



POINT OF SALE SOFTWARE

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Ms H Ransom
Senior Project Officer | Adjudication Branch
Australian Competition & Consumer Commission
23 Marcus Clarke Street
Canberra 2601
BY EMAIL

Dear Ms Ransom

RE: A91472 – magazine publishers of Aust

I make this submission on behalf of Tower Systems International (Aust.) Pty Ltd, a company currently serving in excess of 1,800 newsagents using our newsagency management software. In addition to managing the retail operation of a newsagency, our software manages the receipt into the business of magazines, the sale of magazines, the processing of unsold magazines as returns and the supply of magazine sales data to magazine distributors.

We have intimate knowledge of and experience with the magazine supply model through our work with magazine distributors, magazine publishers and newsagents.

Tower Systems has served newsagents with software for more than thirty years.

I author a quarterly Newsagency Sales Benchmark Report on the business performance of newsagencies. This Benchmark Study looks at the performance and operational efficiency of magazines. It has documented not only the decline of magazine sales but the increasing inefficiency of the newsagency magazine supply model.

I have also authored the most comprehensive study into the cash-flow implications of the magazine supply model in Australia – a study which documented that the majority of magazines supplied to newsagents under a model through which newsagents had little control were cash flow negative for their businesses.

Magazines outside the top 200 titles are where the most significant retail space, labour and financial inefficiency occurs for newsagents. These titles are unique to newsagents, their competitors are not supplied as they have control over supply. Newsagents have no such control, forcing them to carry stock which is loss making.

These are just some of the matters that competitively disadvantage newsagents which are not addressed by the trial.

I submit that the ACCC ought to hold a conference to discuss the draft determination. At such a conference I could present evidence as to how this trial is inadequate in scope and will not result in changed to allow newsagents to be competitive in their magazine offer.

A very simple stat demonstrates the state of the magazine apply model. Magazine unit sales have declined year on year for the last five years at least. In most newsagency businesses for which I have seen data, the cost of stock is the same or slightly higher compared to five years ago. This means newsagents are achieving a considerably lower return on inventory investment in a category hit by declining sales. The financial burden makes newsagents less competitive today than five years ago. Magazine distributors have this data at their fingertips.

It is my opinion, based on working with 1,800+ newsagents, that the trial is inappropriate for the following reasons:

1. The pilot does not adequately address the inefficiencies in the supply of magazines to newsagents to be of genuine value.
2. The pilot does not sufficiently address oversupply of magazines to newsagents as there is no total supply cap or measure per store. History suggests the magazine distributors will continue to chase a revenue target per newsagent rather than a sell-through target.
3. The minimum sales efficiency targets are not based on a reasonable understanding or assessment of the requirements of today's retail newsagency. A title with a sales efficiency of less than 50% is loss making for newsagents. That newsagents would be supplied this and their competitors not places them at a commercial disadvantage.
4. The requirements around partworks are problematic. Newsagents are not given control of supply and can find they have to freight boxes of returns, costing more than the total gross profit from sales of all copies of the partwork. Penalizing newsagents for a business decision over which they had no control is unreasonable.
5. The maximum shelf life is irrelevant. The more appropriate measure is return on space allocation in-store. Requiring newsagents to maintain stock of a title for twelve weeks when their competitors, major supermarkets, receive marketing and other contributions to subsidise these operating costs – thereby giving supermarkets a competitive advantage over small business newsagents.
6. No data has been presented by the MPA to back the claims at the heart of their proposal for the trial yet data reporting on the performance of magazines and the behaviour of newsagents is readily available.
7. The ACCC did not adequately consult on the trial. Knowledgeable parties such as Tower Systems could have informed the scope of the trial prior to it reaching this point. Indeed, when the idea of the trial was mooted to me a year ago I explained then what I saw as being wrong with it.
8. The ANF, the 'peak' industry body, has not consulted those with relevant data prior to endorsing the trial.

I would be please to speak to any of the points raised in this submission.

Sincerely,



Mark Fletcher
Director