International Publishing Distribution Association

European Press Distribution Round Table

The UK Supply Chain in Context

Jim Bilton, Wessenden Marketing

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Three key N&M sellers in the news

The UK supply chain context

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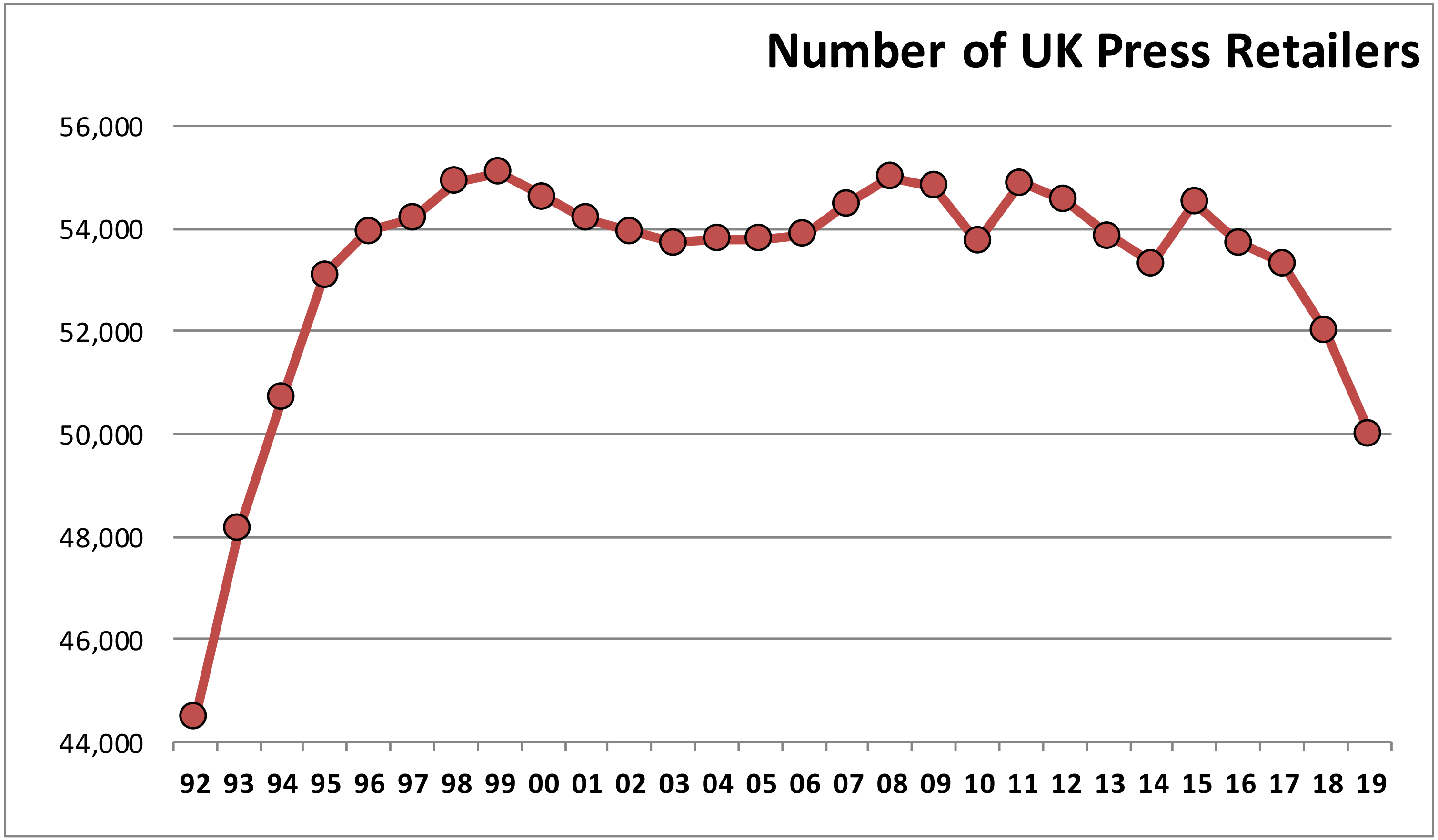
The print retail supply chain

Retail universe trend



Retailer market shares: 2019

Retailer Market Shares (RSV)			
Retailer	**News**	**Mags**	**News vs Mags**
Tesco	8%	16%	-8%
Coop	7%	7%	0%
MMRG	5%	3%	2%
Sainsburys	4%	10%	-6%
WH Smith Travel	2%	8%	-6%
WHSmith High St	2%	7%	-5%
Asda	2%	6%	-4%
Morrisons	2%	6%	-4%
Waitrose	1%	3%	-2%
One Stop	1%	1%	0%
Other multiples	6%	13%	-7%
Independents	60%	20%	40%
TOTAL	100%	100%	

Supply chain margins (share of cover price)

	News	Trend	Mags	Trend
Publisher	73.5%	Up	59%	Up
Distributor	-	-	4.5%	Down
Wholesaler	5%	Down	10.5%	Down
Retailer	21.5%	Down	26%	Steady

