

Magazine Waste in the UK

In today's more environmentally aware world, waste is a hot topic. Furthermore, now is not a good time, for any industry, to be producing more waste not less. Unless we clean up our act, says Jim Bilton, it is only a matter of time before government takes it upon itself to intervene.

There's a nagging question on everyone's mind at the moment. If copy management systems in the UK are at their best and most sophisticated ever, then why are unsold levels the highest that they ever have been?

The answer to that question is a complex one. Yet it is also one of the most important currently facing the industry.

What is the current situation?

Magazine waste in the UK reached a record 37% in 2006 for regular frequency magazines (excluding one-shots and partworks). That figure is for returns between retailer and wholesaler. There is an additional 3% or so of waste which sits at wholesale level - copies that are held in the warehouse balance, but which are simply never used. So, the real returns rate for the total supply chain is currently in the region of 40%. This global figure in turn, breaks down into 35% for weeklies and a much higher 53% for monthlies.

The long-term trend in waste

The graph (page 18) shows what has been happening over the last 16 years.

In the early 1990s, sale or return was still flushing through the system after decades of firm sale. Firm sale was an oddity of the post-war UK market and was a left-over from wartime paper rationing. It was only blown apart by the arrival in the UK in the late 1980s of G+J and Bauer, both of whom launched fully and permanently sale or return (SoR) products, forcing domestic UK publishers, very reluctantly, to follow suit, although this shift was gradual and took several years to work through the system, starting in the women's sector until the whole industry was eventually fully SoR.

Rising paper costs forced publishers to throttle back on supplies in the 1995-96 period, but since then returns levels have steadily risen, with a brief plateau in 2001-02.

What drives waste levels?

When looking at magazine waste, there are two distinct areas - (1) demand (retailer-driven) and (2) supply (publisher-driven) factors. Both are outlined in the boxes below.

What is clear from the available data is that waste levels vary much more widely from magazine to magazine than they do from retailer to retailer, which makes many people conclude that waste levels are much more driven by publishers than by retailers. The suggestion, therefore, is that this is why the new generation of copy management systems do not seem to be kerbing waste - because the systems can allocate copy in the right proportions, but that publishers are simply forcing out too much copy in absolute terms. With print and production costs holding pretty steady currently and with retail copy sales being very soft, the temptation is great for many publishers simply to pump copy.

THE RETAIL DRIVERS OF WASTE

- One of the most fundamental factors in retail waste is the size of outlet. It is simple statistics that larger volumes are easier to control than smaller volumes: it is easier to smooth out the peaks and troughs from issue to issue. This is one of the main reasons why the supermarket groups have below average waste.
- Yet it is not just the size of the newsbill that has an influence; it is the profile of that newsbill. Retailers committed to magazine range are also committed to displaying low volume titles which generate considerable waste. This is the main reason why WHSmith High Street, with above average store newsbills, has such high waste.
- The level of impulse purchasing varies from retailer to retailer, with petrol stations and transit points having very erratic sales from issue to issue.
- The pressure from the major grocers for high levels of on-shelf availability on the top titles is a real pressure.
- In-store retail promotions remain a fairly blunt instrument, often at the cost of high waste levels.
- Magazine focus. Magazines form a very fast moving and complex category for a retailer to manage. Unless the retailer has adequate in-store controls and disciplines, then waste is one of the first things to slip out of control.

