

Tower Systems Newsagent XchangeIT Compliance Action Plan

CONFIDENTIAL

May 2009

COPYRIGHT, CONFIDENTIALITY AND WARRANTY NOTICE

© 2009 Tower Systems International (Aust.) Pty Ltd. This document has been prepared solely for newsagents who use the Tower Systems *Retailer for Newsagents* software. The contents are commercially sensitive and confidential in nature. This document may not be copied or relayed in any form to any other party without written permission from the Managing Director of Tower Systems. No warranty is offered or implied as to the accuracy or suitability of the information in this document. The reader needs to make his or her own assessment of the material.



www.towersystems.com.au Email: info@towersystems.com.au

Melbourne • Sydney • Brisbane • Adelaide • Perth • Auckland

Head office: Level 3, 22 Horne Street Elsternwick VIC 3185 Telephone: 03 9524 8000 Facsimile: 03 9524 8099

1 INTRODUCTION

According to newsagent suppliers less than 20% of newsagencies currently fully comply with industry technology standards.

With the introduction of a new version of XchangeIT in mid 2009, being compliant is more important than ever. Newsagents that are deemed to be non-compliant by magazine distributors will suffer a 100% increase in their XchangeIT access fees. These newsagents are also likely to find that credits for returned magazines take longer to be processed.

Tower Systems will do everything possible to help its newsagent community achieve and maintain compliance. This document is part of that commitment.

There are many commercial benefits you can achieve thanks to compliance:

- Less oversupply of magazines. Yes, this is real, we experience it in our own newsagencies.
- Less undersupply of magazines.
- Increased sales of certain titles by accessing Sales Based Replenishment. SBR was developed and trialled exclusively with Tower.
- More accurate accounts. Save time in checking.
- Faster credits for returns.
- Better business decisions being made.

This document outlines an action plan to get your business compliant by combining not only the IT advice necessary but also some advice in best practice magazine management processes.

Compliance takes day to day effort. Once you have the right routine structure and processes in place, it is easy to maintain. We will work with you to achieve that through advice here and through our Tower Advantage™ support services.

Being compliant will enable you to be more demanding of suppliers since they will have the information necessary to transact more efficiently and more accurately with you.

Being compliant gives you more power.

2 COMPLIANCE GOALS

Below are the current IT compliance goals newsagents are expected to adhere to, in order to be deemed compliant by the magazine distributors/publishers.

We have also listed each of the files that are communicated between yourself and the magazine distributors/publishers, detailing what's required to be performed by you, in order to reach these compliance goals.

Accuracy

Accuracy means that your communicated scanned sales and returns data matches your derived sales figures based on your physical sales and returns. For example the magazine distributors/publishers know how many of a particular issue they sent and how many were returned. Therefore the number between is your derived sales figure. The magazine distributors/publishers will check your files to ensure that the sales you have sent match this derived figure.

Reliability

This aspect of compliance measures how often you produce a sales file. To be deemed compliant you need to have created a sales file(s) for each of your trading days of the week. For example if you are open Monday to Saturday you need to produce individual files for each of those days, not one file containing multiple days sales. These files are created when you perform your End of Shift routine each day.

Timeliness

The magazine distributors/publishers require that you have uploaded that day's sales file before midnight the same day. To create the sales file you need to ensure that you have performed an end of shift routine for each day and that your network is correctly configured so the files are placed in the folder so they can be uploaded by XchangeIT.

3 EDI Standards

3.1 Invoices

When you receive a magazine delivery you are also sent a set of electronic invoices or .DD2 files for that day's stock. The files contain the information necessary for you to produce labels and update stock on hand, eg pricing and recall information. These files should be imported the evening before, or in the morning of, the stock arrival. No stock should be sold before it has been arrived via these EDI invoice files.

Why are these important?

