

NEWSPAPER AND MAGAZINE SALES FALLING IN NEWSAGENCIES

Newspaper and magazine sales in newsagencies have fallen, on average, by almost 5% year on year in a same-store study of sales data from sixty three newsagencies just completed.

The results of the Tower Systems newsagent sales data benchmark study shows:

- Overall retail sales up, on average, 2%.
- Newspaper sales fell 4.8% in the city and 2.3% in the country.
- Magazine sales fell 4.5% in the city and rose 2.2% in the country.
- Card sales increased 3.3% in the city and 2.3% in the country.
- Stationery sales fell by 7.8% in the city, and 2% in the country.

The benchmark study, the fourth and most comprehensive conducted by Tower Systems, provides more evidence of consumers migrating from the newsagency channel and migrating from traditional paper based news and information sources to online.

The study also grouped newsagencies by size of magazine sales.

- In this analysis of newsagencies with \$200,000 a year in magazine sales and higher, the year on year results showed the top performing store achieving magazine unit sales growth of 5% and the bottom performing store achieving a decline of 7%.
- In the group of newsagencies with less than \$200,000 in sales, the range was between 12% growth and 8% decline.
- Crosswords is the category pulling the best growth with increases achieved in most newsagencies, even off a high base of annual sales of more than \$25,000 in some cases – this shows growth is available for those who chase it.

In many newsagencies, sales for the Women's Weeklies category is where the biggest sales hit in the magazine department was felt.

How to compare your newsagency.

It you use the Tower Systems newsagency software, run the **Monthly Sales Comparison Report** for 01/07/07 through 30/06/08 compared with 01/07/06 through 01/06/07. This report will compare revenue and units sold by department and category for the two periods.

If you do not have the Tower software, print a sales report showing revenue and units sold by department and category for the first period and the second period and manually compare the two.

Newsagencies where a more entrepreneurial (aggressive) approach is taken to magazines appear to have fared better than others in this study, even in the challenges Women's Weeklies category.

By aggressive I mean newsagencies where more than nice displays are created. This usually involves a magazine relay twice a year, a co-location strategy, active counter promotion, cross-department promotion and world class customer service.

With magazines accounting for between 25% and 50% of sales in newsagencies, it is appropriate, even essential, for newsagents and their team members to pay attention to the challenges presented here.

While some would prefer I not write about the challenges of magazines and newspapers, the data demands to be discussed. These departments are at the core of our businesses. Understanding the challenges will navigate us to the best response.

FINDINGS

Beyond the doom and gloom of magazine sales results, the performance of stationery is a shock. This is a department over which newsagents have considerable control yet seem unable to compete effectively. It was hard to find a newsagency with good news in stationery. By good news, I mean good growth achieved without any external factors influencing growth such as a major new business moving into town or a new school contract. The numbers I have seen suggest that some newsagents have given up on stationery.

The department delivering the best news is greeting cards. Sales growth is on par with what we have seen in other retail channels such as supermarkets and mass merchants such as Target with some newsagents considerably outperforming these national competitors.

Below is a breakdown of our findings by department and other information we uncovered when working through the data from newsagents. Some of these findings are subjective and ought to be considered in this light.

I end each section with a brief list of suggestions. These lists are not complete and are provided as thought-starters for newsagents looking to grow sales in that department.

CARDS

- The card department, which includes wrap related products, is the best performing department in terms of year on year growth.
- Outside of lotteries and agency business, cards account for, on average, 17% of total sales in a typical newsagency.
- Some stores are achieving double digit growth in cards. These stores are more likely to have someone in-store who is responsible for the department, passionate about the product and working it regularly with the card suppliers. The reverse is also true, the stores showing the least growth tend to be stores where the card department is left to people outside the business to manage.
- Flat wrap sales are, well, flat. Bag sales are strong – where the bag offer is significant.
- Boxed card sales growing faster than single cards – in the few locations in which they are sold.
- Gifts are a rapidly growing category (associated with cards) in newsagencies.
- There are several actions newsagents could consider to revitalise card sales:
 - Ask your key card supplier to conduct a review of their data and to recommend action to revitalise sales. Review the data with your account manager and pay particular attention to the occasions and captions – ensure you have products covering what your customers will buy.
 - Consider moving the card department toward the front of the shop.
 - Consider relaying your card department to freshen the offer.
 - Create theatre around the card offer with regular fresh displays of allied products such as gifts and social stationery.
 - Make sure your staff understand the range of cards you sell and where the various categories are located.
 - Go out early and bold with key seasons. Beat your competitors at this.

