

TULLY & HOLLAND

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The Demand Index

Direct Marketers | Demand & Circulation

2012 Q2 Analysis

Multi-Year Performance Analysis

Tully & Holland has been collecting and reporting circulation and demand data from 20 direct marketers since January 2011. Each week these companies, with sales ranging from \$5 million to \$400 million, confidentially send T&H weekly demand and circulation figures compared to the prior year. Each week the group's aggregated results are reported to the participating companies. This broad measure provides those companies a Demand Index by which they can measure their individual performance. The following analysis reflects Q2 demand and circulation performance for 2012.

Second quarter 2012 results improved upon an already impressive start in Q1. Cumulative year-to-date demand increased to +4.7% up from first quarter's positive results of +3.7%. This increase occurred despite a year-to-date circulation decline of -1.6%. Fourteen of the 20 companies saw positive demand growth for the quarter. Of those companies, 8 had double digit increases in demand. Of the 6 declining companies, 2 had double digit decreases.

Performance By Industry

In the subsequent chart, the 20 companies are sub-divided into five categories which best represents their respective industries. Since the sample size of the sub categories is small, the findings are not statistically significant; however, we believe the sample is directionally indicative of the strengths and weaknesses of the various segments.

	Average YTD Change in Demand	Average YTD Change in Circulation
Apparel	5.0%	7.0%
Home & Accessories	5.6%	0.9%
Multi-Category	2.2%	-10.7%
Hobby	-2.2%	2.3%
B2B	11.6%	-10.2%
Total	4.7%	-1.6%

The **Apparel** category year-to-date demand remained up +5.0% in second quarter, possibly fueled by a front loaded +23.3% increase in Q1 circulation. During second quarter, circulation moderated, resulting in a year-to-date increase of only +7.0%.

Despite an almost flat first half circulation reporting, **Home & Accessories** category demand continued to grow but at a slower pace than first quarter. Year-to-date demand increased to +5.6% vs. +8.2% at the end of first quarter. The slowly recovering housing market is likely supporting this category despite the relatively flat circulation.

The **Multi-Category** group reported a cumulative increase in demand of +2.2% through Q2 despite a -10.7% decrease in circulation. Both numbers were consistent with the results through first quarter. The continued large decrease in circulation combined with the up tick in demand should result in healthy profits for these companies. This year's decrease in circulation is probably in response to last year's nearly +12% increase which resulted in only a +5.7% increase in demand.

The **Hobby** category has been the weakest category in the first half 2012. This sector reported a -2.2% demand decrease despite a +2.3% increase in circulation. Through second quarter only one of the companies continued to report an increase in demand. As with the Multi-Category companies, the measured circulation increase may be in response to last year's disappointing demand results despite a surge in circulation.

Finally, the **Business-to-Business** category continued its upward demand trend boosting its year-to-date performance to a +11.6% gain from a +5.5% Q1 result, despite a -10.2% decrease in circulation. This was the strongest category in first quarter and it continued the trend in second quarter. Profits should be strong for this group as we head into the second half of 2012.

Overall, 2012 is shaping up to be a strong one. For the majority of the industry groups, demand is up on lower circulation leading to the potential of higher profits for those sectors experiencing continued growth.

If you would like to participate in the Demand Index and receive weekly reporting, please feel free to contact me.

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