Invoices initiate the EDI process. Special attention should be placed on this process and it ought to be performed by experienced and trained staff. Mistakes make it difficult to achieve compliance as inaccurate data will be sent back from the outset. Mistakes should be corrected as soon as possible so any potential effect to sales files is limited.

3.2 Sales

To be deemed compliant you need to create and send back a sales file, called an .SL2 file, by midnight each day you are open for trading. These are created by your end of shift function. This data contains a record of all sales made, the number of pre-sold copies (home deliveries and account charged putaways) and your subagent supplies and returns. Subagents are identified only by Retailers internal number and no identifying information is transmitted.

Why are these important?

These files give the distributors information about the performance of certain titles in your business allowing them to increase or decrease supply as required. Some publishers or distributors also use this data for their Sales Based Replenishment programs and help reduce sell-outs.

3.3 Returns

The EDI returns process closely mirrors the traditional returns process. For each return period you are sent an RTF (Return Form File). This file contains a list of all stock due for return back to the distributor, much like your older paper style returns forms. Once you have completed scanning returns for the period you produce your RTD file (Returns Data File) which will contain the totals of all your scanned returns for that distributor. The file will include any Early, Late/Supplemental returns however some distributor require you to submit paper forms or fill in their various websites to obtain credits for these. Please check the relevant Suppliers advice sheet for information about each distributor.

Why is this important?

If you are compliant and you submit returns via EDI, these go direct into the Distributors systems. Therefore you are more likely to receive the credits on time thus improving your cash flow. Some distributors will provide you with a response with 60 seconds of lodging an EDI form that details successful and unsuccessful returns. Once you have this confirmation the credit has been posted to your account!

3.4 MPA Categories

These are a set of Australian standard magazine categories and segments, designed by the Magazine Publishers Association of Australia. The three magazine distributors classify this stock for you.

Why is this important?

As this category and segments classification is an industry standard, it ensures that when you are evaluating yourself with other newsagents or industry averages, you are comparing like for like in terms of titles. It will also allow you to print the MPA Category and Segment on your magazine labels which help when you are placing magazines on the shelf. You will also have access to the MPA Magazine Management report. This powerful industry standard report was developed by us and the MPA and allows you to drill down to title level period comparisons.

4 TEN POINT PLAN FOR MAGAZINE COMPLIANCE

If you read nothing else in this report, READ THIS PAGE. This explains the essentials.

Here are simple day to day tasks and rules you need to follow when using your computer system for it to comply with supplier standards. Do these things and you will get excellent value, from your IT investment.

1. **Always use the latest version of Tower Systems' Software.** Only the latest Version of the Tower Systems software is deemed to be compliant. The most recent major release of Retailer is 2.2B, if you are not running this version please contact Tower Systems for a version to be sent to you.
2. **Ensure XchangeIT is correctly configured.** This is imperative as XchangeIT is the mechanism for the file transfers. If this is not configured correctly then you cannot be compliant, regardless of your data management techniques. To check that your system is configured correctly, see Advice Sheet N3.1 Setting Up XchangeIT.
3. **Receive your Magazine Stock through Invoice Arrivals.** You must receive all stock you sell in your business. Use EDI invoices as this the only way to maintain data accuracy.
4. **Use issue Specific Barcodes.** You MUST use a different barcode for each issue. It is recommended that you use the FULL magazine barcode including the addenda. The addenda is the 2 digit barcode that appears on the end normal magazine barcodes, this code identifies each issue. This should be used in conjunction with Code 128 Barcodes which will re-produce the magazines barcode on the label making scanning much more accurate. Please see Advice Sheet N3.3 EDI: Code-128 Barcodes.
5. **Implement MPA Categories.** The MPA (Magazine Publishers Association of Australia) has created industry standard magazine categories and segments. This allows all magazines to be allocated the correct categories and segments making management easier. Please see advice sheet N9 MPA Categories for instruction. Once you have done this you don't have to do it again.
6. **Labelling Stock Items.** You should label about 95%-98% of your stock items. This makes the process of removing Magazines at return time easier. When labelling, place the labels in a consistent position so magazines are easy to find at returns time. We recommend you place the label in the top left hand corner of each magazine, just under the masthead. If your magazines are not labelled there is a significant chance the item will be returned too late and credits will be missed. The only exception to this is very high volume weeklies and monthlies.
7. **Scan everything you sell.** Do not use department sales for any product sales. Department key sales stop the system being able to collate accurate sales files. Department key sales are ONLY acceptable for some service items like Lotteries. You should **ALWAYS scan your label** if it exists on the product rather than the product barcode. This is a good habit as the label is definitely linked to the correct arrival. Stock item Hot Keys are OK to be used as long as you are selling the correct issue. If not then you should scan the barcode.
8. **Complete an end of shift every day.** Performing this process for all terminals ensures that the EDI sales files for that day are created.
9. **Process ALL your returns through the returns scanning screen.** This maintains your stock levels and is much quicker than filling in manual forms. You should also scan all subagent returns in this screen. Subagent returns scanned in this screen will be credited in the earliest open week (i.e. a week in which the subagent billing is yet to be performed). This also ensures correct issues are returned for your subagents and shop and returns data is created accurately.
10. **Connect to XchangeIT each and every day.** If you connect to XchangeIT at the end of each day you ensure that all sales are sent back and any invoices for the next day are downloaded. Preferably you should use the XchangeIT scheduler as it will connect at various times of the day and send/receive information.

