

## Running a newsagency in 2011

Author of the Newsagencyblog.com.au looks at retail challenges

By Mark Fletcher

2011 has been a challenging year for newsagents thanks to the tough economic climate, the growth in the use of digital platforms, tougher competition from supermarkets and continuing operating cost pressure from wages and rent.

The past 12 months have also been a year of progress on a range of fronts for newsagents. **For some, the year ends on an upbeat note with 2012 set to present some welcome opportunities.**

The biggest challenge newsagents face in 2012 is addressing the difference in their magazine supply model compared to the model applied to all other magazine retailers. Unless newsagents are given greater control over magazines they receive, more will exit the magazine space altogether.

**Talk to any Australian magazine publisher and they will tell you that early returning of magazine inventory by newsagents is hurting publishers and newsagents.** Newsagents say they do this because it is the only way they can manage magazine cash flow. When challenged, magazine distributors say that they do not oversupply and that the supply model for newsagents is fair. The financial data help by newsagents for magazines tell a different story.

New magazine distributor IPS has given newsagents more control over the titles they receive and while their launch in 2011 has been somewhat rocky, the structural change in newsagent control has been seen as a good thing by the channel.

Australian magazine publishers desper-

ately need newsagents as they offer a more co-operative, if disorganised, channel than supermarkets. **A stronger supermarket channel means, ultimately, less margin for publishers.** So, Australian publishers need newsagents to be a strong and viable channel.

Getting the magazine distribution model right for Australian publishers and newsagents has to be a top priority for both parties in 2012.

On the newspaper side of the business, more newsagents quit newspaper distribution in the face of more outlets for free newspapers, no increase in newspaper cover price and lack of clarity around the future of newspaper home delivery.

### The top five events affecting newsagents are:

#### 1. Magazine publisher engagement

2011 saw more publishers engage directly with newsagents than ever before. Morrison Media started a blog and sought newsagent opinions. Universal Magazines appointed a circulation director who opened direct newsagent engagement. EMG appointed a circulation director to manage the relationship with newsagents. This will be enhanced in 2012 with several newsagent / publisher forums.

#### 2. Magazine supply

Despite falling magazine sales, newsagents find themselves with the same, if not higher, investment in magazine inventory. In other words, magazine inventory is not declining in line with sales. This challenges efficiency for newsagents. On the up side, the launch of IPS was welcomed by many newsagents.

#### 3. Tenancy

At least eight newsagents walked away from their shopping centre leases when landlords refused to negotiate more equitable terms in the face of losses. Hundreds of thousands of dollars in goodwill have been lost. One has to wonder about the future of newsagencies in shopping centres.

#### 4. Association unification

The unification of state-based newsagent associations under a national umbrella association positions newsagents with the opportunity to genuinely speak with one voice into 2012.

#### 5. Success with restructuring

More newsagents are finding success with restructuring their businesses. This is

usually achieved by opening the business to new product categories. The smart newsagents are doing this while maintaining a commitment to core categories such as magazines and newspapers. The not-so-smart newsagents are killing the magazine department and thereby challenging vital traffic flow.

The Australian newsagency channel is unique. Despite the challenges it faces it continues to play a vital role in driving a per capita sales and readership for magazines which makes Australia the envy of many other countries. Publishers, distributors and newsagents who understand and embrace this are vital to the future of all businesses involved.

*Mark Fletcher runs a newsagency in Victoria, is a director of the newsXpress industry group and owns the Tower Systems retail software business. Read his daily updates at newsagencyblog.com.au and follow him on Twitter @emef.*



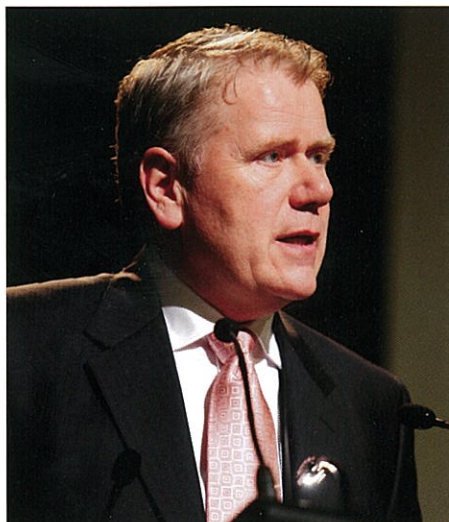
### THE TEN BIGGEST-SELLING MAGAZINES

#### IN AUSTRALIA THAT HELP KEEP

#### NEWSAGENTS HAPPY

1	Australian Women's Weekly	491,352
2	Woman's Day	380,408
3	Better Homes & Gardens	362,012
4	New Idea	305,037
5	That's Life!	253,211
6	Super Food Ideas	226,272
7	Reader's Digest	219,029
8	Take 5	209,319
9	TV Week	172,156
10	Cosmopolitan	141,867

Source: Audit Bureau June 2011 for monthlies, September 2011 for weeklies



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