STATIONERY

- Outside of lotteries and agency business, stationery accounts for, on average, 9% of total sales in a typical newsagency.
- Analysing stationery performance is challenging because there is no common category structure used by newsagencies. For example, some newsagents track calendars, diaries and journals in stationery, others break stationery down by ten categories while others break the department down into thirty categories.
- Everyday pens and pen refills are delivering excellent growth and often account for between 10% and 15% of all stationery sales.
- Specialty paper and cardboard are also vital products to a successful stationery department. This accounts for between 10% and 15% of total stationery sales.
- Ink and toner, where offered, also delivers excellent growth and usually accounts for between 20% and 35% of all stationery sales.
- Stationery is a *rats and mice* department in many newsagencies – a large range delivering small numbers of sales each week. Take, for example, account books. Newsagents I have seen can have \$3000 in stock delivering under \$100 a week in sales. In an average newsagency, with rents and labour costs being what they are, \$300 in stock needs to deliver \$1,800 a year (\$34 a week) just to cover costs.
- Here are some of the actions newsagents could consider to revitalise stationery:
 - Make a decision as to what you stand for when it comes to stationery. If you stand for quality, buy accordingly. If you stand for price, buy accordingly. From what I see, our best opportunity is to stand for convenience. This means trusted brands are a fair price.
 - Print a report of when an item last sold. If it has not sold in six months and if the sales for the previous six months were less than the value of the stock on hand quit the item.
 - Have a massive sale to quit this dead stock. Getting, say, ten cents in the dollar is better than getting nothing from stock which is otherwise not selling.
 - Draw a layout of the stationery department as it is today, marking off key categories. Note down the annual revenue by category. Now create a new layout based on how you think the stationery department should look – based on your business plan.
 - Take every stationery item off, clean the shelves, clean the stock and put it back up, blocking by brand as you go.

NEWSPAPERS

- Outside of lotteries and agency business, newspapers account for around 10% of sales revenue and appear in 41% of all baskets. This makes them a vital category.
- Newspaper sales are falling. The problem of this is compounded by the lack of fair pricing of these newspapers – most capital city dailies are selling for less today in real terms than ten years ago. Newsagents are financially worse off.
- Regional newspapers are showing growth – where we have visibility for regional newspaper sales data.. Several regional newsagencies reported double digit growth in daily newspapers.

- Foreign language newspapers, where sold, are showing year on year growth of 8%, in some locations the growth is as high as 12%. In two newsagencies, foreign newspapers account for 13% of total newspaper sales and recorded 6% year on year growth against a fall of 14% for daily newspapers.
- Here are some ideas you could try to re-ignite newspaper sales:
 - Co-locate your top selling newspaper. In addition to the main newspaper display, consider a stand next to your busiest counter. Be sure to move this stand around – regular customers become store blind. Some publishers will supply you the stand for this.
 - Find a way to display a feature magazine above each of your major daily newspapers.
 - Find a way to display a magazine category feature next to your newspaper display – change this at least every two weeks. The display should feature a category which speaks to the typical newspaper customer. Categories which work well are crosswords, cooking, cars and weeklies. This approach helps you get more value from newspaper traffic.
 - Move your newspaper display. Consider using a unit on castors so moving can be easily achieved.
 - Once three months create a major display around a newspaper. Choose a time when there is appropriate coverage such as: the Olympics, football finals, school holidays. Find a reason to embrace, promote and feature newspapers rather than treating them as a chore to the business.
 - Talk to your newspaper representative about a giveaway promotion. They usually have showbags and other marketing tools available to help you drive better sales.

MAGAZINES

- Outside of lotteries and agency business, magazines account for between 20% and 40% of sales in the newsagencies for which we have data.
- All newsagencies were using the MPA category structure so analysis at the category level is easy.
- The crossword category has delivered excellent growth. In the most successful businesses with this category, crosswords account for at least 6% of magazine sales.
- Women's Weeklies, the top selling category, recorded a year on year drop of up to 11% in several stores. To balance that, there were newsagencies recording close to 10% growth. One difference appears to be engagement in the magazine category – the more a newsagent actively and entrepreneurially engages with the category, the greater the success.
- Women's Interests is the second biggest category and is all over the place in terms of performance from growth of 10% of one store to a fall of 12% in another.
- In newsagencies with a strong partworks commitment, these titles are generating between 10% and 13% of total magazine sales.
- Motoring will be a category to watch. It accounts for between 5% and 8% of all magazine sales in newsagencies and year on year has experienced a drop of 7%. This

may change due to renewed interest as a result of the launch of the local edition of Top Gear.

