



Reader's Digest –A marketing miracle!

Mr. A. Peer Ismail

Associate Professor, Department of Commerce, Dr. Zahir Hussain College, Ilayangudi. – 630 702

Dr. P. Chilar Mohamed

Associate Professor, Department of Commerce, Khadir Mohideen College, Adirampattinam - 614 701

ABSTRACT

This case is written to explain the genesis of Reader's Digest and entrepreneurial spirit. The idea of Reader's Digest was rejected, and convinced by the idea the entrepreneur ensured success worldwide across different cultures and geographies. How was it even possible? The present case traces its history and provides you some insights. Please answer the questions the end of the case to understand some of the issues relating to entrepreneurship.

KEYWORDS: :**Setting**

The reader's Digest is a monthly catering to the needs of family reading; its customers are all the members of the family starting from grandparents to youngest who can read. The Audit Bureau of Circulation says Reader's Digest is the best-selling magazine in the United States, with a circulation of over 10 million copies in the United States, and a readership of 38 million. Reader's Digest reaches more readers with higher household incomes of comparing to Fortune, The Wall Street Journal, and Business Week combined. Global editions of Reader's Digest reach an additional 40 million people in more than seventy countries, with 50 editions in 21 languages including a Spanish language. Although *Reader's Digest* was founded in the U.S., its international editions make it the best-selling monthly magazine in the world.

The magazine's worldwide circulation including all editions has reached 21 million copies and over 100 million readers.

The beginning and its present

The first international edition was published in the United Kingdom in 1938 and was sold at 2

Shillings. The reader's Digest is currently published in 50 editions and 40 languages and is available in over 61 countries. In 2006, the Reader's Digest continued to expand, marketing three more new editions in Slovenia, Croatia and Romania. Its 49 foreign editions, which account for nearly 50% of its trade volume, are controlled from the American headquarters. Except for 2 or 3 articles in each local event, they are composed of articles taken from United States of America and other editions, creating a mix of articles from many regions of the globe. The selected articles are then rendered by local translators and the translations edited by the local editors to make them match the "well-educated informal" style of the American edition. It covers areas such reprints, original stories, about health, politics, faith, word power, positive thinking, inspiration, heroic true -life dramas, and humor, gives a glimpse of its diverse appeal. A casual reader could guess that it would might do fairly well in the marketplace. But the sheer volume of appeal is phenomenal. When this idea was debated and it was so original every publisher rejected the idea. It all started with DeWitt Wallace who was sent out of high school in 1907 at age seventeen. He enrolled after one year at the University of California, from which he dropped after some time. Wallace went to work at his uncle's bank in Colorado, where he started reading... He started keeping a scorecard

The file is summarizing the better articles he had run across. After a few years, he moved back to St. Paul and got a job writing promotional literature for a magazine called *The Farmer*. One day, while looking at government pamphlets, he realized that most farmers had no idea that the helpful information existed. Wallace put together a pamphlet describing available publications and set out in a car to sell it to banks in rural areas for goodwill distribution to their customers. He sold 100,000 copies in the Midwest of United states of America. While lying awake in a Montana bunkhouse, he began thinking about doing something similar for a general readership. In 1916, he went back to

