

Press Distribution Forum – Retailer Frequently Asked Questions:

MAGAZINE ALLOCATIONS

The allocation of magazine quantities is a complex process which requires a high degree of forecasting and input from a number of people across the supply chain.

What we know today as copy allocation includes the current equivalent of a practice which used to be known as 'boxing out'. This is used to explore the potential of a new launch or promoted title or to test whether increased availability can generate increased sales.

The volatility of sales at a national level varies from title to title and is something that all publishers use a number of data points to estimate effectively. The greater level of volatility occurs at store level and is something that has increased significantly in recent years due to the decline in sales. Both publishers and wholesalers aim to ensure that supplies cover expected demand but the volatility in sale will often drive sell outs, or higher than planned levels of returns.

This document addresses some frequently asked questions around magazine allocations.

How do publishers decide how many copies to print?

- A publisher may need to decide how many copies to print weeks or even months in advance of an issue going in sale, especially where there are covermounts or where the title is part of a collectable series. Where gifts are covermounted these are often ordered 6 months before the issue goes on sale to allow for production and shipping of the items.
- The publisher pays for the production and printing of a magazine or partwork so must take a lot of factors into consideration when deciding how many copies to print including:
 - What does the past history of the title say about what this issue might sell? For example have recent issues sold more or less than they were expected to and why?
 - How strong is the editorial and promotional package for this issue in relation to others? Where exclusive content or particularly topical material is included in a magazine it is likely to drive additional sales.
 - Are there any market factors such as seasonality or topicality which will affect demand? E.g. gardening titles see a significant increase in spring and Puzzle titles sell more over the summer months.
 - What are the competitor products doing?
 - How many copies do I need to sell in order to attract advertisers?
 - What can I afford to print in the context of what I hope to sell and the advertising I expect to generate?
- As you can see, it's a complex business, even before we take account of where a consumer may choose to shop this week or month!

Why do I get more than I want of some titles and less than I want of others?

- As we have shown, even deciding how many copies to print of an issue involves a lot of factors and forecasting these isn't an exact science.
- When you add to this the difficulty of predicting where consumers will want to buy a specific issue of a specific title, it becomes impossible to predict demand with certainty. Changes in the retail landscape over recent years have meant that the vast majority of magazine shoppers will purchase from a number of different outlets, both in terms of magazines and their food shopping.
- Magazine publishers and wholesalers have invested a lot of time and money in developing allocation systems to help decide how many copies to print and how those copies should be allocated at a store level. These systems typically use sales history and the sales of comparable titles to recommend a distribution for

a specific issue. This is then put together with the orders from retailers and forecasting factors such as sales volatility to arrive at the most effective distribution.

- Many consumers shop from a portfolio of favourite titles and may not decide until they get to the display which title, if any, they will buy on any shopping trip.
- As sales history is one of the key factors in determining print orders and allocations, it can be very hard to keep up where demand is growing fast or where a title is very popular.
- Added to this, where a title is stocked in a high number of stores, creating additional availability to meet the last bit of consumer demand can be very expensive.
- Where sales are lower than forecast, returns will be higher, which is something that occurs at both a national and store level.

Why do I seem to get so many titles that I haven't ordered?

- One of the ways that distributors use to forecast and test demand for a title is to look at sales of similar magazines or titles with a similar target audience. On that basis, if a retailer sells a high number of cycling magazines, they may have potential to sell a Tour de France title or even a title from a different sector which appeals to people of a similar demographic.
- Whilst this is an effective way to identify where a title may sell, and consequently to generate sales for publishers and retailers alike, this can be challenging where there are a lot of titles in a sector or a surge of demand leads to the publication of a set of titles or one-shots.
- This is especially difficult as publishers will not necessarily be aware of other titles in the market at the time they make the decision to publish and often even when they decide how many copies to print.
- The vast majority of titles are sold on SOR so the publisher is taking most of the risk, in terms of unsold copies, although retailers, distributors and wholesalers all incur additional costs when too many titles or too many copies lead to high levels of returns.
- The Press Distribution Charter (PDC) commits wholesalers and distributors to providing retailers with a pre-notification advice of any new titles at least 48 hours in advance of the on sale date. This gives retailers the opportunity to amend or reject the suggested supply.
- As part of the review processes that they operate, both publishers and wholesalers will identify stores that have sold copies of a magazine in the past but are no longer being supplied and may look to supply them on a future issue to maximise sales for all parties.

Why are supplies of popular titles restricted to favour the big multiple groups?

- Supplies are almost never restricted to multiple retailers alone as supplies are allocated in line with where sales are being generated.
- However, in some cases publishers may have to make copy commitments to support promotional units in multiple retailers. Where these commitments exist and demand forecasts are lower, there can be limitations to the amount of copy available to the market.
- Publishers, distributors and wholesalers try to avoid these situations as short supplies mean lower sales and regular purchases through local stores are highly valued.

Why are my order changes ignored or overridden?

- Through the PDC, wholesalers and distributors are committed to honouring retailers' order changes where possible.
- However, publishers, distributors and wholesalers weigh up a number of considerations when arriving at print orders and copy allocations which may include factors unknown to the retailer e.g. significant cover price promotions and high value free gifts.

- The PDC also includes a commitment that wholesalers will only send more copies than the retailer has ordered or agreed to through the pre-notification process in exceptional circumstances, such as where higher public demand is expected.
- As publishers and distributors are constantly trying to adapt print orders and copy allocations to best meet demand within a publisher's economic constraints, it can be that orders are adjusted frequently. These types of changes will typically reflect changes in sales and supply volumes at a national level.