

NEWSAGENT SALES BENCHMARK STUDY

JUL-SEP 2011 vs JUL-SEP 2010

The first quarter of the financial year lived up to expectations, delivering challenging sales results for newsagents with key categories reporting sales declines.

There was a considerable difference in results for city versus country newsagents with the latter overall delivering steadier results.

A key take-away from analyzing the data from 143 newsagency businesses is that newsagents who work on their businesses reap rewards. This is reflected in department and category sales data as well as sales efficiency: basket size and sales value. The results speak to the importance of focusing on the three critical aspects of retail: customer traffic, average basket size and, margin.

In the all-important magazine department, there appears to be a greater volatility in sales between categories. This volatility is reflected in two ways:

1. **Weekly titles.** While most newsagents reported declining sales, some locations reported growth – as much as 7% in unit sales. The growth was achieved by these businesses acting in a usual way, in other words – there had not been a store closure or some other unusual event to explain the growth.

Eleven percent of the newsagencies in the sales benchmark dataset achieved growth in the *Women's Weeklies* category. Their success is something other newsagents need to reflect upon as it shows that growth can be achieved in magazine sales by delivering a sales-focus retail experience.

2. **Category.** The data in this sales benchmark study reflects a shift in shopper interest. Newsagency shoppers deserted *Food* titles with sales down, on average, 11%. *Women's Interest* titles also delivered a sales decline heading toward double digit. *Crossword*, *Home & Living*, *Men's Lifestyle* and *Special Interest* all delivered growth in most locations.

You can see in the data for some stores the results of categories they like and or focus on. This suggests ready rewards for newsagents who manage magazines for profit rather than as a mandatory product category.

The overall result for magazines in the benchmark study pool is better than I'd expect to see for the channel as a whole because the data is provided by newsagents who care about and understand data. Newsagents who would not even know how to access their own trading period sales comparison data would, in my view, be less likely to care and therefore manage their businesses for sales success.

The group of newsagents delivering the most challenged results, across the whole business, continues to be those in capital city shopping centres. Based on recent closures, it is fair to say that the lure of shopping malls for newsagency businesses is fading. The benchmark sales data shows that achieving the sales growth necessary to stay ahead of the annual 5% (and more) rent increase is challenging. This is made even more difficult by the fixed margin nature of much of what newsagents sell.

Those experiencing the best sales numbers in the latest sales benchmark study are newsagencies located in regional centres.

Here are the headline numbers from the sales benchmark study:

- **Magazines.** Magazine sales fell, on average, 4% (in unit sales) in the July through September 2011 quarter over the same period last year. The best category for assessing magazine performance in *Women's Weeklies*. In this category, the average decline was 3%. 11% of newsagents in the study reported growth, some as high as 9%.

NOTE: in one of my own newsagencies, overall magazine growth in this quarter was above 25%. This was primarily due to a complete magazine relay. Even in categories which were challenged such as *Food* we saw growth.

- **Greeting cards.** Greeting card sales grew, on average, 3% (unit sales) in the quarter. 74% of newsagents reported growth. This is a good reflection on the everyday card product as there were no major seasons in the trading period.

Card sales was the worst performing category in rural and regional newsagencies.

- **Stationery.** 72% of newsagents reported a decline in stationery revenue with the average decline 4%. Concerningly, pen and related sales fell 10%.
- **Ink.** 54% of stores participating in the study have a separate ink department. 50% of these stores reported growth in ink revenue of 5%.
- **Gifts.** 55% of the stores in this study have a gift department. 65% of these reported an average sales increase of 11% in gift revenue.
- **Newspapers.** Average newspaper sales decline of 2%. More than 80% reported a decline.
- **Basket size.** Average basket size increased 5%. This is based on the number of items in the basket.
- **Traffic.** 32% of newsagents served 3% more customers than in the 2010 period.

Here is what I recommend to newsagents based on the data I have been immersed in as a result of the study:

1. Run your own report comparing trading periods and create a *TO DO* list around the departments and categories in decline.
2. Do a full magazine relay.
3. Refresh stationery and get serious about promoting this department.
4. Ask your card company for a performance review.
5. Look carefully at your basket building strategies and ensure that you are making the most of foot traffic.

The most important 'competitor' a newsagent has is themselves. This is why regular comparison against past performance is vital to the success of the business.

The performance data is from the Tower Systems Sales Benchmark Study. Tower Systems undertakes these studies on behalf of newsagents. This three-month study is based on sales data from 143 newsagencies, trading in ground under different banners plus independents, businesses in capital city regional and rural situations.

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