

TULLY & HOLLAND

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The Demand Index

Direct Marketers | Demand & Circulation

3Q 2011 Analysis

Performance By Industry Segment

Tully & Holland has been collecting and reporting circulation and demand data for a group of direct marketers since the first of this year. Each week, 23 companies with sales ranging from \$5 million to \$400 million send T&H weekly demand and circulation figures compared to the prior year. Each week the group's combined results are reported to participating companies. This broad measure provides those companies a Demand Index by which they can measure their individual performance. The following analysis reflects demand and circulation performance over the nine months ending October 1, 2011.

Below, we share our 3Q 2011 findings. If you would like to participate and receive the weekly index, please contact me at rose@tullyandholland.com or at (781) 239-2900 x17.

As of the end of third quarter, demand for the participating group was up 3.5% year-to-date on a 3.8% increase in circulation. Demand has shown positive growth throughout the year, but the rate of that growth has slowed – down from a rate of 4.9% growth at the end of second quarter. Thirteen of the 23 reporting companies showed gains in demand. Four companies had gains greater than 10%. Circulation was still positive for the year, but the 3.8% increase was significantly lower than the 6.0% increase reported at the end of Q2. That being said, 13 companies had increased circulation versus the same period last year, seven of which had gains greater than 10%.

Performance by Industry:

We have subdivided the 23 companies into five categories which we feel accurately represent their industries. These five categories are: Apparel, Home & Accessories, Multi-Category, Hobby, and Business-to-Business. Since the sample size of the sub categories range from three to six companies, the findings are not statistically significant; however, we believe the sample is directionally indicative of the strengths and weaknesses of the various segments.

YEAR TO DATE PERFORMANCE THROUGH OCTOBER 1, 2011

	Percent of Companies With Increases in Demand	% Change in Demand	% Change in Circulation
Apparel	25%	(2.5)	(11.7)
Home & Accessories	50%	4.0	(4.1)
Multi-Category	83%	6.8	10.4
Hobby	50%	4.5	21.9
B2B	67%	2.9	2.9
TOTAL	56%	3.5	3.8

The weakest reported category is **Apparel**. Year to date demand was down 2.5%. Only 25% of the companies showed an increase in demand. Circulation for this group was also down 11.7% indicating that the management of these companies not only anticipated the weak demand but also responded accordingly.

The **Home & Accessories** category reported strong growth with a 4.0% increase year to date. Half of the companies increased demand year to date, with several showing significant strength. Importantly, the positive growth of this category coincided with a 4.1% decrease in circulation, pointing to potentially strong profits for this segment.

The **Multi-Category** group, which is comprised of six companies, reported an increase in demand of 6.8%. This growth reflected year to date demand increases at over 80% of the companies, with one company gaining more than 10%. Unfortunately this healthy increase in demand resulted from a costly 10.4% increase in circulation. Only one company in this group showed a decrease in circulation, while half had an increase of greater than 10%.

The **Hobby** group reported a 4.5% gain on a very large, 21.9%, increase in circulation. Three fourths of the companies were approximately even in demand with last year, while only one had very strong year to date results. All of the companies had circulation gains over 10%. Profits for companies in this group might be under pressure.

Finally, the **Business-to-Business** sector had a modest 2.9% gain in demand. This increase however reflected a circulation increase of 2.9% for this group, with only one company reporting a decline in circulation.

While the changes in demand and circulation vary by sector, overall reporting shows an increase in demand roughly equal to the growth in circulation. This leads us to believe that profitability amongst the group is even with last year. Importantly, we expect fourth quarter to continue to show modest growth versus 2010, keeping the full year comparisons in positive territory.

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