

NEWSAGENT SALES BENCHMARK STUDY

JAN-MAR 2012 vs JAN-MAR 2011

ABOUT THIS STUDY

This study is based on comprehensive sales data collected from more than 200 newsagents across Australia for the comparison periods. These newsagents represent five marketing groups as well as independent operators.

The data pool represents a good cross-section of city, country, high street and shopping businesses.

The only common thread among the newsagencies is that they all use the Tower Systems newsagency software. Around 60% of newsagents with a computer system use Tower.

I have eliminated data from businesses where I knew that unique local factors impacted on the sales data.

The data set contains sales by department and category (including MPA category for magazines), basket numbers, basket depth (units and dollars) for each of the two three-month comparison periods by store.

NEWSAGENCY SALES BENCHMARK RESULTS

2012 has begun with a mixture of predictably good and bad news for newsagents.

The gap between newsagencies with good numbers, even in only some core departments, and others is considerable. This must concern the channel especially given that those with poor numbers appear to be less likely to engage in addressing this.

It is telling that the most successful businesses, in terms of growth across more product categories, have the best quality business data. One can only assume that the attention to detail around business data is also evident elsewhere in the business.

Newsagents have complete control over how data is managed in their businesses. Those not exercising this control are at greater risk.

Here are the newsagency sales benchmark highlights:

1. **Traffic.** Customer traffic was down slightly with 65% recording an average decline of 1.2% of transactions.
2. **Basket depts.** For the vast majority of businesses there is no noticeable change in basket depth. 10% recorded an increase in the number of items in a transaction and the average increase was 8%. 75% recorded no increase at all.
3. **City versus country.** Country newsagencies appeared less at the extremities of the results. For the majority of those for which I have data it was steady as she goes. Yes, there are exceptions, but not as many as in city based newsagencies where the results are far more volatile.
4. **Shopping centre versus high street.** Except for a few of the larger high street newsagencies, shopping centre businesses performed better, more of them were in the grouping with better sales results compared to the year earlier.

Now let's look at the results by key departments. Note that for some departments I use unit sales and others I use dollar revenue:

1. **Magazines.** 18% of newsagents in the study reported unit sales **growth** with an average growth of 3%.

Of the more than 80% of newsagents reporting a **decline** in magazine sales, the average decline was 7%.

Looking just at *women's weeklies*, the decline is not as great with the average just below 5%. That said, the difference between businesses is more considerable here. More 25% of newsagencies are reporting growth of weeklies of, on average, 4%. Another 25% and reporting a decline, on average, of 11%. This is what I meant before about the difference between newsagencies at either end of the scale.

Elsewhere in the magazine department, *craft & hobbies* is a stand out, often delivering close to 10% year on year growth. I bet many newsagents don't realize this, that they have such a traffic generating success story on their hands which they could use to support other parts of the business.

Food & wine had a challenging quarter with the average decline across the board at 7% in unit sales. There must be some titles in trouble in this category.

The category with the worst sales results is *children's* with an average of 13%.

NOTE: I have no doubt that newsagents can do better. The start is a full magazine relay. I have the data to prove the value of a few hours shop-floor work. This is vital as magazine range is the only channel-wide point of difference we have.

2. **Greeting cards.** 68% of newsagents reported an average of 5% revenue growth. Of those reporting decline, the average decline was 3%. This is an excellent result for cards, a department on which newsagents spend too little time.
3. **Stationery.** 63% of newsagents reported an average decline of 4% in stationery revenue. This is not good for the channel. At the other end of the scale, 20% of newsagents reported average growth of 13%. This is further evidence of the problem for the channel. This requires leadership to address.

NOTE: I took a moment to look at stationery in some more detail. Pens and paper remain at the core. They usually account for close to 50% of sales. The sales losses are at the fringes, where stock turns are lower. There are some fundamental challenges for newsagents when it comes to stationery. The data shows that we are all over the place – some have a great story while others do not. This confuses shoppers and ensures they cannot have a consistent stationery experience in a newsagency.

4. **Ink.** 48% of stores participating in the study separate ink sales data allowing further analysis. 59% of stores reported ink revenue growth with 6% the average increase. Of those reporting decline, the average decline was 3%.
5. **Gifts.** 53% of the stores in this study have a gift department and reported on this separately. 70% of these reported an average sales increase of 8% in gift revenue. Of those reporting a decline the average was a concerning 12%.

Gifts are a challenge in that they require considerable attention. We have to create

an offer that respects the core nature of our business. If we go too far then we risk magazine, newspaper, stationery and lottery business.

6. **Newspapers.** 51% of newsagents reported a decline in newspaper sales. The average decline was 1%. The average increase was 2%.

In the last study it was capital country newsagencies which were most challenged. In this study the differences based on geography are not as strong. That said, there is no doubt that shopping centre newsagencies remain vulnerable. This speaks to the fickle nature of shopping centre traffic performance. While am no economist it could be that they are the first to experience trends.

SUMMARY

My overall take on the data is that newsagencies are good businesses to own. They respond to attention. While some existing product categories *are* challenged, we have the capacity to trade outside of this and make our own success in new areas.

I think that through 2012 we will continue to see **the strong get stronger and the weak get weaker**. Newsagents can move from one group to the other depending on what they and their team invest in the business.

For what it's worth, the best type of newsagency to own today is one where you have the most control over what you sell. This can be in a shopping centre but is more likely to be in a high street and / or regional situation. Ideally, it would be a business where you can ultimately own the building.

We create our own luck, now more than ever.

Here is a **TO DO LIST** for newsagents based on the data I have been immersed in as a result of the study:

1. **Do a full magazine relay.** Every magazine off and rebuild your placement from the ground up. No excuses. I have done it. Sales *will* increase as a result. Call me if you need advice on this.
2. **Work on stationery.** Know where you make your money, *own* this.
3. **Get into gifts.** They should be 30% of card sales at least.
4. Look at your **external marketing**. Your competitors spend 2% - 5% of sales.
5. Allocate more of your **time on the shop floor**. This is where growth is achieved.
6. Look at your **basket building strategies** and ensure that you leverage 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.

I appreciate the time given by the newsagents using the Tower Systems newsagency software who shared the sales data that is the basis for this study.

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That we have been able to do the study speaks to our 1,750+ strong newsagent community. More newsagents use Tower software than all other newsagency software companies combined.