

# Label Focus - Reader's Digest



## General Background

Reader's Digest is one of the best known brands in the world and the company was originally formed as a magazine publisher in 1922 in America. Since then it has grown into a global multi-media company whose scale of operations is impressive:

- Offices in 45 countries
- Customer base of 100m households in 79 countries
- 68m books, music & video products sold across the world each year
- 65 branded websites generating 18m unique visitors per month

## Reader's Digest Music offer

Reader's Digest began selling music in the UK in 1960 and since then has been one of the leading outlets within the Home Delivery channel.

Their music offering is characterised by the large multi-disc sets which today tend to comprise three, four or five discs (as shown in the charts above). Their sales are not captured by OCC and so do not feature in the charts or OCC's market statistics. All releases are compilations and/or catalogue re-issues. All products are RD branded and the annual level of sales is considerable:

- Music is marketed in 41 different countries
- Each year more than five million music collections are sold globally, equivalent to at least 20m single disc CD albums
- The average selling price of a five disc set is €69
- All leading genres are covered - Pop, MOR, Country, Nostalgia and Classical

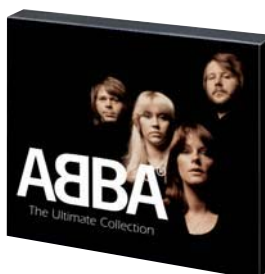
Repertoire is both owned by RD and licensed from all four majors and many independents. These licensing arrangements have long been established as a valuable source of incremental income for record companies of all sizes.

## Best Sellers All Time

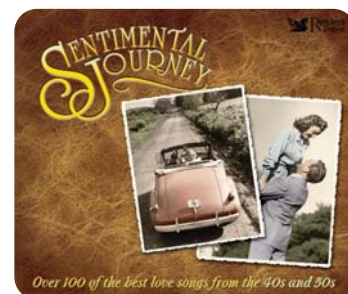
1	Various Artists	The World's Most Beautiful Melodies (3CD)
2	Various Artists	Magic Of The Pan Pipes (5CD)
3	Various Artists	The Love Collection (5CD)
4	Various Artists	Sounds Of The 60s (3CD)
5	Various Artists	Country Classics (3CD)
6	Various Artists	Great Ladies Of Song (5CD)
7	Various Artists	Discovering The Classics (3CD)
8	Various Artists	The Ultimate Ballad Collection (5CD)
9	Various Artists	The Golden Age Of Rock 'n' Roll (3CD)
10	Abba	The Ultimate Collection (4CD)

## Best Sellers 2008

1	Various Artists	Melodies To Remember (series) (3CD)
2	Various Artists	In The Mood – The Dance Band Years (5CD)
3	Various Artists	Sentimental Journey (5CD)
4	Various Artists	The Magic Of The Musicals (4CD)
5	Various Artists	Music Of The British Isles (5CD)
6	Various Artists	Essential Pop Collection (5CD)
7	Luciano Pavarotti	The Definitive Collection (4CD)
8	Various Artists	Songs Of Hope And Freedom (4CD)
9	Abba	The Ultimate Collection (4CD)
10	The Bachelors	The Very Best Of (3CD)



Two of the best selling titles in 2008



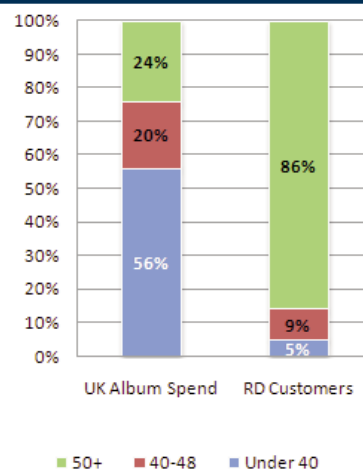
## The Customer Base

Readers Digest's customer base is skewed noticeably towards the older age groups - their core customer is aged 55 and over. As the graph to the right shows, this is vastly different from the profile of the general UK album market.

Their own research shows that a significant proportion of their customer base only buy from Reader's Digest and they rarely buy music in high street outlets.

This combination of factors makes Readers Digest attractive to licensors and partners - the current titles on offer include sets by artists such as Elvis, Chris de Burgh, Dusty Springfield and Lesley Garrett.

## Customers' Age Profile



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## Marketing

RD's music marketing resources are primarily focussed on converting new and existing book and magazine customers into music buyers. There is therefore comparatively little 'external marketing'.

Each release is subject to rigorous research and testing to determine the strongest customer proposition and to fine tune the track content of each compilation.

Reader's Digest undertake major 'bulk mailings' with its customers either for single product offers or mini-catalogue offerings and these can deliver sales of up to 50,000 for the most successful CD sets. At retail prices of between £29.99 - £39.99 for 3-5 disc sets, it is easy to see that these can be significant generators of music revenue.

## The Future

As household penetration of broadband continues to rise, an increasing share of Reader's Digest's marketing activity is moving from direct mail to electronic direct mail. Also, like any other record company, Reader's Digest is actively seeking to generate new revenue streams and has secured a series of deals with companies such as iTunes, Nokia and The Orchard to exploit their own extensive catalogue of owned content. There have also been developments to move into other direct channels such as radio and TV.

Although the majority of music sales are accounted for by physical format sales, digital is beginning to establish itself as part of the company's increasingly diverse revenue mix.

A selection of new and forthcoming releases

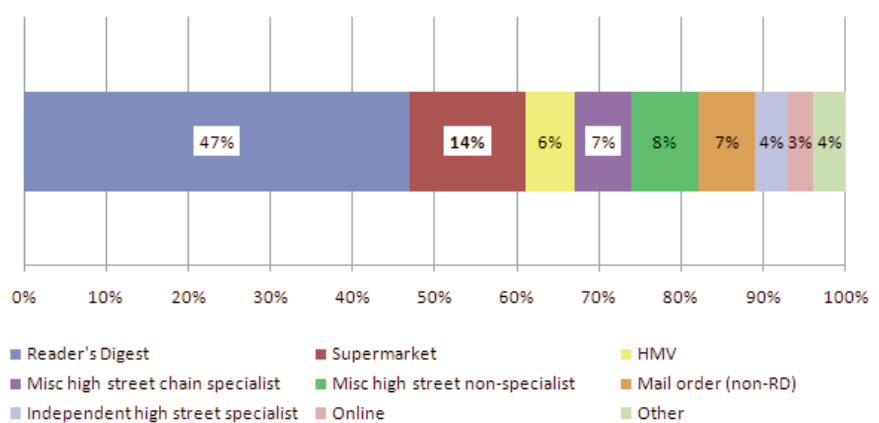


## Customer Loyalty

As the graph to the right shows, Reader's Digest's customers are very loyal. It shows which retail outlet they used most often. Almost half (47%) said Reader's Digest and although the survey sample was people who had bought from them, this is still a high score.

Supermarkets were the second highest category and as might be expected from a sample comprising slightly older consumers, specialist music retailers recorded relatively small shares. In fact, further questioning revealed that 46% had not bought music from a bricks and mortar outlet in the past 12 months.

Most Often Used Source for Purchasing Music



## Choice of Music

The graph to the right shows what sort of music Reader's Digest's customers prefer. Four genres scored much more highly than the rest - Easy Listening, Sixties music, Light Classical and Country music were chosen by between 45-50% of those questioned. Rock music in contrast was chosen by less than a quarter of those surveyed.

Such preferences obviously inform Reader's Digest when compiling CD sets and licensing repertoire from third parties and it also explains the mainstream nature of a high proportion of their releases.

What Types of Music Do You Particularly Like to Listen to?

