

NEWSAGENT SALES BENCHMARK STUDY

APR-JUN 2012 vs APR-JUN 2011

Trading improved for newsagents in the final quarter of the 2011/12 financial year with more newsagents reporting sales success in key categories and growth in new categories.

Many newsagents reported year on year growth in cards, magazines and stationery – three important product categories in a traditional newsagency business.

However, the latest newsagency sales benchmark study reveals that the gap between newsagency businesses is bigger than in the previous quarter. Some newsagencies are experiencing alarming sales declines.

Here are the newsagency sales benchmark highlights:

1. **Traffic.** Customer traffic was up slightly with 59% recording an average increase of 2.8% of transactions.
2. **Basket depth.** 38% recorded an increase in the number of items in a transaction and the average increase was 6%.
3. **City versus country.** City based newsagencies delivered the better results in this study. This suggests that city areas are recovering faster than rural and regional.
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.** 38% of newsagents in the study reported unit sales **growth** with an average growth of 3%. NOTE: some reported growth of 15% and more.

Of the 62% of newsagents reporting a **decline** in magazine sales, the average decline was 5%. NOTE: Some reported declines of 15% and more.

85% of newsagencies reported a sales decline for *women's weeklies*. The overall average decline was 7% with, again, a big difference between the best and worst performers. The performance of weeklies in a year on year comparison is hampered by the fact that 2011 has the royal wedding.

One Direction's impact on magazine sales is evident in the benchmark study, pushing *music, teen* and *children's* titles.

The growth magazine categories (in addition to those noted above) are *crosswords, special interest* and *home & living*.

Several newsagents noted that they had undertaken magazine relays – pointing to this as a reason for the growth they had achieved.

Overall, the results for magazines are excellent, much better than expected.

2. **Greeting cards.** 83% of newsagents reported an average of just under 6% revenue growth. Of those reporting decline, the average decline was 4%. This is another excellent result for cards with some newsagencies reporting double digit growth.
3. **Stationery.** 61% of newsagents reported an average growth of 5% in stationery

revenue. This is excellent news, reversing a concerning trend in the previous benchmark study. Of the 49% reporting a decline in stationery sales, the average decline was 6%.

NOTE: Pens and paper remain at the core category of stationery we sell, accounting, usually, for around 30% of stationery sales. Paper usually accounts for 20% of sales and a vast array of items account for the rest. I suspect that newsagents are not getting a reasonable return on investment in stationery – either because they are over stocked or they are not marketing externally. For a department over which newsagents have complete control, most do not use this.

4. **Ink.** 52% of stores participating in the study separate ink sales data allowing further analysis. 63% of stores reported ink revenue growth with 4% the average increase. Of those reporting decline, the average decline was 3%.

Ink continues to be an important product category given the habit nature of the product. Win an ink customer on price and or service and you have them for life.

5. **Gifts.** 64% of the stores in this study have a gift department and reported on this separately. 78% of these reported an average sales increase of 6% in gift revenue. Of those reporting a decline the average was a 5%.

The benchmark reports reflect a diverse gift offer in the newsagency channel. Some stores focus on niches while others are more general. It is the stores focusing in one or two niches which have seen the most significant growth – several off of an already high base.

6. **Newspapers.** 68% of newsagents reported a decline in newspaper sales. The average decline was 3%. The average increase of those reporting an increase was 2%. Here I can see data for foreign newspapers, sales growth of 5% or more is usual – this remains a valuable newspaper segment for newsagents.
7. **Tobacco.** Sales declining in more than 80% of stores. Newsagents need to look at stockholding and space cost to assess whether to stay in the space.
8. **Confectionery.** 65% of store reported an average decline of 6%. It makes me wonder if newsagents have lost their way with confectionery given the growth in some other retail channels in this space.

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 continue to be good businesses to own. They respond to attention. I know from specific feedback of some study participants that businesses are responding.

The key is that more newsagents need to respond, they need to redraw space allocation in-store.

In the second half of calendar 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 and invest in marketing 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. Yes, some of this is not new – but it needs to be restated as it is as relevant today:

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. What type of stationery retailer are you: if you carry range as a retailer of last resort price it accordingly. If your focus is volume, then price for this.
3. **Ink.** The best way to achieve growth is to promote externally.
4. **Get into gifts.** They should be *at least* 30% of card sales.
5. Look at your **external marketing.** Your competitors spend 2% - 5% of sales.
6. Allocate more of your **time on the shop floor.** This is where growth is achieved.
7. 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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ABOUT THIS STUDY

This study is based on comprehensive sales data collected from more than 150 newsagents across Australia for the comparison periods. These newsagents represent five banner groups as well as independent operators.

The data pool represents a cross-section of city, country, high street & 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.

That we have been able to do the study speaks to our 1,8000+ strong newsagent community. More newsagents use Tower software than all other newsagency software companies combined.