THE PUBLISHER DRIVERS OF WASTE

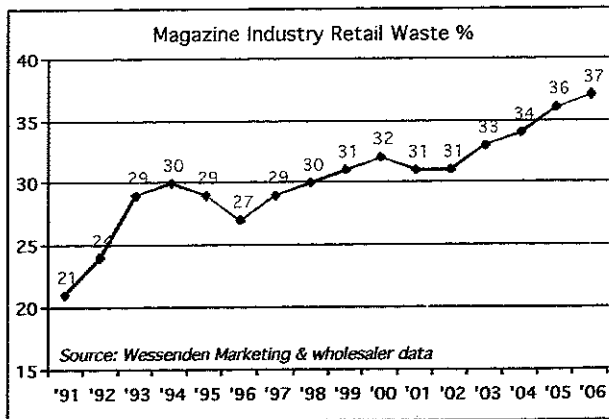
- Paper & print costs. At an industry level, these vary significantly and cyclically through time. At a sector level, the run-on production costs vary massively from market to market.
- The level of launch activity. Magazines have very high waste levels during their first few months of life.
- Circulation size. A staggering statistic is that over 30% of the total volume of waste comes from magazines with a circulation of under 25,000 copies. As the industry has become more niched, waste has been driven upwards. As promotional costs have increased, specialist publishers have also used waste more aggressively as a promotion tool.
- Stagnating sales volumes. In falling markets, there is immense pressure on publishers with ABC targets, to push more copy into the marketplace in order to make the most of every sales opportunity.
- Consumer purchasing volatility. More widespread brand-switching is making retail sales more erratic and difficult to predict.

2006 RETAIL WASTE

Retail Group	Waste %
One-Stop	49%
Star News	47%
Woolworths	43%
Martin McColl	42%
WHSmith High Street*	42%
Independents	41%
Alpha	39%
Spar	38%
Other Multiple Retailers	38%
United News Hospital Shops	36%
Co-op	36%
Safeway	35%
Somerfield	34%
Sainsbury's	34%
Sainsbury's Forecourt	44%
Sainsbury's Local	38%
Sainsbury's Supermarkets	33%
WHSmith Travel	33%
Waitrose	31%
Tesco	31%
Tesco Express	41%
Tesco Forecourts	38%
Tesco Metro	33%
Tesco Extra	29%
Tesco Supermarkets	28%
Morrisons	30%
Asda	29%

Source: Seymour Distribution

* WHS High St excludes shop saves.



out in order to boost flagging sales. Yet this is a major – and highly political – assumption that needs more substantiation and debate.

So, what can be done to reduce waste?

Only when the precise causes of waste have been identified and quantified more scientifically can this question be answered objectively. Also, only then will the various links in the supply chain really commit to doing something tangible to

tackle the problem, rather than just wringing their hands in anguished concern.

The likely answer is that it will require a package of co-ordinated actions. Sales based replenishment must be part of that package, but SBR can only manage a limited number of the larger magazines at any one time. Also, the SBR tests to date have only focused on reducing retail waste. The next step is to take copy out of the chain completely through reduced print runs, but this has not actually happened to date.

Creating limited pockets of firm sale for specific retail types is another suggestion which has been floating around the industry for some time and needs more rigorous evaluation.

Yet what is clear is that the waste is a time bomb ticking beneath the industry. The current furore over the amount of waste being generated by the free London newspapers – three tonnes of paper needs to be cleared off the streets each day – demonstrates what a hot and

sensitive issue this is, which could explode into a “green backlash” at any time against magazine publishers as well as newspaper publishers.

The concern is that before the industry can agree internally a voluntary package of waste-reduction measures, there will be some kind of external government intervention to force waste levels down in an aggressive and punitive way. The clock is already ticking. The fear is that time will simply run out. ■

OUR CORRESPONDENT



Jim Bilton is the managing partner of publishing consultancy, Wessenden Marketing, and of BrandLab, a consumer research company. Jim also edits the newsletter, *Circulation Briefing*.

✉ jim@wessenden.com

☎ 01483 421 690

🌐 www.wessenden.com

Archive tip: Jim wrote about retail compliance for our November / December 2004 issue. Read the full article at: www.incirculation.co.uk/archive

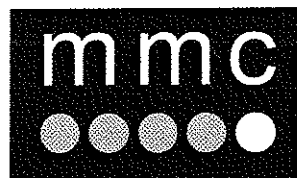
“Waste is a time bomb ticking beneath the industry.”

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For further details, please contact:
Simon Ellis, New Business Manager
Tel. 020 7938 6309
E-mail: simon.ellis@dailyemail.co.uk

Northcliffe House, 2 Derry Street, London W8 5TT
Tel: 020 7938 6309 Fax: 020 7938 7369
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