St. Paul to work as a mail-order manager for a greeting card company. Not satisfied with his job, he enlisted in the army when World War I broke out. In France, half his battalion was killed and Wallace was hit with shrapnel in the neck, nose, abdomen, and lungs. He spent the remainder of his army duty in a French hospital. While there, he filled the time by reading American magazines. The writing style at the time was more Victorian than what is written today. Sensing the difficulty of the flowery language and his experience with less educated men, Wallace began rewriting some of the articles, shrinking them in length while keeping as many of the author's original words as possible. He came to the conclusion that most could be shortened by at least 75 percent without losing their flavor or meaning. By the time Wallace returned to the States in 1919, he had perfected the technique of "condensing" popular literature. In January 1920 he put together a sample copy of what he was already calling *The Reader's Digest*. The first copy was released on February 5th, 1922. It was similar to what the *Digest* is now, containing thirty –one shortened articles "of enduring value and interest," reprinted from other publications with titles like "The Art of Opening a Conversation," "How to Regulate Your Weight," "What People Laugh At," and "America's Most Popular Crime." He had several hundred copies of the dummy printed up and sent them off to publishers all over the country. All he wanted was for one of them to pick up the idea and provide a job of editor. Instead, he got rejection letters from every one of them. A few included reasons: The editor of the Woman's Home Companion wrote to him stating that the magazine only carried articles because it was necessary to attract advertisers, so why would she be interested in a magazine in which articles were the whole point? Only William Randolph Hearst was even faintly encouraging- he wrote that the *Digest* might in time hit a circulation peak of 300,000 subscribers, but that he said he will not touch such small projects. Wallace had spent all his money on the prototypes and was discouraged. He met his childhood friend Lila Bell Acheson, who was working as a social worker for the YMCA. Wallace took a job in Pittsburgh does promotional work for Westinghouse. But lost her job. Acheson married, and encouraged him to publish his magazine himself. He started soliciting potential subscribers one by one from lists of doctors, nurses, professors, and teachers. Over the next several months, Wallace invented the personalized direct-pitch mailing that the *Digest* used successfully years later when computers became available: "Dear John Smith, How are things there at 1313 Mockingbird Lane. The only problem was that this was decades before computers made the job easy. For four months, Wallace himself typed the individual opening page of the mailings, describing his new publication, offering a money- back guarantee, and asking for a subscription to it. Provisional subscriptions and funds began coming in small amounts. When the Wallaces had received \$5,000 in subscriptions, they borrowed another \$1,300 and published five thousand copies of *The Reader's Digest*, February 1922, Volume 1, and Number 1. It ran to sixty-two pages with

No illustrations, no color, a cover that was the same white stock as the inner pages, and no advertising (the *Digest* has successfully upheld its policy for thirty three years of no ads). The Wallaces moved to New York and rented a small Greenwich Village office under a speakeasy at 1

Moneta Lane. When the first five thousand copies came back from the printer, the Wallaces hired some barflies from upstairs and some women from a "community club" down the street to wrap and address them. They mailed Volume I out that night, excited but scared. They spent all their luck that they collected for annual subscriptions, and then some, and

had published only one issue. If any significant number of subscribers decided to take them up on their money -back guarantee, they were destroyed. In fact, they'd be bankrupt if they didn't find a whole new bunch of subscribers quickly to pay for the next issue. To save money, they sublet one room of their apartment. To their luck nobody cancelled. More importantly, word-of-mouth started bringing in a steady stream of new subscriptions. Within six months, they had seven thousand subscribers. Feeling cramped by the stacks of magazines and correspondence, the Wallaces rented a cottage in a small town with the absurdly euphonious name of Pleasantville, where *Reader's Digest* headquarters remain to this day. Acheson read articles and marked topics for inclusion; Wallace made the final selections, condensed the

articles in long hand and arranged for permissions from publishers. By 1925, the circulation went up to 16,000, and they began employing staff. By 1929, circulations reached two lakhs and reached 14.5 lakhs by 1936. In 1949, they began *Reader's Digest* Books, offering condensed versions of popular literature. The Wallaces continued at the top of the organization for next five decades. They became rich and gave more than 100 million dollars to charitable, educational, religious, arts and political organizations. Both died in their nineties in the early 1980s.

Questions

- 1) Trace the entrepreneurial skill of Wallace. Find definition of "Entrepreneur", by J.B.Say and relate to what kind skill Wallace displayed.
- 2) What are the factors you attribute to success of *Reader's Digest*?
- 3) *Reader's Digest* direct mailer is one of the oldest forms of communication and still being used. What is the reason for its success?
- 4) One of the traits that is promoted by *Reader's Digest* is "Positive Thinking". Please take past six magazines and find the articles relating to positive Thinking.