Other factors for retail……

- Over-riders
- Promotional spend
- Carriage Service Charges
- Shrink
- Cash flow
- Staff & store costs

The retail perspective

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What retailers <u>like</u> about N+M

Role of N+M in retail offer

- Profitable line in own right?
- Enhancing the shopping experience
- Established part of shopping experience
- Basket builder (magazines)
- Traffic builder (newspapers)

Other positives

- Fun, complex, varied, creative products
- Flow of launches
- Fast-moving & responsive to latest social trends
- Personal identification

What retailers dislike about N+M

- Does not fit standard processes
- Currently soft sales
- Publisher controlled: *price, product, quantities, terms*
- Publisher & brand-centric
- Quality & speed of data
- Publishers & distributors do not collaborate
- Focus on “readers” rather than “shoppers”
- Not promotional enough
- Publishers & distributors negative & adversarial
- Most contacts with middlemen not budget holders
- Publishers not taking retail seriously enough

The grocers’ N&M wish-list

	Newspapers	Magazines
TACTICAL	* One day extension to the returns window. * Adding barcodes to free supplements to improve tracking & visibility.	* On-sale & off-sale dates printed on all barcodes. * Improve labelling on bundles. * Adding barcodes to free products to improve tracking & visibility. * Stop sending unwanted export titles to UK stores.
OPERATIONAL	* Review the whole Retailer Delivery Time database held by wholesalers in order to re-assess its accuracy. * Simpler & quicker goods-in process. * Better space planning & copy allocations to target <10% unsolds.	* Simpler & quicker goods-in process. * Better space planning & copy allocations to target <10% unsolds. * Consistent title & issue nomenclature. * No over-sized magazines. * Faster & more proative identification of problem stores.
STRATEGIC	* One-stop Category Management Capability based on a single, central data warehouse. * Store specific ranges. * Scan-based trading with retailer payments based on store EPoS data.	
STRUCTURAL	* More differentiated supply chain design with retailer service levels tailored for specific formats & fascias rather than "one-size-fits-all". * More direct relationships with publishers to develop joint business plans in a more collaborative way. * New measures of in-store execution, especially on-shelf availability, to improve store compliance.	

The publisher perspective

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The opportunities of the retail channel

More retailers

- Deeper penetration into supermarkets.
- Developing new entrants + bringing more on-stream.
- Non-traditional retailers.

Smarter execution

- More targeted consumer promotions + marketing.
- More targeted, bigger, more creative in-store promotions.
- Working closer with grocers: convenience stores & loyalty schemes.
- Making more of launches.
- Smarter copy management: from grades / clusters / store specific.
- Industry coop activity: selling the category to retailers & consumers.

Better products + new products

- Researched & fully optimised editorial packages.
- Optimised pricing
- New brands + extensions to existing brands.

International opportunities

The challenges of the retail channel

Structural change in retailing

- Decline of the High St + corner shop.
- Decline of independent newsagent.
- Growth of online + convenience / top-up shopping.
- Dominance (& weakness) of supermarkets.

Lack of retail focus on magazines

- Space & ranges under pressure.
- Location in-store under question.
- Retail staff time & commitment.

Increasing retail promotional costs

- In particular WHSmith & the supermarkets.

Other issues....

- Declining service standards from wholesalers & distributors.
- Decline of HND (newspapers)
- Lack of individual publisher scale + budgets to make a difference.

Wholesaler issues

- How many wholesalers do we need?
- How to manage/drive/control two wholesalers.
- Where can future economies come from?
- Will they survive (in current form) the 5 year contracts?
- Who is the customer? Publisher? Retailer?
- The different dynamics of news & mags.
- Cost-to-serve by retailer?
- Diversifying service offers: losing focus on N&M?
- Where should copy management sit?
- What does a wholesaler do?

Distributor issues

- Reducing differentiation.
- More consolidation?
- Maintaining new business growth.
- Specialist vs mainstream.
- Wider service offers.
- Process overlaps with wholesale.
- Where should copy management sit?
- Where should publisher thinking & strategy sit?
- What does a distributor do?

So, what does all this mean?

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Some big questions at a pivotal time

Changing shopping patterns: are we in right outlets?

In-store disciplines: making the category simpler.

Supply chain structure: is it fit for purpose?

Other categories spending at retail: do we spend enough?

Selling the category: to (1) consumer and (2) retailer.

Publisher overcapacity: a smaller, more efficient business?

Publisher interest in supply chain?

The political dimension: the Cairncross Review

The key recommendations were:

- New codes of conduct to between publishers and online platforms
- CMA (Competitions & Market Authority) to investigate online ad market
- Online platforms' news operations under regulatory supervision
- Ofcom to review the market impact of BBC News
- Encourage BBC to help local news
- Set up independent Institute to ensure future provision of public interest news
- Set up Innovation Fund to improve the supply of public interest news
- New forms of tax reliefs to encourage payments for online news content and support local and investigative journalis
- Expand financial support for local news through BBC's Local Democracy Reporting Service
- Developing a media literacy strategy alongside Ofcom, industry and stakeholders.

But….

- Supply chain issues must be addressed first / at same time
- Little evidence of real political will to make much of this happen

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