

Managing Agency Business, A Large Multi-Title Publishers Perspective

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Circ Day LA

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Our Philosophy

- **Visualize** – the big picture, ultimate goal and where we can get the best exposure for our titles
- **Strategize** – where are we going to obtain the optimal pricing and remit structure
- **Prioritize** – timing and delivery

New Corporate Strategy

- Negotiated better rates for various partnerships, sponsorships, etc. based on volume.
- Selected preferred vendors and have developed exclusive pricing/promotional opportunities.

Hearst, CDS, PPSB

- Hearst owns both a fulfillment house, **CDS** and an agency, **PPSB**.
- **CDS** is one of the largest fulfillment house, Hearst is one of it's clients.
- **PPSB** is one of the larger agent/clearing houses that is comprised of BRS (Cash Field), IMS (PDS) and APH (School Plan) programs.

Special Treatment?

- **No** - Hearst does not receive preferential treatment from CDS. We are treated on par with other large multi-title publishers.
- **Yes** - APH gives Hearst titles great featuring in it's school plan catalog. Cover images and ads are promoted heavily throughout.

Types of Agent programs

Hearst utilizes as part of overall rate base needs

- Cash Field and PDS
- School Plan Agents
- Direct Mail Agents
- Catalog
- Synapse
- Internet
- Telemarketing
- Sponsor - Individually addressed
- Verified - Public Place
- Loyalty Points
- Partnerships
- Digital

Cash Field

- Subscription agent sales where customer pays with cash or with credit card for order.
- Some of the larger CF agents are PPSB, NPE/USA Pubs, Subco.
- Sold through various channels:
 1. Inbound or outbound telemarketing
 2. Online
 3. Direct Mail
 4. Door-to-Door (no longer authorized by Hearst effective 2/07)

Cash Field - Door-to-Door

- Door-to-Door agents have had several pessimistic articles published exposing the seedier side of this business.
- In early 2007, prior to the first exposé printed, Hearst decided to deauthorize all Door-to-Door activity.
- We knew that a production loss would be inevitable but the negative aspects associated with this type of business is even worse.
- Since deauthorizing all D-T-D agents, we have discovered that many of our CF agents have made up for this shortfall by initiating more telemarketing & direct mail programs.

Cash Field - Sub Agent Monitoring

- Monitoring the various sub agents is a daunting job. Hearst is fortunate to have had the help of 2 consultants; Dawn Daughtery, Subscription Integrity Service and Bridget Wells, Periodical Watchguard.
- In order to have their orders processed at CDS, our fulfillment house, clearing agents are required to provide the Federal Tax ID/ISN numbers for all their sub-agents.
- We maintain a master list of over 7,500 sub-agents, in-house, which includes mailing addresses as well as ISN numbers.
- In the 2 years since we started aggressively policing, we have deauthorized over 200 rogue agents.
- We have also been working with postal inspectors to identify rogue agents involved in mail fraud.

PDS – Paid During Service

- Primarily sold through the phone and is promoted as a package of magazines (5 or more) for one low cost.
- PDS orders are multi-year subscriptions, up to five years, and customers pay for the subscription over time.
- Many publishers are scaling back on this type of business since the remit may be spread throughout the life of the subscription and additionally, cancel rates are often higher than other agent sources.
- The majority of cancels happen in the first six months.

School Plan

- Fundraising programs in which students sell magazines and are often rewarded with prizes. The school keeps 40 - 50% of the proceeds.
- School plan agents work with mostly middle and elementary schools.
- This business produces a high volume of subscriptions at a traditionally low remit.
- The money collected from the sale of each subscription is split 4 ways:
 1. The School
 2. The Agent
 3. The Publisher
 4. The Field Manager

School Plan Cont....

- The largest producing school plan agents are QSP, Great American Opportunities (GAO) and American Publisher's Hearst (APH).
- In order to generate subscriptions, ads, covers, banners and line listings are placed in the various catalogs.
- These various promotional spots are at a premium and can be costly.
- A publisher must evaluate if the expense of placing an ad will yield a sufficient volume of subscriptions to justify the ad cost.

Direct Mail

- Similar to Publisher's own direct mail efforts, agents purchase lists and re-mail to their own data base. However, DM agents mail packages include multi-publisher's titles.
- Publishers Clearing House and NPE/USA Pubs are two of the largest direct mail agencies and both have a sweepstakes component.
- This channel of business falls in the "Paid Category" on the ABC statement.

Catalog

- This type of business was traditionally clean – an agent prints a catalog of all available magazines as a steam-line method for various institutions to order magazines at basic prices.
- Remit to publisher is generally higher than most other agent sources.
- Catalog agents offer superior service to their customers/subscribers.
- Catalog agents have complained that some libraries and schools are using the internet to order their magazines and obtain better pricing.
- Recently, it has been brought to our attention that certain Cash Field agents/sub agents are infiltrating the Catalog marketplace by bidding on this type of business and offering libraries and schools magazines at unauthorized rates.
- Hearst feels that this practice is unacceptable and has taken steps to protect the integrity of this channel. We will de-authorize the agent from all channels when necessary.