- Special Interest magazines represent a key point of difference for newsagents in the magazine category. They account for between 7% and 10% of all magazine sales. Sales performance good overall with an average year on year increase of 4% in unit sales. This is a good sign for newsagents who focus on specialisation.
- We looked at newsagencies offering discounts of magazines. The total value of discount offered ranged from 1% to 3%. There appears to be no correlation between discount volume and sales growth.
- Here are some tips you could consider in pursuit of magazine sales growth:
 - If you have not moved your magazines around for more than a year, consider a magazine relay. While some customers will be frustrated at the change, sales will increase as browsers find news titles they did not know you carried. Involve your staff in planning for the relay. Look at your magazine category level sales data. Good computer systems have magazine categories recorded by MPA category. This makes placement easier according to the industry standard.
 - Create feature space next to your weeklies titles. This could be a column next to the weeklies are a couple of rows above the weeklies. Use this 'found' space to promote other categories. For example, we know from data from the UK that crosswords sell very well next to women's weeklies titles. Newsagents have tried this in Australia have found it to be successful. Start with a column of crossword titles next to your weeklies – a different title in each pocket. Track the results and see if it works for you.
 - Establish your own magazine of the week. Promote this at the counter. Get your staff involved in making the selection – this will help build their ownership of the campaign and the magazine category overall.
 - Take care with magazine placement within categories. The mastheads themselves can be used to guide customers to various sections. For example, the Rolling Stone masthead lets you know you are in the music category.
 - Watch how your customers browse magazines. Do they look down at the flat stack or up at the tops of columns. How they browse your shop should guide how you use the space to draw attention to each section. For example, make sure that all titles with the word Golf in the title are in the same column and next to each other.
 - Buy a stand (ideally on castors) which you can use for category level displays. Use this stand to feature a different category each week at the counter or near the front of the shop. This small display should promote your depth of range as a key point of difference.

OTHER DEPARTMENTS

- Confectionery sales are up between 1% and 3% on average year on year. Most of this is outside the over the counter items such as gum and chocolate bars.
- Photocopying appears to be flat, delivering little growth. Newsagents should be wary of new photocopier contracts.

- Coffee is going well in the few newsagencies I have seen data for. Given the margin, this is a category worth watching.
- Newsagencies doing gifts are showing double digit growth.
- Books are strong, contributing as such as 20% of sales in some newsagencies.

BEING ENTREPRENEURIAL

Buried deep in the reports from newsagencies is evidence of entrepreneurial effort paying off. Newsagents acting in the interests of their businesses are achieving break-out growth. It is hard work and requires you to assert more control over the business but the rewards are there.

While there are considerable challenges around newspapers and magazines in terms of sales and the supply model, newsagents focused on making the best of this while growing their businesses elsewhere are the ones achieving the best results.

NOT BEING AN AGENT

Our channel was created so we could be an agent for a publisher in the 1800s. Regardless of what a contract with a magazine or a newspaper company may say, we cannot think of ourselves as agents any more. We must think and act as business people who determine our own future. While this will put us at odds with newspaper and magazine suppliers from time to time, they are smart enough to understand that we must do this for there to be a channel for their future.

FINAL WORDS

There are no final words. This report, what I have seen and my comments are another step in the journey. There is plenty more to say about how newsagents can navigate to a brighter future. Often, it depends on the individual business. At newsagent conferences and regional meetings I show examples and discuss these in a more practical way.

Now is the time for you to make changes in your business. Start today. Take small steps. Keep your business moving by the changes you make. If you stand still, you become an agent and your success depends entirely on the efforts of others.

I am happy to talk directly with any newsagent about anything in this report.

Thank you for reading.

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ABOUT THIS STUDY

Newsagencies participating: 63. City: 38. Regional / Rural: 25. The data was pulled from the **Monthly Sales Comparison Report** which compared the two financial years. For the purpose of this report, benchmarking 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 uses data from newsagencies using the Tower software. The results are published so others may compare their results for the same period. 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.