Once you have the processes down it is easy to maintain a compliant system.

5 MAGAZINE BEST PRACTICE MANAGEMENT PROCESSES

In this section we seek to outline the best processes for managing magazines for not only the best compliance outcomes but also for saving time. The advice is based on our experience of visiting hundreds of newsagencies each year and seeing these processes in action.

5.1 Arrivals

Follow these steps and save time on arriving products in your business.

1. Arrive EDI invoice files the evening/night before the magazines arrive.
2. Arrivals should be performed by experienced staff, trained in this process as uncorrected mistakes made here significantly impact your ability to maintain a high compliance level.
3. Magazine arrivals and label printing should be performed per supplier. This allows you to have each of the magazine labels produced separately and workflow more streamlined.
4. Labels for Gordon and Gotch (GG) and for Newsagent Direct Distribution (NDD, RDS) should be printed in **Invoice Order** as these companies send the invoices in packing order. You will also find it easier to locate items by enabling invoice header labels that indicate the start of each invoice.
5. Labels for Network Services should be printed **Alphabetically** as invoices can be spread across multiple packages meaning that this is the most efficient way to find the correct labels.
6. Magazines should then be labelled and labels placed as close to the top left hand corner of the magazines as possible. Be sure though that the mast head is not completely covered. This will make it much easier when it comes to removing stock items at returns time.
7. Using the MPA codes on the label you can then place the stock on the shelf.

5.2 Returns

This is the most efficient process for returning magazines. It will eliminate double handling as much as possible. Your entire returns process should take no longer than approximately 4 hours a month for a medium to large newsagency; this is including the time for boxing of the actual returns.

1. As you are placing newly arrived stock on the shelf remove the copy being replaced also remove any copies due for return based on their recalls dates.
2. Place the copies you have removed into a trolley. Do not sort them.
3. Once you have completed laying out your newly arrived stock you are able to begin scanning your returns from the trolley. This is best done as follows:
4. Place three boxes underneath or near the computer where you are performing the scanning. Label each box with the one of the three distributor's names.
5. Pick up a magazine from the trolley and scan the barcode.
6. You may be asked to pick an issue. If this happens continually for a myriad of titles it may indicate that you are not using an issue specific barcode. If so please check your EDI setup via the N3.3 EDI: Code-128 Barcodes advice sheet.
7. If you have more than 2 or 3 of the same issue you can press the * button and enter the quantity, this is quicker than scanning items repeatedly.
8. Then looking at the label or the Returns Scanning Screen you will be shown the Return Type (eg (T)op, (C)over or (F)ull) and the distributor.
9. Follow the return type directions (Tearing off the cover is quicker than topping the item) and place the item in that distributor's return box.
10. Once a box is full, tape it up and replace with a new empty box.
11. Repeat this process until the trolley is empty. Once you are comfortable with the procedure a shopping trolley will take about 20-30 minutes to empty.