Synapse – Multi-Channel Marketer

- An innovative marketer of over 1,000 magazine titles through various channels of business including; catalog companies, retail outlets, airlines, in-statements and the Internet.
- Most programs are credit card, continuous service, a feature that they patented. A credit card number is captured during the initial transaction and is used to renew until a customer cancels.
- Consists of multiple channels of business:
 - 1. Phone – Telemarketing up-sell of magazines when consumer is ordering a product seen in a catalog or on a infomercial.
 - 2. Print – Mail based insertions into credit card or alternate business (such as a utility bill) statement.
 - 3. Retail – Magazine up-sell at point-of-sale in retail stores.
 - 4. Internet- Web store up-sell of magazine at checkout.
 - 5. CAP (Miles) – Direct Mail effort redeeming airline miles for magazines.
 - 6. Sponsored/Verified – Subscriptions generated through online programs like Bizrate & FreeBizMag.

Internet

- Many websites sell Hearst titles but do not have direct authorizations.
- These sites need constant monitoring to ensure that magazines are being sold at authorized prices.
- This is especially crucial in a bonus or a reduced remit situation.
- E-bay agents take advantage of these circumstances and promote multi-year terms at low prices since low or no remit is being passed.
- We would like to have agents pass customer email addresses to us but have met with resistance.

Individually Addressed Sponsor

vs.

Public Place Verified

- Individually Addressed Sponsor copies go to appropriately targeted individuals where the audience and demographic matches the editorial content and advertising messages of the magazine.
 - The sponsor must have an affinity to the magazine and be deemed eligible by ABC.
 - The sponsor must be identified at onset of order or with the first issue served.
 - The sponsor must pay at least \$.01 net of all considerations (excluded from average price reporting).
- Public Place verified copies go to appropriately targeted locations where the audience and demographic matches the editorial content and advertising messages of the magazine.
 - No payment is required for copies distributed.
 - Delivery of two consecutive issues to selected public place location is required. Locations must receive an annual opt-out notification.
 - Requires disclosure of top five locations of copies delivered from ABC-standardized listing of locations.
 - Examples of public place locations are doctors offices, beauty salons, gyms, hotels, etc.

Loyalty Points

- The purpose of Loyalty Programs are to build brand awareness and increase sales volume of discretionary goods and services.
- Subscriptions that are classified as loyalty points are individually selected from a choice of various titles and other products.
- CAP Miles and My Coke Rewards are two examples of this type of program that Hearst utilizes.
- Consumers redeem the points they have earned from frequent flier miles & drinking Coke brand products for magazine subscriptions.
- Most publishers need to monitor the number of these types of subscriptions closely since they are frequently scrutinized by advertisers.

Partnerships

- Subscriptions bundled with other products or services at the point of sale (online, in retail store, over the phone) wherein the consumer is advised of the amount allocated to the subscription, and that amount is deductible from the package price.
- If a consumer does not want the magazine, they may opt-out and obtain a refund for the stated value of the subscription. This is called a deductible partnership.
- The refund language must be clearly stated.

Fundraising, the new trend?

- **New agent programs of all types, are now being developed/promoted with a fundraising element.**
- **Dial America, the leading telemarketing agent was the trail blazer giving 12.5% of the purchase price to a charities including Special Olympics, MADD, The Leukemia & Lymphoma Society, Big Brothers Big Sister etc.**
- **Meredith launched a Direct Mail program with a portion of its sales going to the Susan B. Komen foundation.**
- **PPSB has partnered with the Children's Miracle Network and are selling subscriptions in hospitals and donating a percentage of it's sales back to the organization.**
- **Most recently, a new Cash Field clearing house, Priority One, initiated a special bonus program called the MAD List, Make A Difference. A portion of the proceeds benefit worthy causes including; Cancer research, Diabetes Research, Children's Athletics, Literacy and Unwed Teenage Mothers.**

Digital Editions

- Zinio & Textarity are competitors in the digital movement.
- Hearst currently offers 8 titles digitally. Popular Mechanics is the most successful.
- Digital issues can be utilized for paid, sponsor & partnership programs as a cheaper alternative to printed issues. M2 is one agent that specialize in this type of distribution.
- A new rogue company called "Mygazines" is giving away free content of all top publications by scanning in the current issue. Zinio notified publishers and has sent a cease & desist letter.

In Conclusion.....

- Find agents who you can partner with and rely on to deliver subscriptions.
- Understand the various programs they offer.
- Ask questions of your agents.
- Know your publications needs and thresholds.
- Keep ABC/BPA rules in mind when authorizing.
- Maintain accurate records and files of all authorized programs.