

## Blanch, Belinda

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**From:** Nextra Riverton <nextrariverton@bigpond.com>  
**Sent:** Saturday, 28 March 2015 6:08 PM  
**To:** Adjudication  
**Subject:** A91472 - Magazine Publishers of Australia - Submission

**Follow Up Flag:** Forwarded to HR & DH - LP 30/3  
**Flag Status:** Flagged

**Categories:** Submission

Dear Sir/Madam,

I wish to submit my comments in respect of the above proposal.

By way of background I have been a newsagent for the past 8 years and have seen the Magazine category decline regularly over that period. I agree with the general sentiment that Newsagents have become disengaged from the magazine category and it no longer represents a material part of our business. From my perspective the disengagement comes from the declining sales trend and the behaviour of the Distributors in oversupplying us. My main concern is that notwithstanding the Distributors receiving daily sales data they don't adjust supply of the titles to reflect our actual sales and they don't cull titles that don't sell.

I have never engaged in the indiscriminate return of magazines but cannot speak for others in the industry. I do early return titles and use the following criteria to decide on early returns:

- Supply versus actual sales history – I will accept supply of magazines equivalent to 125% of my historical sales. Anything received above this is automatically returned on receipt unless there are exceptional circumstances eg seasonal issues/ special issues.
- Nil Sales History – If a title is received that has a recorded nil sales history for the past 5 issues it will be returned automatically.
- New issue received – Once a new issue of a title is received all old issues are returned, notwithstanding many titles will have an overlapping on-sale date.
- New Titles – Acceptance of new titles is considered having consideration for our market needs, performance of like titles and available space to display stock. Eg We regularly receive new titles in both the Puzzle and 4WD categories despite these categories being heavily covered already. We don't have space for more titles in these categories thus new titles are early returned.
- On sales Period – Once a month we will cull all titles that have been on the shelf for more than 6 weeks, irrespective of on-sale date. We consider this provides adequate time for a title to sell and enables us to manage the volume of stock we receive within the constraints of the number of pockets we have.

I can see a benefit in a code of conduct if the terms of that code are reasonable. The terms that are being expressed in the pilot are a long way from being reasonable, in particular the following issues concern me:

- Sales Efficiency / Early returns – A standard that allows the distributor to supply up to 4 times the volume that we sell is too high. When coupled with the no early return policy this would cripple our Newsagency. Take the example of a title that retails for \$5:00, with average sales of 10 copies per issue and a 12 week on sale date. Over the 12 week period I will receive \$50 in sales from this product but if I receive 40 copies of the title I will be paying the Distributor \$150 for the supply of the title at some point between week 3 and week 7. I will then not receive the benefit of a credit totalling \$112.50 until between week 15 and week 19. Multiply this over the many hundreds of titles that we receive and the proposed sales efficiency when combined with no early returns results in the category being significantly cashflow negative.
- Maximum Shelf Life – 12 weeks is too long for any title, I don't support shelf lives of more than 6 weeks. We simply don't have the space to carry titles for this long particularly when many of the titles received have

average sales of less than 5 per issue. The business case to invest in more space is without merit. At present if we deduct our direct costs in managing the category ( consisting of rent apportionment and direct wages) the category loses approx \$60k pa thus we are better served in directing less space to magazines and more to othe categories in the business.

- New titles – Any commitment to new titles must rest with the Retailer, it is after all our space and our cashflow. Distributors never seem to consider that our space is finite.

The only basis on which I believe no early returns would work is if monthly invoicing was based on actual sales for the month. As indicated above the Distributors receive our sales data, which is produced from long standing industry accepted POS. Hence, one would expect that producing invoicing based on this data would not be too difficultm and would certainly remove a lot of the issues that Newsagents have with cashflow in the Magazine segment.

If the proposed terms were to become the basis of a code of conduct I believe that this would precipitate many newsagents exiting the magazine category althogether, I certainly would.

Finally, I believe the Australian Newsagents Federation have been a party to discussions with the Distributors in formulating this code of conduct. I am not a member of the ANF and have doubts that the ANF is representative of a majority of Newsagents. Unfortunately when the industry does need a body to represent its interests the ANF appears to be chasing commercial arrangements over the interests of the members they represent.

Thankyou for the opportunity to provide my thoughts on this issue.

Regards

*Kevin Neil*

The logo for nexta Riverton, featuring the word 'nexta' in a white oval and 'Riverton' in bold black text.

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