NEWSAGENT SALES BENCHMARK STUDY: JANUARY-MARCH 2009 COMPARED TO JANUARY-MARCH 2008

Introduction

On April 1, 2009 I put out a call for newsagents to provide me with detailed sales data covering January through March 2009 and January through March 2008. I received data from more than 120 newsagencies.

I culled the initial dataset down to 97, eliminating data from businesses where the data was questionable and where exceptional circumstances rendered the data useless to the study.

Most of the businesses in the 97 are businesses I am familiar with from past benchmarks. This made tracking of trends more certain.

Analysis process

I compared the data from the 97 newsagencies in several ways: by department, by location and by overall business size. I did this to look for patterns in year on year trends.

When analysing magazine and greeting card sales data I concentrated on unit sales as well as revenue. Price increases can sometimes mask an actual fall in units sold. For stationery I looked at revenue.

Findings summary

The sales benchmark reveals a healthier retail channel than I expected. Not ideal, but healthier. Store traffic is down and average of 6% in 52% of newsagencies surveyed. I expected a bigger decline based on other reports on retail performance. The traffic decline plays out across departments in a number of ways.

Sales are down in the core traffic-generating departments of magazines and newspapers for most newsagencies.

Sales are strong in cards as well as new departments (for many newsagents) such as gifts and calendars.

The benchmark study shows the extent to which newsagents are embracing, (or not), the changes within their business caused by behaviour around core products such as newspapers and magazines. This continues a trend seen in our 2008 benchmark studies.

The reports analysed for this study show innovation in some newsagencies and drifting in other newsagencies. There is a considerable gap emerging between newsagents who embrace change and those who ignore change. This gap is one of the most significant challenges faced by newsagent suppliers and associations and by newsagents themselves.

I will expand my thoughts on the gap between newsagents in a separate report or presentation.

Department analysis

I looked at data in several groupings of newsagencies. Size: Large, medium and small. Geographic location: urban and rural. I did this to make the benchmark as useful as possible to newsagents interested in comparing where they sit within the benchmark dataset.

Magazines

Overall, magazine sales are down by an average of 10%. This department experienced the most consistent change across the two reporting periods for all newsagencies.

11% of newsagencies surveyed recorded increases in magazine sales. The best increase was 7%.

89% of newsagencies recorded a decline in magazine sales. The biggest decline is 22%. Many recorded declines in the mid teens. This is a considerable hit in revenue for a newsagency to cope with given that newsagents are yet to see any significant adjustment to supply by magazine distributors to reflect this sales decline. In short: revenue is down but the cost of floor stock is not.

Size appears to matter when it comes to the size of change in magazine sales between 2008 and 2009. The bigger the newsagency, the larger the percentage of sales fall – not always but in the majority of cases. One newsagency which achieved magazine sales of in excess of $175,000 in January – March 2008 dropped more than $26,000, more than 5,000 titles, in the same period in 2009.

Digging into the categories, the fall in sales is reasonably uniform. Consistent MPA categories such as Crosswords, Craft & Hobbies and Special Interest all performed in line with the overall store average for magazines in most stores. Differences I saw in the data appear to reflect demographics.

Women's Weeklies is the most volatile magazine category. This is not uncommon in the regular course of trade as these titles are affected by cover talent as well as story interest. The sales results for Women's Weeklies are often out of step with the rest of the department. I have seen stores drop 20% of sales – in excess of $5,000 over the three months.

Rural newsagencies fared slightly better than urban based newsagencies.

My conclusions from studying the sales benchmark data for magazines are:

- Magazines are not the recession-proof category they have been in the past. I suspect this is because consumers can get their 'fix' in so many other ways. This is a wake-up call for us.
- Newsagencies undertaking a shop-fit between the two reporting periods have reported better sales results.
- Newsagencies undertaking a full relay of magazines between the reporting periods have reported better sales results.
- Newsagents pulling back from magazine range are seeing a faster decline.
- Rural newsagencies have, overall, reported better results.

Cards

Size also matters when it comes to cards. The bigger the card business the less likely it is to have experienced a decline in sales in the first three months of this year.

Among the 46 larger newsagencies, only 40% showed a decline in card sales. The overall average was 8% growth. The best performer delivered year on year growth of 19% in unit sales and 24% in revenue. They changed card supplier between the two reporting periods. The next best performer delivered an increase of 16% in unit sales and 22% in revenue. This was most likely as a result of a shop fit. The next closest delivered sales growth of 13% in units and 17% in revenue.

In mid-size newsagencies, usually high street suburban stores, card sales are flat or average - maybe 1% or 2% growth. There are a couple of standouts showing better and much worse.

I speculate that this is due to these mid-size businesses being more diverse than the larger businesses. They usually contain a distribution business and a broader range of retail categories whereas the larger newsagencies, in shopping centres especially, tend not to have distribution and focus on more products in fewer categories.

Among the smaller newsagencies, all bar three delivered a decline in card sales. The average decline was a decline of 11% in units and a decline of 6% in revenue. The biggest decline in sales was 24%.

Separating the data by geographic situation shows urban newsagencies performing better with greeting cards than those in the rural.

My conclusions from studying sales data for cards are:

- Larger urban or suburban newsagencies should be showing good growth for greeting cards so far this year. If they are not then urgent action is needed.
- Shopfits and changes to the card department such as a change of supplier deliver good growth if executed properly.
- The mutual support between cards and gifts is stronger than ever.
- Looking at stores which I have tracked for more than a year and which have achieved a turnaround, the benefits of attention being given to the card department are clear.
- Small newsagencies need to act to remain relevant in the greeting card space. Talking to some, following up my assessment, it is clear that card companies are managing the resources they invest in small newsagencies. The best way to react to this is to invest from within the business – learn about merchandising and ordering. Create a fresh card story – try opening up access to the department, reviewing lighting or introducing gifts.

