

TULLY & HOLLAND

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The Demand Index

Direct Marketers | Demand & Circulation

2013 Fourth Quarter Analysis **Performance By Industry**

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 demand and circulation performance for reporting direct marketers during 2013.

Demand continued to improve from the end of Q3 through the fourth quarter of 2013. Median company Demand was up 5.7% in Q4 2013. A solid October 2013, up 5.3%, was followed by a weak November 2013, up only 0.4%, and then a very strong December 2013, up 13.1%.

For the year Demand was up 3.3%. This is the third year in a row that Demand increased between 3.0% and 4.0%. The steady growth of the overall industry contrasts with the wider variance in yearly Circulation increases and declines. 2013 Circulation was up 6.8% highlighting the Demand optimism many companies had for 2013. Unfortunately that optimism was not fully rewarded for all sectors.

Performance By Industry

In the chart below, the 20 companies surveyed are sub-divided into five categories which best represent 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 performance by the various segments.

	Average YTD Change					
	Demand			Circulation		
	2013	2012	2011	2013	2012	2011
Apparel	-3.1%	6.6%	-2.5%	6.9%	16.0%	-11.9%
Home & Accessories	-4.1%	4.1%	4.9%	3.1%	-4.2%	-2.3%
Multi-Category	7.4%	-0.7%	5.7%	7.0%	-11.2%	11.9%
Hobby	3.5%	1.3%	6.4%	9.2%	2.6%	13.3%
B2B	11.4%	9.1%	2.7%	7.8%	2.0%	-2.5%
Total	3.3%	3.9%	3.8%	6.8%	-0.4%	2.4%

Source: Company Submissions and T&H Analysis

The **Apparel** category's Demand remains soft. 2013 Demand shrunk -3.1% from last year. This is the only category that has had Demand declines in 2 of the 3 years since the start of this Index. Given the large increases in Circulation both this year and last, we would expect profits for some companies in this category to be severely pressured.

Demand for the **Home & Accessories** category was down -4.1% in 2013 after two years of gains. However, this category had the smallest increase in circulation among the five categories in 2013, and had been very conservative in both 2012 and 2011. It seems safe to say that the recovery for this category has ended, and now a slow growth strategy would be prudent.

The **Multi-Category** group reported an increase in demand of +7.4% alongside a 7.0% increase in circulation. After anemic 2012 Demand, likely caused by deep circulation cuts that year, the increase in Demand in 2013 was likely fueled by the increase in Circulation.

Hobby category performance improved, but not as much as another year's significant increase in Circulation. A 9.2% increase in Circulation drove an increase of +3.5% in Demand for the year. Circulation has increased each year since we started the Index, but Demand increases have yet to justify the Circulation. Since 2011 cumulative Demand is up 11.6% on Circulation increases of 26.9%.

Finally, the **Business-to-Business** category continued to be the strongest category for the second year in a row. Demand was up +11.4% in 2013, accompanied by a +7.8% increase in circulation. This is the third year in a row that Demand gains outstripped

Circulation increases. Since 2011 Demand has increased 24.8% while Circulation has increased only 7.2% - a very strong performance.

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

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