

Tower Systems Newsagent Benchmark Report

December 2007

HEADLINES FOR DECEMBER 2007

- Newspaper and magazine sales fall 7% in the city and 3% in the country.
- Card sales increase 6% in the city and 1% in the country.
- Stationery flat in the city, strong in the country – up 13%.

INTRODUCTION

Benchmarking means different things to different people. In the context of this report, it refers to the tracking of changes, year on year, in unit sales and revenue for several key product categories in participating newsagencies – for the period analysed.

This project is being undertaken exclusively by Tower Systems using data from newsagencies using the Tower software. The results are published so others may compare their results for the same period and thereby measure how their business is performing.

As with any business report, the numbers and words are useless unless they lead to action. This could be in the form of a deeper review of the performance of your business or the making of immediate changes designed to drive your business.

Our goal is to guide newsagents to better business decisions through better use of their computer systems. Tower Systems welcomes any opportunity to help you in this mission.

DATA SET

Newsagencies participating: 39. City: 19. Regional / Rural: 20.

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 December 2007, compared this with December 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. We analysed number of sales as well as revenue – this is different to what we did last month.

We were only interested in changes recorded from one year to the next – so the size of the business did not matter. For magazines we undertook a category analysis for 75% of the participants – those providing magazine sales data broken down by MPA categories.

We removed data from two or three newsagencies in some categories where a local one-off situation dramatically impacted data. For example, where two shops merged into one.

FINDINGS

In response to feedback last month, we represent below year-on-year variance data in a table for easier reference. The table shows variance (revenue and quantity) between December 2007 over December 2006 for four key product categories. Compare this data to your business. Please turn the page for our commentary.

	CITY		REGIONAL	
	QTY	REV.	QTY	REV.
Cards	6%	10%	1%	3%
Magazines	-4%	-3%	-6%	-4%
Newspapers	-7%	-10%	-3%	0%
Stationery	-2%	9%	10%	13%

- **Cards.** This is an important product category for newsagents – the growth in city and regional demands more careful attention at store level. With several stores – located in static marketplaces - reporting revenue growth of greater than 15%, it is clear that proactive management of the category can drive sales.

- The difference between city and regional in the data is a surprise and the opposite of what we expected to see.
- There does not appear to be a connection to card company in the results.
- Several stores reported significant growth in Christmas product on the back of greater attention to boxed cards.
- Very little discounting was involved in the card sales in December.
- **Magazines.** While one must be careful given that the data is for one month only, the poor numbers in the city and regional areas are concerning. That said, given the percentage of the business contributed by magazines, they remain a key department.
 - Women's Weeklies and Women's Interests are the segments in the most trouble. Some stores are showing a drop in sales of in excess of 20%.
 - Special Interest, Partworks and Food & Wine are three categories which, overall, are showing healthy growth for a second month in row.
 - Talking with a couple of newsagents, there is no doubt that growth can be achieved through more intense management of the magazine category. We know this from our own newsagencies at Forest Hill and Frankston – segments on which we focus have responded with sales growth.

One approach to the decline would be to accept that this is the cycle we are in, that it is to be expected. Such an attitude will drive further decline. The business approach would be to aggressively focus on magazines, to obsess about them. Around 60% of magazines newsagents carry they do so exclusively. Doing this well could drive greater customer loyalty and help other parts of the business.

- **Newspapers.** There is little good news in the newspaper numbers – primarily because they continue to be inefficient. On average, in a city based newsagency, 70% or more of customers purchasing a newspaper purchase nothing else. In regional areas, this sold alone percentage drops to 60% - still not that great. Magazines, for example, are only purchased alone around 40% of the time.

- As one would expect, the decline in the city – where people are more mobile and prone to using other technology – is steeper.
- Daily capital city newspapers are the problem. Local newspapers appear steady.
- Foreign language titles are strong, showing good growth. Maybe newsagents need to take these more seriously.
- Weekly titles are showing some growth.

Newspapers are at the core of the habit of visiting a newsagency. Many customers purchasing only a newspaper today will buy a lottery ticket tomorrow and a card another day. This is one reason their decline has to be assessed and responded to.

One reason for the decline is that newspapers are in more outlets, another is the stronger push for home delivery over retail and another is the loss of newspaper readers to the Internet and other mediums.

Our challenge, and the challenge for publishers, is to make newspapers relevant and compelling in our retail story.

- **Stationery.** Some good news in Christmas sales of stationery for city and regional newsagents. Given the broad mix of products, the only assessment measurement for stationery is revenue. Both city and regional show good growth.
 - The revenue range for stationery in participating newsagencies is considerable – from \$2,000 a month through to \$49,000 for the month.
 - There are some stellar success stories – newsagencies delivering year on year growth of 30% and more in stationery revenue.
 - Very few stores reported revenue decline in the year-on-year comparison.
 - For stores providing access to category data, pen refills and pen sales delivered the most notable growth in December.

- Most newsagencies report ink sales in stationery, few report it separately. This is a distinction worthy of consideration since it's clearly a growth category.

OTHER DATA

We were interested to see excellent growth in gifts and confectionery.

There is significant fluctuation around Bill Express – some show growth of 100% and others a decline of 50% - transactions range between 10 a month to 300 a month.

We can't tell anything about calendars because most newsagents do not have them in a separate department. This is odd because those that do are showing sales for December in excess of \$5,000 – excellent business given the margin to be had if you do it right.

The overall average sale value from the pool of newsagencies for which we have data is \$6.95. At the high end the figure is \$8.85 – not including lottery, Western Union and bill payment. Focusing on the basket and getting existing customers buying more is clearly beneficial. As to how you do this, marketing groups are the best starting point.

COMMENT

Compare the data in this report with that from your newsagency. Good software will provide easy access to comparing two periods on the one page including variance. Don't be a set-and-forget newsagent. Embrace change and chase growth! Our hope that that this report helps you drive your business to greater success. If we can help in that, please let us know.

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