Pfitzner, Laura

From: Bill Wareham <ttpnewsplus@adam.com.au>
Sent: Wednesday, 18 March 2015 11:35 PM
To: Adjudication
Subject: Attention Hannah Ransom - A91472 – magazine publishers of Aust submission

Dear Hannah,

I am a newsagent in South Australia with 11 years in my business. I would like to give you some feedback on the proposed magazine publishers of Australia submission.

As stated in the submission the key issue facing newsagents is the gross over supply of magazines. This over supply results negatively on the cash-flow for newsagents along with the additional burden of additional labour and freight costs. Currently we have the option to early return titles to ease our cash-flow and stock holding. The proposal would see this eliminated without offering the newsagent any benefit above existing sales efficiency rates.

The basic fundamental of the proposed sales efficiency rates are flawed. A sales efficiency of 55% actually means a supply of 181% of an items rate of sale. For the bottom level a 25% efficiency relates to a 400% supply level. We send each distributor our sales scan data on a daily basis, or receive a penalty. This data is not used effectively, because if it was a sales efficiency rate 805 would be achieved similar to that of the book category.

Nowhere in this submission is a model the profitability to a newsagent of the sales efficiencies proposed. Magazine titles that do not rank in the top 100, are a loss making exercise. Magazines with a shelf life of more than 1 month are a loss. We are only compensated if we sell a title. We are not compensated for the real estate these titles occupy. Over my 11 years my sales are down 35% on year 1, my rent up 60%.

Nowhere in this submission is a forecast model on how these efficiency rates would impact on a newsagents cash-flow. They are proposing to eliminate the early returns process which is currently how newsagents deal with the mass over supply. In a category that has been in annual decline in my 11 years, Why do I need the volume of stock they a proposing to meet a decline averaging between 5% and 9% for the last 11 years.

Nowhere in this proposal does it address the fact that the distributor sent me over 1,200 titles to fit into a section of 750 pockets. It's this long tail of slow selling, non performing titles which is strangling the industries cash-flow, yet they propose that we need to accept a 400% increase on sales and not be able to early return to balance our cash-flow. Some of these no performing titles have shelf lives of 6 to 12 months.

Nowhere does it address the fact of stock holding as ratio of turnover.

Nowhere does it address the return on investment multiple required to sustain a profitable business.

Nowhere does it benchmark the return on investment of magazine against other newsagent categories such as greeting cards and stationery.

At no time have they consulted with the customer, us the newsagent. The MPA are dictating terms which will see the increased closure of newsagents who are forced to subsidise the profits of the distributors.

After making amendments to the original contract 11 years ago I was sent another copy to agree to or else no supply. Then magazines where 50% of my sales, today they are less than 20%.

Seek first to understand, before trying to be understood. The MPA should be made to meet with it's customers and come to an agreement that publishers, distributors and newsagents agree would be fair. They won't because efficiency rates of 80% that should be achievable given they have daily access to our scan data, would send the distributors out of business.

Bottom line for me and many others will be that the elimination of early returns will see me exit the magazine category altogether.

This proposal is not a fair proposal for all parties and should be rejected as it stands.

Yours Sincerely

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