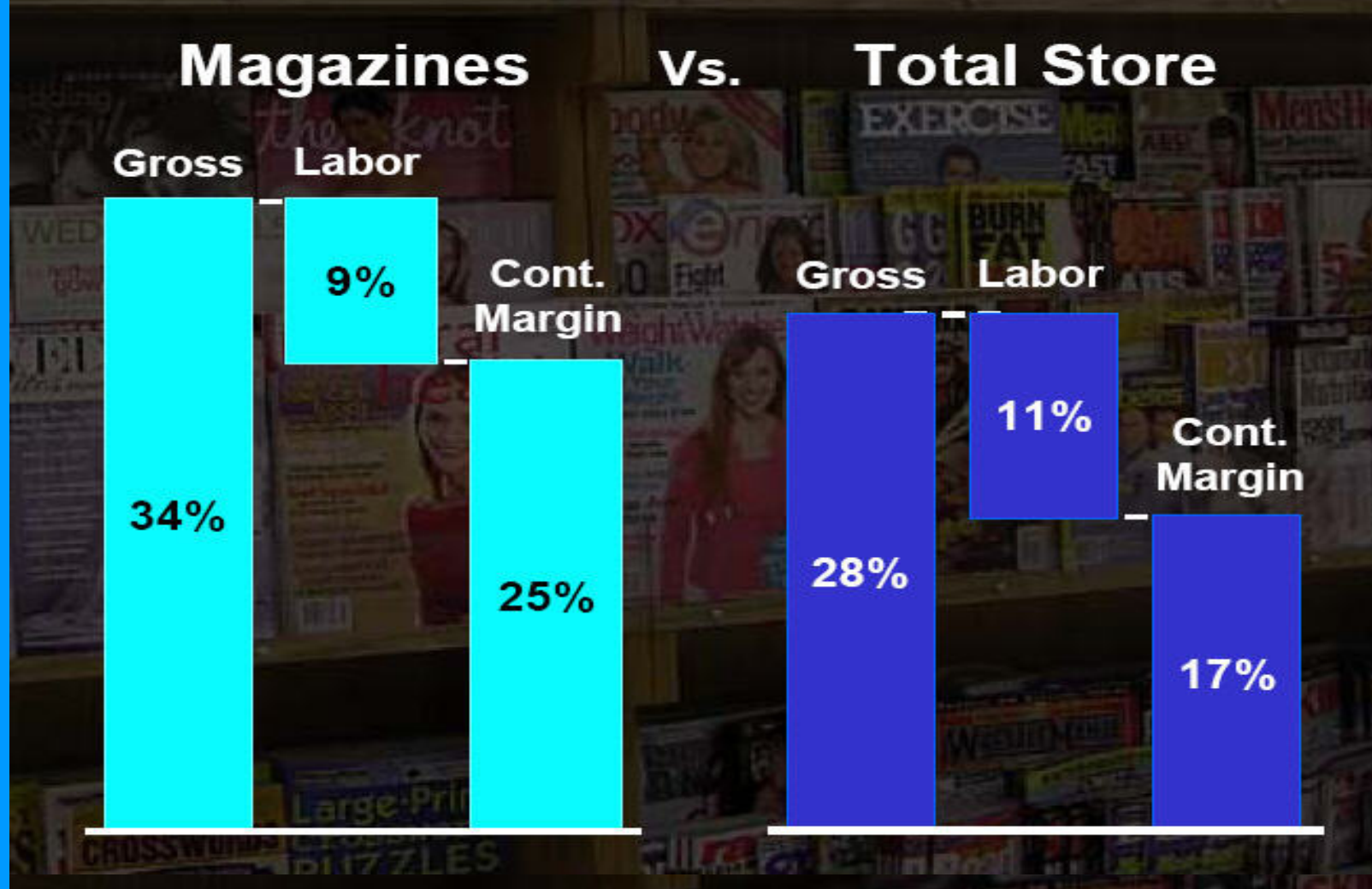
or buy and week...



