

# understand your marketplace

The newsagency channel is a mature one, subject to significant and unstoppable technological, social and economic change.

## INDUSTRY DATA

IBISWorld provides market research and independent, accurate, comprehensive and up-to-date business information. Principal Phil Ruthven addressed delegates at the ANF Newsagency Convention in Fremantle in September 2010, outlining how the newsagency sector fitted into the scheme of things in the Australian economy.

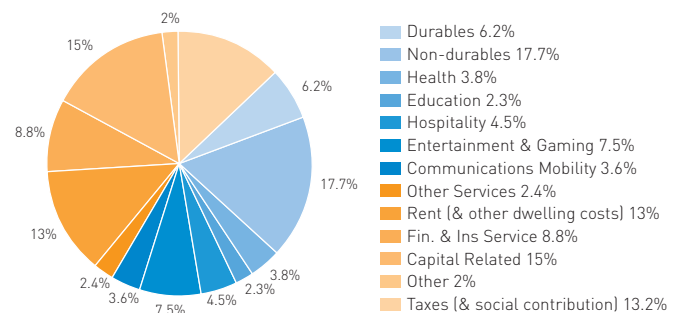
### Newsagents are part of the Booksellers, Newsagency & Stationery industry in Australia

- Revenues in 2011 are expected to be \$7.9 billion, down from \$9.7 billion eight years ago.
- Growth could be a modest 1.7% pa in real terms over the next five years.
- The industry is a mature one and subject to significant impact by the unstoppable digital information age and online shopping.
- There are too many players that are too small in the industry and over a quarter (more than 2000 businesses) need to go to create a better and stronger industry. This has happened to the service station industry and many others already.
- Good operators can grow through market share.
- Average store revenues should be in the \$2-10 million range.
- The industry is much the better for innovative players that are finding new product categories (including services) to augment and offset declines in traditional products.
- Franchising of viable stores (with unique IP) is generally preferable to stand-alone stores.
- It is possible to earn the world benchmark profitability of four times the bond rate after tax in this industry.
- Over half of the nation's most profitable businesses are in mature industries.

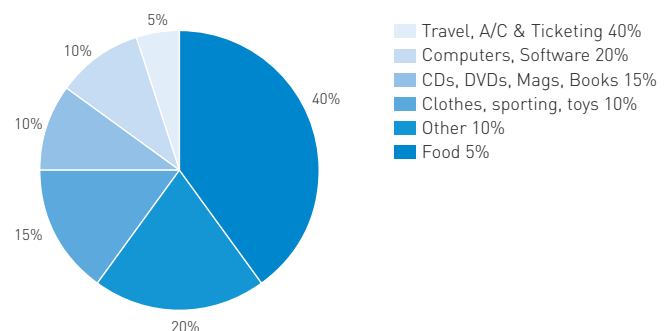
## HOUSEHOLD SPENDING ON RETAIL GOODS

News, books and stationery amount to 2.2% of total retail spending. However, online spending in this category is growing.

Australian Household Expenditure (year to June 2010)  
\$1068.1 billion (\$123,860 per household)

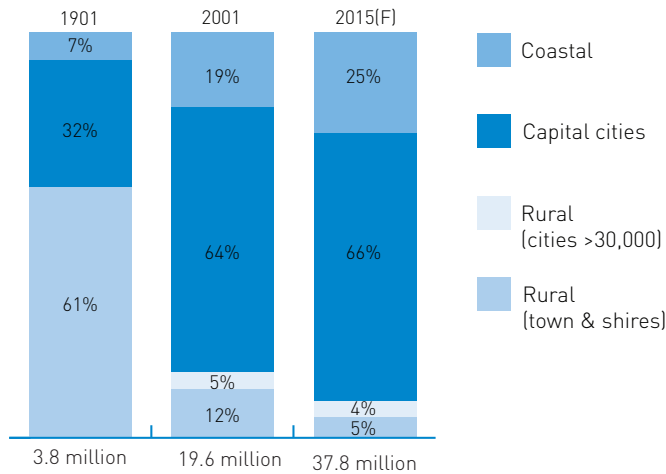


Online Retailing (year to June 2010)  
\$19.7 billion (4.5% of total retail sales)



## AUSTRALIA'S BROAD GEOGRAPHIC SHIFT

The drift to the cities looks set to intensify and IBISWorld predicts that by 2051 66% of people will live in cities.



