

Annexure A

Description of Pilot Program

The Pilot program will require a group of 240 newsagents across Australia. Newsagents will be a national cross section, so as to include all store types, in all regions. These variables sought for the Pilot group include:

- Regionationality; metro, country.
- Store turnover; small and large.
- Merchandiser frequency, if at all.
- POS systems used.
- Magazine pocket count.
- Use of technology e.g. XchangeIT (newsagent electronic data interchange (EDI)).
- Agent classification; full service, retail only. (Distribution Agents are not included in the Pilot.)

The approximately 40 newsagencies will be divided into two approximately equal groups with matching variables (Group A and Group B). Ideally each type of newsagency in the first group would have a counterpart in the other. This is to allow a meaningful comparison to be made between the Pilot outcomes achieved for each of the 2 Pilot groups.

Group A newsagencies will receive the limitations in distribution (as outlined in Annexure B), as well as Channel Engagement and Retail Skilling processes described in Annexure C.

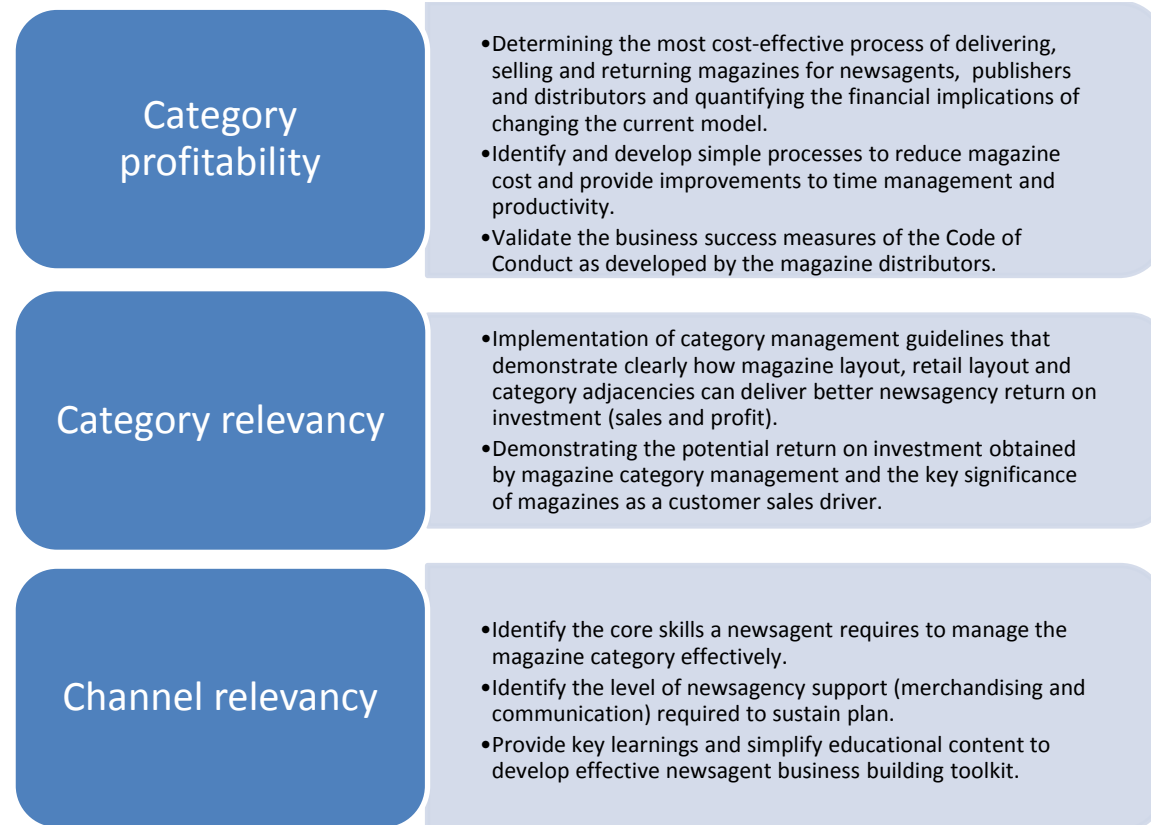
Group B newsagencies will receive only the limitations on distribution (as outlined in Annexure B) and will not receive the Channel Engagement and Retail Skilling processes described in Annexure C.

Objectives

The Pilot program will be able to read the Group A results compared to the Group B results and identify the value of the limited distribution and channel management initiatives versus the limited distribution only. This will also be contrasted to the performance of the Pilot newsagencies prior to the Pilot being implemented and to the industry generally.

The Pilot program will test the proposed changes to the magazine distribution model and seek to develop and implement a clear business plan for the newsagent magazine category that delivers an increased and sustainable return on investment for newsagents, publishers and distributors.

