

Tower Systems Newsagent Benchmark Report: November 2007

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I apologise that this first report has taken so long. It's been a challenge to compile something which will be relevant given the diverse mix of newsagencies from which we received data. I hope it works for you. Our next report will be produced much sooner. Mark Fletcher 0418 321 338

INTRODUCTION

This is the first of what we hope will be a series of benchmark reports comparing the trading experienced by participating Tower Newsagents for a selected period. Given the differences in newsagencies, we are, at the moment, focusing our attention on a selected number of trading departments. We are not looking at the whole of the business nor business expenses and to that extent our analysis could be considered a sales benchmark only.

DATA SET

We received data from 43 newsagencies. This data was in the form of the **Monthly Sales Comparison Report** which laid sales data (unit sales and revenue) by department for the whole of November 2007, compared this with November 2006 and listed the variance.

PROCESS

We laid out all the reports received and looked for trends. We focused on the departments of Cards, Magazines, Newspapers and Stationery since all businesses share these in common. For Cards, Magazines and Newspapers we look at unit sales and for Stationery we look at revenue. We were only interested in changes records from one year to the next – so the size of the business did not matter. For magazines we undertook a category analysis for around half of the participants – those who provided the MPA category analysis report.

FINDINGS

- **Cards. Average year-on-year growth in unit sales: 6%.** One newsagency reported growth of 35% and one with a decline of 26%. The majority showed growth, including those with a high base of 4,000 cards a month or more. Of those showing a decline, several were in rural areas and operating off a low base – 1,000 cards sold a month or less.

I was interested to calculate the average card price for each store. This ranged as low as \$3.25 and as high as \$5.75 – a big difference between businesses. I could not find any correlation between price and growth.

If your newsagency did not achieve growth in November it would be appropriate to open a conversation with your card supplier(s), ask them for a year on year performance report as they see it for the last quarter. Take a look at your layout, is your card offer clear to browsers?

- **Magazines. Average year-on-year decline in magazine unit sales: 2%.**

Most newsagencies recorded significant falls in the Women's Weeklies segment – usually 10% or more and many of these were off a high base of 2,500 Women's Weeklies sold in a month or more. In rural and regional areas the fluctuation is not as great as seen in city locations.

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The most significant growth was in Partworks, Special Interest titles, Crafts, Crosswords and Motoring.

Supplementary research showed that stores which had undertaken specialist magazine work reported less bad news. By specialist magazine work I mean more than supplier requested displays, special offers and the like.

There was no significant difference between rural and city newsagencies.

Given the mix of stores reporting growth, it is reasonable to assume that there are growth opportunities in magazines.

If your newsagency declined more than 1% in November you need to either have a clear explanation as to the cause or a strategy for turning the situation around.

- **Newspapers. Average year-on-year decline in newspaper unit sales: 5%.** Many recorded drops of 10% and more. Rural newsagencies recorded less of a drop, some even recorded an increase. Most newsagencies in the city recorded a drop. One exception was a convenience model newsagency showing double digit growth.

To see a drop of more than 20% off a high base – more than 10,000 newspapers in a month – is a shock to any newsagent. Two newsagencies participating in this benchmark saw this.

This drop in newspaper sales is contrary to what the newspapers themselves report so the sales must be coming from outside the newsagency channel.

Newsagencies showing growth achieved this naturally and outside of specific promotions from what we can determine.

- **Stationery. Average year-on-year growth in stationery revenue: 4%.** However, if I take out the top five and bottom five performing newsagencies, the benchmark becomes a decline of 4%. This is a poor result for a department over which newsagents have complete control.

The top five newsagencies achieved stationery revenue growth of 25% or more. This is extraordinary. In some cases it has come as a result of specific work while in other cases it has happened because of natural growth.

What did surprise me was the overall contribution of stationery in the revenue mix. It is lower than I expected. I hear about big players in stationery and expected to find more like them. In fact, the *average* stationery revenue for November across the benchmark stores was \$7,000.00. Given the importance newsagents appear to place on stationery I expected an average number of \$10,000+.

I'd note that I use revenue as the measure for stationery because of the significant difference in product mix across newsagencies and the changes in items purchased through the year.

COMMENT

What does all this mean? At this stage, to be frank, not much – other than providing you with some rough comparative numbers against which to measure your newsagency.

Mark Fletcher. January 7, 2008.