## BOOKSELLERS, NEWSAGENCIES AND STATIONERS

Revenue	\$ 7.9 billion	
Growth F'10 to F'15 (real)	1.7% pa (cf -1.0% pa last five years)	
Contribution to Economy (% of GDP)	0.01%	
Enterprises (E)	7050	
Establishments (E)	9440	
Employment	c. 53,170	
Wages	\$820 million	
Major Players	Newspower	10.5%
	Office Works	9.0%
	Red Group	3.5%
	Nextra	2.75%
	Newsxpress	1.5%

## KEY SURVIVAL FACTORS

**Control stock on hand:** Stock key selling items, minimise slow-selling stock to assist with cash flow.

**Allocate product/service to area of greatest need:** Stock popular-selling items. This is particularly important for book and newspaper retailers.

**Make product presentation attractive:** Ensure that displays both outside and within the shop assist in the conversion of sales from impulse buyers and shoppers.

### HAVE A CLEAR MARKET POSITION:

Project a clear market position, which enables consumers to develop brand awareness and aids in customer loyalty.

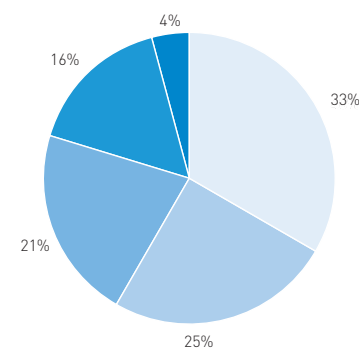
**Be big and/or part of a franchising chain:** Benefit from size and/or the market exposure established by a successful franchisor and the brand awareness by consumers.

**Maintain a multi-skilled and flexible workforce:** Your staff should be knowledgeable about the goods you are selling and be able to provide consumers with helpful service and advice.

## WHAT THE BEST ENTERPRISES ARE DOING

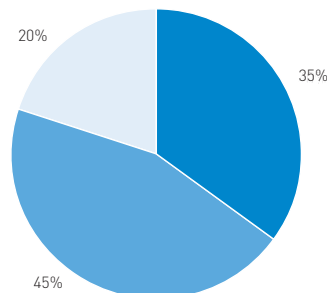
1. They stick to one business at a time and do not diversify.
2. They aim to dominate some segment (s) of their market.
3. They are forever innovative, valuing the business' IP.
4. They outsource non-core activities to enable growth.
5. They don't own "hard" assets.
6. They have good and professional financial management.
7. They plan from the outside-in not the inside-out.
8. They anticipate any new industry lifecycle changes.
9. They follow world best practice for their own type of business.
10. They develop strategic alliances.
11. They develop unique organisational cultures.
12. They value leadership first and management second.

## Industry Segmentation (year to June 2010)



### Product groups

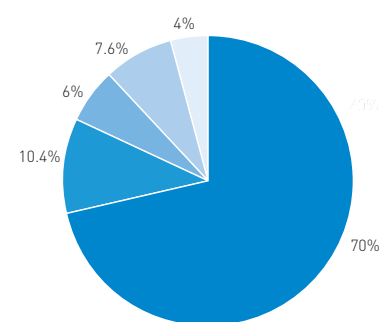
- Books 33%
- Stationery 25%
- Newspapers 21%
- Magazines 16%
- Other 4%



### Customer Segments

- Education 35%
- Households 45%
- Corporate 20%

## Guideline Industry Cost Structure (\$7.9 billion)



- Purchases 70%
- Wages 10.4%
- Rent 6%
- Other 7.6%
- NPBT 4%