If you are scanning Subagent returns the approach is the same. Scan the returns directly back from the Subagent to the Supplier. This will credit the Subagent account correctly and creates a return for the supplier. Once scanned, follow the Return Type directions, and then place it in the correct supplier's box ready to be sent back. Following this process will dramatically cut the time it takes to perform subagent returns.

6 COMMON COMPLIANCE PROBLEMS AND THEIR RESOLUTION

In discussing each of these compliance problems we assume that your system meets the standards discussed on the previous pages. I.E. that you are running Retailer 2.2B or above.

6.1 Problem #1: XchangeIT Distributors not receiving data

There are two possible causes. Incorrect setup and incorrect supplier settings. These are the things to check if a supplier says they are not receiving sales data from you.

Incorrect Setup

Your system may not be setup to place the EDI files in the correct locations on all computers. Check the advice Sheet N3.1 Setting Up XchangeIT to determine if you are setup correctly.

If your system settings seem to be correct please call and advise our XchangeIT specialists and they will run you through some further tests over the phone

Supplier Settings Incorrect

Some newsagents do not have their system setup correctly for each of the three magazine distributors. The system settings can make quite a difference to the data being sent back. Please follow the advice documented in Advice Sheet N3.2 EDI: Supplier Setup.

CONFIDENTIAL

6.2 Problem #2: Bad data being sent back

This is the key compliant magazine distributors have. Bad data. You are in absolute control over the quality of your data. If you're sending bad data back, it's your fault. It can be for three reasons: your barcode use, how you handle sub agent data and your Point of Sale screen use.

How you use Barcodes

Few newsagents use issue specific barcodes, but this is imperative if you want to accurately track the exact stock items sold and returned. Otherwise if one barcode is used to sell and return all issues the system has no accurate idea of how many copies of a specific issue has been sold.

Sales. When an item is sold it is very important that the issue being sold can be identified. If there are 2 or more issues on the shelf of a magazine (part-works are a perfect example) this can be compromised as the system can't identify the issue being sold.

Returns. The user must also select what issue is being returned. This requires human intervention, which if not performed correctly will lead to the data being compromised. This will mean that you would not be credited for titles that you may be entitled for.

Resolution

Issue specific barcodes is the only way to have 100% data integrity providing the barcode is truly unique. You can choose to use a unique generated barcode or the barcode plus the addenda off the product. We recommend that you turn on the use of issue specific barcodes. Please refer to the N3.3 EDI: Code-128 Barcodes.

IMPORTANT NOTE: Some scanners do not read issue specific barcodes. Others can have occasional problems reading them. A solution to this problem is to use the CODE 128 Barcodes. This function in Retailer will print the published barcode plus the addenda on the label itself. To turn on CODE 128 barcodes please consult the advice sheet N3.3 EDI: Code-128 Barcodes.

How Your Manage Sub Agents

The method in which subagents are processed differs from newsagency to newsagency. It's in your use of Retailer in managing Sub Agents that you are most likely to cause your most serious data problems. Below are common issues we encounter.

How subagent weeks are run. Some newsagents are charging their subagents supplies and returns in different weeks. For example, they are charging from the current week's supplies but are processing returns for the previous week. This means subagent sales data will be received a week late. Large newsagents with many subagents may find this difficult to do, because of the work involved.

Subagent account processing. Some newsagents do not finish processing returns for the week until as late as Thursday the following week which is too late.

Newsagents not itemising returns. Some newsagents will just give the subagents a credit of a dollar amount without itemising the returns. This of course leads to data integrity issues because there is no itemisation of the items returned.