Desirable Category Metrics

- High Margin, High Turn, Low Labor Investment

■ Superior contribution margin



Recent Studies Confirm that Bottom Line Profit in Magazines is Excellent

- 2007 Willard Bishop Grocery Superstudy
 - True per Unit Profit is .58 compared to .12 for GM and .26 for Grocery and .21 for HBC

Average Contribution Per Unit Sold
(Center Store Departments)

Financials	Pharmacy*	Frozen	Liquor	Dairy	Grocery	HBC	General Merch	Books-News	Magazines
Retail Price	\$58.49	\$2.75	\$10.96	\$1.96	\$2.24	\$4.46	\$3.22	\$1.85	\$3.25
COGs (Unit)	\$47.83	\$1.81	\$9.27	\$1.29	\$1.66	\$3.33	\$2.23	\$1.39	\$2.66
Gross Profit	\$10.67	\$0.94	\$1.69	\$0.67	\$0.58	\$1.13	\$0.99	\$0.47	\$0.59
Trade & Terms	\$0.00	\$0.03	\$0.00	\$0.02	\$0.02	\$0.00	\$0.05	\$0.09	\$0.42
Adjusted Gross Profit	\$10.67	\$0.97	\$1.69	\$0.69	\$0.60	\$1.14	\$1.04	\$0.55	\$1.01
ABCs	\$9.70	\$0.47	\$1.21	\$0.26	\$0.34	\$0.93	\$0.92	\$0.19	\$0.43
True Profit	\$0.97	\$0.51	\$0.48	\$0.43	\$0.26	\$0.21	\$0.12	\$0.36	\$0.58

Magazines are a Key Contributor to GM Profitability

- 2007 Willard Bishop Grocery Superstudy

- Magazines deliver over 16% of the GM profit with only 6.4% of the sales

Financials	Plastic	Greeting Cards gift wrap & Party	Sporting Goods	Small Appliance	Books-News	Magazines	Total Other	GM
Weekly Sales	\$3,949	\$3,694	\$83	\$79	\$1,094	\$2,673	\$30,034	\$41,606
COGS	\$2,659	\$1,791	\$59	\$56	\$819	\$2,189	\$21,048	\$28,614
Gross Profit	\$1,290	\$1,903	\$24	\$23	\$275	\$485	\$8,986	\$12,992
Trade & Terms	\$53	\$169	\$0	\$0	\$51	\$349	\$62	\$784
Adjusted Gross Profit	\$1,343	\$2,072	\$24	\$23	\$326	\$834	\$9,155	\$13,776
ABCs	\$676	\$1,491	\$44	\$49	\$114	\$353	\$8,105	\$10,832
True Profit	\$667	\$581	-\$21	-\$27	\$212	\$481	\$1,050	\$2,945
% of GM Sales	9.5%	8.9%	0.2%	0.2%	2.6%	6.4%	72.2%	100.0%
% of GM Adj. Gross Profit	9.7%	15.0%	0.2%	0.2%	2.4%	6.1%	66.5%	100.0%
% of GM True Profit	22.7%	19.7%	-0.7%	-0.9%	7.2%	16.3%	35.7%	100.0%

6.4%

16.3%

Still...Upside Opportunity Exists

Grocery Class of Trade	Macro Index
Top Chains	0.57%
Class of Trade	0.40%

Drug Class of Trade	Macro Index
Top Chains	0.48%
Class of Trade	0.31%

Mass Merchandiser Class of Trade	Macro Index
Top Chains	0.35%
Class of Trade	0.32%

Some individual stores can reach penetrations as high as 1.5% of ACV

How do we seize that opportunity?

“Opportunity Gap Index” - Retailer Worksheet

Drug Class or Trade	Macro Index
Top Chains	0.48%
Class of Trade	0.31%

Opportunity Scenarios	# of Stores	Store Weekly ACV	Chain's Annual Marketing Volume	Macro Index
	100	\$100,000	A \$1,248,000	0.24%
			B \$1,404,000	0.27%
			C \$1,560,000	0.30%
			\$1,612,000	0.31% * Class of Trade Average
			\$2,496,000	0.48% * Top Chains Average

Opportunity Gap
Chain C
Upside potential of nearly \$1 million
+60%