

BUSINESS

SkyMall loses its captive audience



At SkyMall headquarters in Phoenix, Jennifer Williams, left, Liz Ford, Rita Jevicky and John Fischer talk about products in 2014. SkyMall filed for bankruptcy protection Thursday. (Laura Segall / LA Times)

By **Hugo Martín**

APRIL 27, 2014, 5:00 AM

PHOENIX — Inside an industrial building next to Phoenix Sky Harbor International Airport, about a dozen product scouts meet daily to discuss their search for the next Garden Yeti.

This is the headquarters for SkyMall, the in-flight catalog that reaches an estimated 600 million travelers a year via the seat pockets of nearly every domestic flight. The yeti is one of the catalog's all-time bestsellers — more than 10,000 statues since the magazine started 24 years ago.

Could the next big hit be a foam beach pillow that can conceal two beers? A shoulder saddle to carry a toddler? A dry-erase board that can stick to any surface?

"We want people to look through the catalog and say, 'Oh, my God, why didn't I think of that?'" said Matt Genandt, 35, one of the product managers.

The meetings take on a new urgency these days, as a new era of passengers packing smartphones and

tablets means the catalog has lost its captive audience. SkyMall lost \$3.2 million in May through September of 2013, the only period reported in detail by its new parent company, Xhibit Corp., an Arizona marketing firm.

Analysts warn that SkyMall must modernize or join the Montgomery Ward and Sears catalogs on the scrap heap of retail history.

"SkyMall feels to me like it's in a time warp," said New York retail consultant Bob Phibbs. "It looks the same as it always has."

For the last two decades, SkyMall has been a symbol of America's love affair with kitsch and a respite for bored airline passengers. But the magazine needs a digital game plan to avoid domination by other online retailers such as Amazon.com.

"They need to look at new products," Phibbs said. "How many elevated pet food bowls do I need?"

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— Bob Phibbs, New York retail consultant

The [Federal Aviation Administration](#) eased restrictions last year on the use of portable electronic devices, allowing passengers to keep their smartphones and tablets powered up during takeoffs and landings. And about half of domestic flights offer wireless Internet access.

SkyMall Chief Executive Kevin Weiss says he understands such market realities.

"Like everything else, we have to evolve," he said.

Weiss is ready to invest more in online sales but said he won't turn away from the company's long-held business motto of selling "the coolest stuff on the planet."

SkyMall product managers travel to toy conventions, electronics expos and inventors conferences to hunt for those products. They also review the dozens of submissions sent each week by inventors and manufacturers.

Over the last two years, the hottest sellers have been a bed with storage drawers under the mattress (\$300 to \$600); a super-slim neck pillow (\$20); shirts that squeeze in bulging bellies (\$30); framed photos that spell out the names of colleges (\$50); and T-shirts specifically made for guys named Bob (\$20).

But the Garden Yeti — a rosin statue of the mythical ape-like creature — remains the company's unofficial mascot. The statue comes in three sizes, medium (21 inches tall), large (28 inches tall) and life size — nearly 6 feet tall and 150 pounds for \$2,250, plus \$225 for shipping.

The catalog was the brainchild of Robert Worsley, who was an accountant in 1989 when he came up with the idea of enabling travelers to order stuff through the phones that were installed in many seat backs during the 1980s and '90s. Under Worsley's original plan, SkyMall would deliver the ordered items to the gate when the passengers landed.

"If you can deliver a pizza in 30 minutes, why not deliver a product to the airport?" he said.

That concept failed, partly because travelers didn't want to lug a resin yeti or an automatic cat litter box from the airport. But delivery aside, Worsley soon found that weird, hard-to-find products were the hottest sellers.

He refined the SkyMall business plan and sold the company in 2001 for about \$47 million to Gemstar-TV Guide International Inc. Worsley's 30% ownership was converted to Gemstar stock. He retired from the company in 2003 and is now a state lawmaker in Arizona.

Gauging the financial history of SkyMall is difficult because until recently it was a privately owned company and has traded hands several times.

In the last few years, SkyMall has been bought and sold by private equity firm Spire Capital and then by Bookspan, a direct-to-consumer media distributor, in 2012. SkyMall merged with a subsidiary of Xhibit Corp. last May.

In a financial report for the first nine months of 2013, Xhibit reported that SkyMall generated \$27.6 million in revenue. SkyMall officials said the magazine makes about 40% of its sales in the last three months of the year because of the holidays.

But Xhibit has yet to file its financial report for the last quarter. Instead, it issued a notification March 17 saying that it would be late in filing with the [Securities and Exchange Commission](#). In that notification, Xhibit said it expects the company as a whole to report a net loss of \$9.1 million on \$74.4 million in revenue for 2013.

To increase online sales, SkyMall plans to spend \$2.5 million on technology improvements over the next few years, including an upgraded website with more video and an app to let readers point their smartphone camera at an item in the catalog and buy it with a tap on the phone's touchscreen.

SkyMall earns much of its revenue by taking a cut of the sales. It relies on the manufacturers and

retailers to ship the products directly to the buyers.

For inventors, the catalog provides exposure to 90% of domestic travelers in the United States. Selling in SkyMall paid off for David Coffaro, a Pittsburgh entrepreneur who invented an alarm clock specifically made for naps that lets people set a timer for increments of 15, 30 and 60 minutes.

He said he sold about 100 "Napper" clocks, at \$14.99 each directly through SkyMall after it appeared in the catalog in winter 2012. But he said he sold an additional 8,000 through his own website thanks to the SkyMall exposure.

"There was a huge uptick in sales," Coffaro said.

The catalog also can be entertaining reading for passengers with time to kill.

"I always look at it," said Heather Hannam, a physical therapist from Oregon, who was leafing through SkyMall during a short vacation in Phoenix. "It makes me smile."

It also made her spend. Hannam bought jewelry and a resin face that can be attached to a tree.

"I don't ever plan on buying anything when I open the catalog," she said. "I have to really want it."

The catalog's reputation for odd, frivolous items has made SkyMall a cultural icon, with references to the catalog showing up in episodes of popular television series such as "Breaking Bad," "Weeds" and "How I Met Your Mother."

At SkyMall headquarters, the product managers meet in a windowless conference room. They sit around a long table cluttered with new gadgets, toys and clothes.

They rate the items on a scale from 1 to 33, based on whether the products are unique, entertaining, multifunctional and help solve problems. An item that gets a score of 17 or lower doesn't make it into the catalog but may still appear on the SkyMall website.

The managers try to choose items priced at \$50 or more. SkyMall's most expensive item is a high-tech massage chair that sells for \$7,999.

On a recent afternoon, three men and six women launched into a show-and-tell session that was broken up by jokes, giggles and teasing. They tested the gadgets and donned samples of the clothes.

Among the items they reviewed were framed photos of famous golf courses (it scored 23 points) and a dry erase board that can stick to any surface (27 points). The foam beach pillow in the shape of a wedge got a score of 30 points.

Product manager John Fischer has been scouting for two years. When he discovered the Saddle Baby, he figured he had found a big seller. It's a hands-free saddle that adults can wear on their shoulders to carry toddlers. He strapped it on to show how it works, netting a score of 27 from the group.

"It's great for when you are out hiking, at a parade or a mall, whatever," he said.

When it was his turn, Genandt demonstrated a Breathalyzer-style device that connects to a smartphone and displays blood-alcohol levels on the phone screen. Score: 22.

"Is it accurate?" one of the product reviewers asked.

"If someone unlocks the liquor cabinet," Fischer joked, "I'll give it a whirl."

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