

the newsagency business in 2010

Reinventing the model

2010 WAS A CHALLENGING YEAR FOR NEWSAGENTS AS RETAILING REMAINED DEPRESSED POST-GFC.

The core newsagency products of newspapers, magazines, stationery, lotteries and greeting cards provided a solid base on which newsagents could build other product categories to present to their diverse customer base. Some innovative agents came through 2010 retaining previous year's sales figures, but most suffered declines of 10-15%. However, compared to other retail sectors, newsagencies performed quite well.

Some of the biggest challenges for 2010 came from the distribution sector as rising prices and new award wages pushed up the costs but there was little relief in the form of increased delivery fees from newspaper publishers. As newspaper publishers grapple with an irreversibly changed news model they were in no position or mood to give concessions to the newsagency sector. News Limited signalled that it intends to revolutionise the distribution model and we may see far fewer newsagents involved in delivery of newspapers. News Limited is introducing flat wrap in South Australia to attract more customers to home delivery. Rationalisation and centralisation will be the future of newspaper distribution for as long as print remains.

Newsagencies are still selling and the market has been buoyed by the demand from new entrants to the country.

Marketing groups have grown strongly in 2010 signalling that newsagents are looking for help and inspiration to strengthen the newsagency model, diversify and present an attractive brand that can compete with the big retailers.

Newsagents have diversified into gift retailing, increased stationery services and products to suit the local community. Community involvement is crucial to the success of newsagencies.

Whilst there may be a newsagency in every town, supermarkets are looking more seriously at the newsagency market and newsagents will have to provide exceptional customer service if they are to 'out-retail' the supermarket chains inspired by overseas models.

Currently, no other channel has the reach and recognition of the newsagency channel in Australia and whilst the magazine distribution system may be the envy of publishers around the world, publishers of the print product are challenged by the internet, mobile communication and costs of getting to market. Many consumers have been attracted by internet shopping and newsagents are rapidly moving to include an internet offer in their businesses.

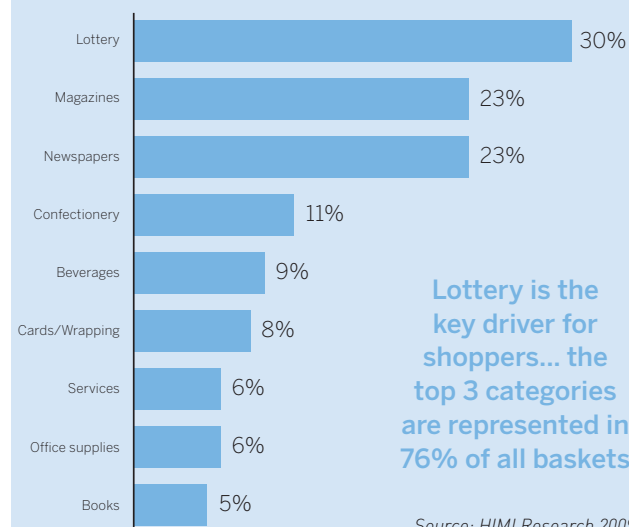
2011 will be a year of reinventing, if not revolutionising, the newsagency model and those agents who do not keep up may well suffer serious declines in business.

Predictions are that there will be fewer newsagencies and this will open the market for the better agents.

Key Challenges affecting the newsagency sector include:

- Low margins on declining high-volume products
- Competition from supermarket magazine and card retailing
- Increased tobacco display restrictions
- Fair Work system cost increases
- Blurring of lines and competition from convenience stores

Top purchases newsagency average



Source: HIM! Research 2009

2011 will be a make or break year for poor-performing newsagencies

HOW MANY NEWSAGENTS?

The composition of the newsagency channel varies across the country. There are retail newsagents, distribution newsagents and newsagencies that operate both retail and delivery services. There are different newsagency systems operating in various states. Defining and measuring the number of newsagencies is, therefore, not an exact science.

On the eastern seaboard the majority of newsagents operate both a shop and a delivery round. Those in shopping centres may just operate a shop with no home delivery and may or may not have subagents.

Subagents have newspapers and magazines supplied by newsagents on a shared commission basis, usually of 12.5% each.

However, a new direct supply contract from ACP in late 2010 threatens to link commission rates to sales volumes and commission levels could change in the future.

In Western Australia and South Australia the 'newsagent' is the distribution agent only who works from home or from a light industrial area and delivers to homes, subagents and businesses. Some CBD agents only deliver to the CBD offices and have no retail outlets.

The data from Gordon and Gotch (table below) shows a decrease in the number of 'full service' newsagencies — 91 less in 2010. This takes the number of agents back to 2008 levels after the inexplicable increase in 2009. Overall, the number of agents Gordon and Gotch services has declined by 329 since

KEY INDUSTRY STATISTICS

4650 newsagents Australia-wide

4409 retail newsagents

240 delivery-only newsagents

Annual industry turnover of **\$7.9 billion**

67% magazine sales through newsagencies

2379 newsagents participate in Electronic Data Interchange through XchangeIT

31% greeting card sales through newsagencies

\$240 million in cards and wrap through newsagencies

\$1.2 billion turnover at retail in magazines

\$3.5 billion in lotteries across all states

Mobile recharge market in newsagencies is worth **\$132 million** a year

\$11million per month turnover in mobile recharge (**12% year on year growth**)

\$880k per month in other prepaid products and services (phonecards, internet, iTunes, etc)

2003. If the pundits are right, this trend is set to continue if there is a shakeout in the number of agents providing home delivery services and a rationalisation if the new outlets fail to prosper in a rapidly changing environment.

There were 29 less shop-only agents, 10 less distribution+ subs agents and the home delivery-only agents increased by one.

On top of this number, Gordon and Gotch supplies magazines to supermarkets, service stations and specialist outlets.

NEWSAGENCY NUMBERS AUSTRALIA-WIDE

Type of Newsagency	2003	2004	2005	2006	2007	2008	2009	2010
Shop + Home Delivery + Subagents	2348	2294	2291	2270	2257	2187	2224	2183
Shop + Subagents	205	219	213	215	215	211	214	211
Shop Only	1914	1861	1846	1857	1860	1791	1852	1823
Home Delivery + Subagents	290	264	163	255	261	245	245	235
Shop + Home Delivery	213	217	213	206	203	195	200	192
Home Delivery Only	7	7	6	6	5	4	4	5
CBD Street Agents	2	3	3	3	2	2	2	1
Total	4979	4865	4735	4812	4803	4635	4741	4650