

Tower Systems Newsagent Sales Benchmark Report

June 2007 through January 2008

NEWSPAPERS, MAGAZINES TAKE A HIT IN SALES IN NEWSAGENCIES AS REVEALED IN NEW INDUSTRY BENCHMARK STUDY

A comprehensive benchmark study of sales in newsagencies analysing data for the eight months to January 31, 2008 and comparing this to the same period a year earlier has revealed serious falls in sales of newspapers and magazines.

The results of the benchmark study shows:

- Newspaper sales fall 4.8% in the city and 3.51% in the country.
- Magazine sales fall 7.5% in the city and rise 1.2% in the country.
- Card sales increase 3.9% in the city and 4.8% in the country.
- Stationery down 6.3% in the city, strong in the country – up 5.2%.

The benchmark study, the third and most comprehensive conducted by Tower Systems, is a possible indicator of consumers migrating from traditional paper based news and information sources to online. There were indications of this in previous studies but the one month period was not enough. This study, covering an eight month period shows an established fall in sales.

The purpose of the benchmark study is to inform newsagents about trends across their channel so that they may make more informed business decisions about future product mix, floor space allocation and the viability of some supplier relationships.

The results are published to all newsagents as a free service from Tower Systems.

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: 89. City: 54. Regional / Rural: 35.

This data was in the form of the **Monthly Sales Comparison Report** which laid sales data (unit sales and revenue) by department for the period of June 2007 to January 2008 and compared this against data from June 2006 and January 2007.

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.

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.

Where there was a question about data integrity we reviewed the data in detail until we were satisfied. We removed data from two or three newsagents in some categories where a local one-off situation dramatically impacted data. For example, where two shops merged into one.

FINDINGS

We represent below year-on-year variance data in a table for easier reference. The table shows variance (revenue and quantity) between June 2007/January 2008 compared to June 2006/January 2007 for four key product categories. Compare this data to your business. Our commentary follows.

	CITY		REGIONAL	
	QTY	REV.	QTY	REV.
Cards	3.9%	5.1%	4.8%	5.1%
Magazines	-7.5%	-3.2%	1.2%	3.1%
Newspapers	-4.8%	-3.5%	-3.1%	-3.0%
Stationery	-9.6%	-6.3%	0.0%	5.2%

How does your business compare to these sales benchmark numbers? This is the core purpose of this benchmark study – to provide you with numbers against which you can compare your business.

DEPARTMENT ANALYSIS

- **Cards.** Cards are a commercially valuable category, delivering good year on year growth and a healthy margin on sales – more valuable than many newsagents assess based on the time I see spent on the category.
- Christmas sales were especially strong. From what I see from some suppliers, newsagents performed okay over Christmas – holding steady on market share.
- We know from sales data from other channels that newsagents are close to holding their own in terms of broader year on year unit sales growth.
- The stores reporting higher growth tended to be more proactive in the category as one might expect. They are active in driving new stock, refreshing areas

around the card department, making sure displays pop and returning under performing stock.

- It is common to see cards also displayed outside the card area during seasons.
- Discounting is not playing a big role in driving sales.
- **Magazines.** Given that the periods compared span eight months, the significant fall in unit sales of magazines is most concerning.
 - Women's Weeklies led the fall with many stores reporting falls of 10% or more. Newsagents ought to be concerned about this category.
 - Special Interest and Partworks lead the growth categories with the former registering double digit growth in half the stores in the benchmark study. This is important because newsagents cater to the special interest marketplace almost exclusively.
 - Teen, Motoring and Computing are categories which appear to be in difficulty.
 - The newsagencies using a loyalty program and undertaking aggressive in-store marketing initiatives in the magazine department are showing the best result – this could be slower falls in sales or even growth in some of the troubled categories.

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. Promoting around this could drive greater customer loyalty.

- **Newspapers.** Like magazines, there is little good news in the newspaper numbers. Newsagents appear to do little to drive over the counter sales – nor do publishers beyond sports cards and DVD type programs. Personally, I'd like to see a real loyalty program developed for retail newspaper customers. They do it in the UK with success.

- 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, 4.8% over the benchmark period, 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 continued good growth. Maybe newsagents need to take these more seriously.
 - Weekly titles are showing some growth, however this is patchy.

Newspapers are at the core of the habit of visiting a newsagency. We need to find a way to visually refresh the newspaper offer. We could do this through innovative merchandising, eliminating the out of date posters and using technology to make newspapers more relevant.

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.** Given the broad mix of products, the only assessment measurement for stationery is revenue.
- City newsagents appear to be in trouble with stationery whereas their rural counterparts are enjoying growth.
 - Traditional categories are in trouble from the data I see – pens, writing pads, labels, rubber bands. The trouble begins with newsagents not

looking at what is happening, not analysing the performance of their business as has been done for this report.

- The revenue range for stationery in participating newsagencies is considerable – from \$1,000 a month through to an average of \$35,000 a month. So, the opportunity is strong.
- In several newsagencies we have seen year on year revenue growth from stationery of 30% and more. These are businesses which act aggressively in the category.
- In the city newsagencies, the decline was as high as 25% in one location.
- The decline in the city appears to be across all categories of stationery. It is as if newsagencies are not on the radar for stationery as much as they were a year ago.
- Most newsagencies report ink sales in stationery, few report it separately.

COMMENT

The data I have seen in undertaking this analysis is troubling. Three core categories – newspapers, magazines and stationery – are struggling at best and in deep difficulty at worst. These categories go to the heart of the newsagency offer.

We (newsagents) cannot sit by and watch decline in our core categories. If we do not act, we risk losing relevance to consumers.

We must take action to shore up the performance of our core categories while urgently evolving our businesses into new areas of revenue.

This latest benchmark study ought to serve as a wake-up call to newsagents. The format of decades ago is not as relevant today.

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