Key objectives in the development and implementation of the business plan are:



The outcome of achieving these objectives will be the building of an improved and more sustainable newsagency channel for the future.

The key measures of success for each key objective area are as follows -

Category profitability - improved magazine business returns through Code of Conduct

- Increased sales and profit of magazine category for newsagents, publishers and distributors
- Improved cash flow for newsagents
- Improved magazine category management
- Improved newsagent magazine category performance relative to other retail channels

Category relevancy - improved customer attractiveness

- Increased sales and profit of magazine category for newsagents, publishers and distributors
- Primary sales position at front of store in high foot traffic area
- Significantly improved perception of magazine category contribution to newsagent business
- Maintenance of successful category performance post-pilot

Channel relevancy - improved customer attractiveness

- Improved magazine category presentation
- Customer defined magazine ranging
- Improved foot traffic through magazine category area
- Increased magazine impulse sales

Key measures

Key measures for the pilot are as follows and mirror the proposed Code of Conduct guidelines (subject to ACCC review):

Measure	Source of data	Outline	Success indicators
Sales	Distributor reporting system/ Retailer POS	By Implementing each rule outlined in the distributor	Either an increase in sales across the newsagent channel or reversing the

		code of conduct document, one of the main objectives is to increase unit sales within each newsagent in turn improving the desirability of the magazine category for retailers	current trends of a declining market and maintain current sales volumes
Sales efficiency	Distributor Enterprise Resource Planning (ERP) system	The % difference between copies distributed and copies returned under the sale or return model	Ensuring minimum sell through rates to ensure retailers have enough stock to sell based on previous sales history and also provides enough additional copies for incremental sales opportunities. Improved retailer cash flow management through the reduction in initial outlay and returns
Consecutive nil sale	Distributor ERP/Retailer POS	Where the entire initial distribution is returned	Distributors utilise additional data sources to reduce the instances of nil sale to determine that a product is not suitable to an outlet and ensure no further distribution of that product
Full copy returns	Distributor ERP	Where a publisher requires any unsold copies of a magazine to be returned to the distributor	Diminishing publisher requests for full copy returns and where requests are made it is at minimal cost to the retailer. Improvement to this will involve geographically tailored solutions
Early returns	Distributor ERP	Where a retailer returns copies of a magazine prior to the recall date (recall determined by the publisher)	For product to be displayed on shelf and available for sale for the full length of the sale period. This can be measured by flagging returns that occur prior to the recall date
Redistributions	Distributor ERP/Retailer POS	Where a publisher sends a product into stores that have received the product in the	Redistributed stock does not mislead consumers or inhibit the sale of current product or encumber negative cash

		past	flow implications within the category for the retailer
New title launches	Distributor ERP/Retailer scan	A title which is brand new to the market. E.g. issue 1	Agents are aware of new product and display appropriately at launch; EDI is used to determine initial allocations until sales pattern is established; agents have ability to pre-opt out of specific sub-categories e.g. part works, calendars, adult titles
Delayed Billing	Distributor ERP	Where a product is distributed but not charged for within that billing month	Product over an extended shelf life (e.g. 12 weeks) OR over a high value (e.g. \$30) is automatically delay billed and the newsagent is clearly informed
Maximum shelf life	Distributor ERP/Retailer POS	Where a product recall is set to an agreed maximum length	Product life span set to a level that does not inhibit its sale or encumber negative cash flow implications within the category for the retailer
Split deliveries	Distributor ERP/Retailer scan data	Where a product is distributed over more than one delivery	A second or subsequent delivery only being made if stock has depleted to a point where additional stock is required. Basing the subsequent distribution on initial sales for the issue will allow higher sales efficiencies and minimise sell outs

Key requirements

Prior to the launch of the pilot there are a number of key elements that will need to be reviewed and addressed:

ITEM	ACTION
Current sales efficiencies/range review	<ul style="list-style-type: none"> • Store sales data, correlated against distributor data, to be reviewed to set an optimal magazine range baseline along with the appropriate allocation levels
Magazine relay	<ul style="list-style-type: none"> • Stores to have the magazine category relayed to current MPA guidelines
Point of sale	<ul style="list-style-type: none"> • Stores to be provided with existing MPA Category Header cards
Merchandise training	<ul style="list-style-type: none"> • Where services available, merchandisers to have relevant activation tasks for these outlets
Call centre	<ul style="list-style-type: none"> • Distributor call centres to be briefed to ensure Pilot customers can activate items within Code of Conduct as required
Store training	<ul style="list-style-type: none"> • Newsagents to be trained on parameters of the proposed Code of Conduct
Processes and procedures	<ul style="list-style-type: none"> • Manuals to be developed for trial for newsagents, merchandisers and distributor call centre operators
Agent sign up	<ul style="list-style-type: none"> • Develop most effective information and sign up process e.g. a one on one meeting direct with store or group sessions where possible