Stationery

Stationery sales are volatile. My view is that this result reflects the inconsistent approach to the category in the newsagency channel.

46% of newsagencies participating in the benchmark study reported a decline in sales revenue comparing Q1 2009 with Q1 2008. This means that 54% of newsagencies participating in the benchmark reported growth over the period.

There is no obvious connection between those newsagencies reporting a decline and those reporting growth. I am not saying there is no connection – just that one is not obvious from the data I have access to.

The average decline reported is 11% in revenue. The highest decline is 28% and the lowest is 2%. In half of the cases, the decline appears to be in back-to-school related products.

The average increase in revenue reported is 7%. This highest increase is 29% and the lowest is 1%. The biggest success is a newsagency achieving 12% increase off a base of $90,000 in stationery over three months.

Newsagents with several significant sales success stories put their success down to having completed stationery relays and expansion between 2008 and 2009. This reinforces the importance of keeping the offer fresh.

My conclusions from studying sales data for stationery are:

- Stationery responds well to effort. Focusing on range, display and or marketing is rewarded with sales growth in most situations. By effort, I mean consistent effort, not just a tidy-up here and there.
- Range expansion is also a key factor in stationery sales growth. One newsagency, for example, increased diary sales by 150% or $10,000. This was achieved by a broader range and better location within the business. Indeed, diaries accounted for considerable growth in half the stores reporting stationery sales growth
- Part of the problem with understanding change is the lack of appropriate categorisation of stationery sales. An ideal newsagency would have no more than 25 categories of stationery. This is manageable. It allows assessment of growth and decline. It is easy to break categories down to product level for further assessment. Many of the stores with declines did not have a good category structure.

Newspapers

I only looked at over-the-counter sales of newspapers. The benchmark did not consider any home delivery data.

While 53% of participating newsagencies recorded a decline in newspaper unit sales, the average decline was 5%.

The 47% of newsagencies which recorded sales growth achieved an average increase in unit sales of 3%. Given the challenges of newspapers, any growth is good news.

I would expect a discrepancy between the sales figures in this benchmark and audit sales reported for the same period. This discrepancy is, in part, due to leakage of sales from newsagencies to other retailers.

There is an even spread between urban and rural newsagencies in decline and increase. That said, shopping centre newsagencies were more likely to show a decline in newspaper sales.

My conclusions from studying sales data for newspapers are:

- The foreign newspapers category rarely reported sales declines.
- Regional newspapers rarely reported sales declines.
- Perverse as it may seem, the Q1 results reflect a strong news period – bushfires, flooding etc.
- The lack of CPI linked cover price increases for newspapers means that the only way to improve return is to increase sales.

Other departments

Where data was available I looked at some other departments:

Calendars. Calendar sales, outside of magazine company calendars, are up in the 20% of newsagencies actively participating. Most reported double digit growth in revenue. Several reported strong sales through March. One store reported calendar sales of $9,000 over the first three months of this year.

Gifts. Gift sales were up in all but three of the 25% of newsagencies in the benchmark with a gift offering. That said, the data shows the difference between newsagencies on gifts to be considerable. There are locations which did $40,000 in three months in gifts ranging down to one which did under $500.

Art. Art is growing in stores which operate it as a separate department. The average monthly revenue over the January – March period is $1,750.

Lotteries. Sales are volatile suggesting either considerable volatility in shopping patterns or that not all sales are being recorded using the point of sale software.

Tobacco. 80% of newsagencies in the benchmark study group which sell tobacco products reported considerable sales decline between 2008 and 2009. The average unit sales decline reported is 24%.

Discount cards. Data from some newsagencies separately reported sales for discount cards. Most reported sales decline. I'd hope that this reflects a flight to value but the sample is too small to draw any conclusions.

Convenience model

Several newsagencies which participated in the benchmark study operate genuine convenience models. It is interesting to look at the performance of these businesses.

While core newsagency lines are doing okay – up usually – convenience lines such as milk, bread and groceries are doing very well. These businesses tracked revenue growth, on average, of 6% for the quarter.

I would expect to see more newsagencies evolve to convenience operations given the businesses I have seen where tobacco, confectionery and drink sales dominate the sales and show growth ahead of the more traditional newsagency lines.

The performance of emerging convenience newsagencies is evidence that successful newsagents are good at picking an opportunity early.

Overall store traffic

52% of newsagencies in the benchmark study reported a decline in store traffic. The decline ranged from 26% to 2%. The average reported decline in traffic is 6%.

I could not see an obvious pattern separating newsagencies with increased traffic versus newsagencies with lower traffic.

Discussion with several newsagents indicates the value of external marketing. Several newsagents enjoying an increase in traffic and some with a slight decrease in traffic put this down to external marketing driving new customers to their stores.

Other observations

Reviewing the benchmark data provides opportunities to look at how other newsagents operate. Here are some comments based on what I have seen in the data which readers may find useful:

- The benchmark data reflects structural change as well as the impact of the current economic situation.
- More newsagents are playing in what were once considered non-traditional product categories.
- Size does matter. Newsagencies located in areas of more traffic fare better.
- Newsagents who proactively market outside their shops generally succeed in pulling in new customers.
- Newsagents need to improve their management of data. This will deliver better business decision.

While there is no doubt that business is tough for many at the moment, now is the time to invest in the business – in product range, external marketing and business infrastructure. Any or all of these investments can help the business fare better than others in tough times.

I hope that this report is useful. If you have suggestions on how it could be improved in the future please let me know.

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