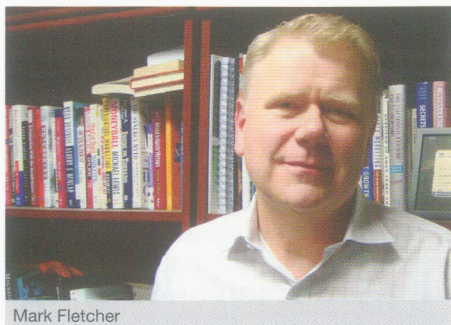


WILL PUBLISHERS KILL THE GOLDEN GOOSE?

Industry advocate, newsagent and stirrer on growing magazine sales *By James Manning*



Mark Fletcher

Working after school in a newsagency at Pakenham in Victoria was **Mark Fletcher's** first brush with the industry. He has gone on to become a newsagent with two outlets in Victoria, he runs a software company, and he regularly stirs up the newspaper and magazine industry via his much-read Australian Newsagency Blog.

After leaving school, Fletcher subsequently joined the CSIRO as a software programmer. He started his own software business in the 80s, wanting to develop software for newsagents. Along the way Tower Systems also branched out to develop software for other specialist retailers and medical practitioners too. Tower has over 1,500 newsagents who use the software.

Even Fletcher admits it's hard to know exactly how many newsagents there are in Australia. "It's generally accepted there are about 4,600," he told *Mediaweek* in the boardroom of his Melbourne HQ. Not all newsagents are yet computerised, but Tower has just over half of those who are. Fletcher bought Forest Hill Newsagency in 1996. "I had written a book on marketing for newsagents, and I thought if I saw a good newsagent come onto the market I would buy it. **It's one thing to tell people what to do, but it's another thing to do it.**" The previous owners had in fact gone broke, but Fletcher has been successfully running the shop ever since. He bought another agency in Frankston in 2007. He also owns half of another in Taylors Lakes.

When asked if there were synergies in owning multiple agencies, Fletcher replied: "They would be greater if the magazine distributors allowed them to be. When we move magazines between stores it mucks up the data at the distributor."

Fletcher is also a partner in four card and gift stores that trade under the name of Sophie Randall Cards & Gifts. "It is part of the newsXpress offer, and I'm a 50% owner of newsXpress, a marketing group of 160

newsagents." While Fletcher owns the first four Sophie Randall stores, the concept is owned by newsXpress. **"Our plan is that we will offer that as a franchise to newsagents who also want to own a card and gift store."**

"The [distribution] channel is a golden goose for publishers. If we don't act to fix it, the distributors will kill parts of the channel off."

Newspapers remain a very important role in generating traffic into newsagencies, said Fletcher, although that role has diminished over the years. He listed lotteries and magazines as other key traffic generators.

"The last lot of research we did indicated about 70% of all newspapers that are sold, are sold alone. That indicates that either the product is inefficient, or as retailers we are inefficient. Newsagents used to own that space. Now we compete with petrol and convenience stores, coffee shops and some Officeworks. Publishers seem to be looking to put their products into more outlets rather than less."

Newsagents make around 7% of lotteries, while most newspapers and magazines have a 25% margin. **"Around 50% of magazine sales included other items.** However around 65% of magazines the average newsagent carries are cashflow negative. The big name titles are the ones that carry all the other product. **We see ourselves as being magazine specialists. Do we need to have 1,200 titles so we can do it with 750?** That's the million dollar question no one knows the answer to.

"ACP Magazines and Pacific have no issue with newsagents reducing range. Network, Gotch and NDD, the three magazine distributors, make it very hard to navigate that process. **If I could cut 30% of my magazine range over time in a managed way,**

I'm sure it would not affect my sales and would improve my bottom line.

"I would start with some of the overseas titles that are duplicating existing titles. That is something that is hurting magazine sales here in Australia."

Fletcher said part of the problem is that while publishers and retailers only make money when they sell magazines, the distributors make money by shipping out titles.

Fletcher often points out that newsagents have become the warehouse of the magazine industry. **"So far this year, in the city, we are looking at double digit declines of magazine sales.** It's not quite so bad in the country." He was reluctant to generalise, but he said since Christmas, some stores have reported magazine declines of as much as 20% year-on-year. "Those stores may not see a decline in supply for another three months, which means they end up carrying the decline [before unsold credits are applied] for five months."

Fletcher got into a sometimes-times heated debate with magazine publisher Universal Magazines late last year. "There has been some dialogue with them since and **they have learnt some things about our model they didn't know, and we've learnt some things about their model we didn't know.**"

He also thinks newspaper publishers can fix what's wrong with the newspaper distribution model. "Look at the terms, the cover price and provide a fair fee for a fair [home delivery] service. There's nothing new in these problems which have been on the table for four or five years."

Many people in the industry visit The Newsagency Blog regularly. If you don't here are some of the recent issues Fletcher has been covering:

- Oversupplies from various magazines. Culprit of the week as we write seems to have been NDD.
- The launch of a new puzzle magazine called *Newsdoku*.
- A big controversy about the changes to *Alpha* that sees newsagents' sales commission slashed. Subsequently the title may become a little harder to find in some stores.
- A heads up that ACP sampled *Zoo* and a *Zoo* carry bag to many who went to the first weekend of AFL.
- Tips on how to merchandise magazines for maximum sales. Recent examples included *Burke's Backyard*, *Pacific's Home and Away* special and *Top Gear*.