BRINGING THE WORLD OF PRESS DISTRIBUTION TOGETHER

DISTRIPRESS

# The Distripress Circulation Monitor

September 2014

## Executive Summary

# About Distripress

**Distripress** is a non-political and non-profit making trade association created for the promotion of the global circulation and distribution of press products. The association is made up of companies, associations and individuals engaged in the national and international circulation of publications - newspapers, magazines, periodicals and paperback books. It currently counts around 325 members in 76 countries.

The aims and objectives of **Distripress** are:

- To offer a regular platform for members in the form of congresses, trade events and publications to facilitate the co-operation and the exchange of information and ideas from the national and international press industry.
- To represent impartially the activities and interests connected with the circulation of newspapers, magazines, periodicals and paperbacks.
- To further the development of fair and efficient trade in press circulation.
- To assist in the promotion of press freedom worldwide with special regard to the freedom of press circulation and to support UNESCO in promoting the free flow of ideas.

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# About Wessenden Marketing

**Wessenden Marketing** is a UK-based marketing consultancy with an international range of clients across the media, distribution, retailing, direct marketing, finance and business service sectors.

**Wessenden's** services cover four key areas......

- **Consultancy**. Health checks, market mapping & consultancy and project management.
- **Publishing.** Newsletters and reports analysing trends in the media business. "Wessenden Briefing" is the key newsletter published 8 times per year.
- **Research.** From desk research through reader questionnaires on to in-store shopper surveys.
- **Training.** Public seminars and in-house workshops on a range of marketing and circulation related topics.

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# Executive Summary

## The key messages

The **decline** of print copy retail sales is accelerating in the face of massive digital disruption and of a slow, but clear shift from the retail channel into subscriptions. Yet the physical distribution of the international press remains a **significant niche** in global publishing with a **6%** share of total press sales.

The key players in the supply chain have to be much more **proactive** at the front-end, particularly in protecting and developing **retail display space** rather than focusing purely on back-end processes or passively managing declining retail universes. Maintaining **viable supply chains** around the world is essential, but this needs to be done at the same time as stimulating the front-end consumer contact points.

Yet the despite all the challenges, there are some **growth markets**. In addition, in the face of these pressures, the mood of the industry is actually relatively positive: one of **steely realism** rather than panic, with **39%** of Distripress members seeing **growth or stability** in their businesses rather than decline.

***The conclusion of this report is that it is time for the industry to manage the undoubted turbulence in the market more creatively rather than to be resigned to terminal decline.***

## Topline volume trends

For **newspapers**, China and India are two massively important engine-rooms of growth, accounting for almost 50% of total global newspaper sales volumes between them. Strip these two influential markets out of the figures and the global newspaper business is in decline, accelerating in 2013 to **-4.0%** year-on-year.

**Magazines** have a completely different centre of gravity, with the largest market being the mature and declining Western Europe, which still accounts for over 40% of global sales volumes, but which dropped by -8.9% in 2013. The topline global picture for magazines shows the decline in 2013 accelerating to **-4.6%**, as fundamental structural change is really hitting the magazine business, some years after it started to impact on newspapers.

**Paid-For Print Sales Volumes**

| Category | % Change 2012 / 11 | % Change 2013 / 12 |
|---|---|---|
| **Newspapers** | **+0.9%** | **+0.4%** |
| *excluding China & India* | *-3.5%* | *-4.0%* |
| **Magazines** | **-4.2%** | **-4.6%** |

## Background to the Report

Distripress commissioned this pilot report as the first step in creating a more robust overview of print press **sales trends** around the world and the **key issues** facing those companies involved in distributing press products across national borders.

The report is based on three pools of analysis:

- Wessenden Marketing's own estimates of 2012/13 sales trends.
- A survey of 196 Distripress members across 47 countries.
- A more detailed analysis of 9 key markets.

See Appendix 1 for more details.

Magazine performance is also seeing much more variance than newspapers from sector to sector and from country to country. In addition, the magazine business model is very varied around the world in terms of such issues as the balance between advertising and circulation revenues and the impact of digital on print products.

## The business of cross-border distribution

Looking behind the topline volume trends, the DCM assesses a range of the business issues. These include...

- **The scale of the business.** International, cross-border sales account for around **6%** of the total sales of the 47 countries reviewed in the project – a significant niche in the modern press scene.
- **General business performance.** A steely realism informs the responses of the international operators involved in the Distripress member survey rather than panic. While the outlook is undeniably tough, with **61%** of companies seeing their businesses declining currently, a significant **20%** are experiencing growth in their business, with another **19%** reporting that they are holding steady.

## The publisher dynamics of exporting

Publishers are more positive about the current trends than the wholesaler/distributor sector, but this is because they have more options – **print retail** (still accounting for almost three quarters of sales, but dropping), **print subscriptions** (sliding, but more slowly than retail) and **digital** (growing, but from a small base). Other publisher insights include....

- **Profitability. 70%** of publishers are running an export operation that makes a profit.
- **Promotional budgets.** An overwhelming **89%** of publishers have some kind of promotional budget for export, but most are using it selectively in key markets. Half of the respondents are cutting back their budgets.
- **The drivers of performance.** Editorial issues are felt to be the key to driving sales, but the quality of the distribution network and of the local retailers is also important, ahead of competitive cover pricing and local advertising & marketing, which receives a low score from publishers for effectiveness.

## Opportunities & barriers to cross-border sales

Respondents gave their views as to what is driving and holding back subscriptions and digital sales, but for retail the key opportunities are seen to be...offering a **wider range of titles** to meet consumer needs.....and having **more retailers** and **more space** within those retailers, with travel points, non-traditional outlets and independents highlighted for more focus for international products. The key barriers are felt to be.....the growth of **digital**.....and the reduction in **retail numbers** and **retail shelfspace** for press products.

*"Our industry is not very innovative or proactive. Change usually only happens due to retailer pressure rather than our initiative. We have to change that mentality to survive. We have to take control of our own destiny. Yet we can't do that on our own."* ***Distributor***

## Home market dynamics

Distripress members provided their input into two areas in terms of their home market for domestic products: retailing and the supply chain.

The key **retail trends** are...

- A general reduction in the **number** of retailers handling press products.
- The erosion of the **range** of press products handled by the retailers that remain.
- The **fluidity** of retail types as retailers flex and change their product ranges and consumer offers.
- The growth in the share of the **supermarkets**.
- The growth of the **"convenience"** format in many, but not all, markets.
- The vulnerability of the **independent retailer** to tough trading conditions. The share of the multiples is growing at the expense of the independent.
- The erosion of **"press specialists"** as "retail generalists" grow their share of the press.
- An increasing focus on **non-traditional** outlets as traditional press sales points decline.

### Supply Chain Issues

**70%** of the countries reviewed are seeing **change** to their supply chains: 14% with "radical change".

The most often-quoted change is consolidation and instability within the **wholesale** sector. The second key area is in **retail** - reductions in shop numbers and shelfpace; more aggressive retailer demands in terms of margins and processes; and the ongoing shift from independent to multiple retailers.

In a ranking of specific issues in terms of their importance to the future health of the industry, **protecting display space at retail** is a clear leader, followed by **copy allocation** and creating **innovative retail promotions**. **Data**, both wholesaler and retailer EPoS, to drive marketing activity are of secondary importance, with **sales based replenishment** and **scan based trading lagging behind**.