Newsagents not scanning back the subagent returns. Most newsagents do not scan returns from subagents. This lead to data integrity issues because POS systems need to prompt for the issue being returned. As mistakes in this process can be made the data integrity is compromised.

Subagent orders and billing processes. Some newsagents have been arriving their magazines (particularly on Sundays) before the subagent orders for the week have been generated. This causes a problem that the arrival of an issue is not linked to the subagent order as the order does not yet exist. This affects the data sent back to the publishers.

Resolution

To be compliant there is only one way to manage your sub agents and it is documented below. You should also refer to our ten point plan for compliance on page 8.

SUNDAY or MONDAY

If you haven't already done so, scan in subagent Returns for the previous week using the Returns scanning Screen. These returns will be automatically placed against the earliest open week.

Once the returns have been scanned, print off your subagent statements, and check if they're correct. If not make the appropriate adjustments.

Run your subagent billing as soon as you are sure your subagent statements are correct.

TUESDAY – THURSDAY

If possible pick up and process any returns by return scanning on a daily basis. This will allow the return data to reach the magazine distributors earlier and also reduce your workload on Mondays. Magazine distributor systems are designed to use accurate sales data to adjust your supply figures.

FRIDAY

Run the Generate Subagent Orders routine, from the Customer pull down menu at the top of the screen. Select next week's end date and click on generate. This ensures that the subagent orders exist when the arrivals are performed for the next week. This function could be run earlier in the week if you choose, but you need to make sure that you have made any changes to the orders for the next week that are necessary.

How You Sell Magazines

How you sell your magazines is very important as it has a significant impact on all files that are sent back to the publishers. If they are not sold correctly then this will impact on the accuracy of your EDI data. Also if you are not selling items correctly it will impact on your ability to manage your magazines as you will not be able to make accurate decisions as your data will be incorrect.

Remove the Magazine department key from your point of sale keyboard or touch screen. Every time you sell a magazine by pressing this key and entering the amount of the magazine you damage your sales data. No sales data for this magazine can be sent back.

Only use a hot key on your keyboard or touch screen or PLU for a specific title if you are selling the CURRENT ISSUE. This is critical. If you use your hot keys or PLUs to sell stock items this can cause incorrect data to be sent back and your sales data to be rejected. The reason for this is if you have 2 issues on the shelf at the same time and you use the hot key to sell both the POS system cannot identify what issue was sold.

Scan everything. This means your sales data will be correct every time. If you scan everything you will also alleviate potential problems of selling a different issue to the item you have arrived.

7 NEED HELP WITH COMPLIANCE?

Tower Systems helps you with compliance in a number of ways:

SOFTWARE UPDATES. These are provided free of charge to Tower Advantage™ customers. Load these as soon as you are able and keep your software up to date.

USER MEETINGS. We run these regularly. Be sure to attend. They are free and offer excellent high quality training. Those who do not participate run a higher risk of not meeting compliance standards.

ONLINE WORKSHOPS. We run several each week including sessions which regularly train on IT compliance. Access is free. Use these for staff training. The workshops can be accessed from your home or business.

HELP DESK. This is staffed with a team of professionals every day. We publish an orange card with current access numbers. Be sure to put this on the wall near the phone. Call with your questions. We take most calls when they come in. If all of our people are on the phone we take a message and get back to you.

EMAIL SUPPORT. You can email us questions for answering by email. If you do want to talk with someone, please call.

ADVICE SHEETS. We have more than 100 advice sheets available at our website. These document your Tower software and do cover compliance.

ONE ON ONE TRAINING. We will gladly visit your shop and provide one on one training and assistance. While there is a charge for this service, it helps many achieve the benefits of compliance.

NEWSAGENT TO NEWSAGENT ADVICE. We have ex newsagents on our team who can help with operational advice. If you are a Tower Advantage™ customer we provide phone access to their advice free of charge.