

The Barry Group Report

A Treasure Trove in Single Copy

What would we do if we suddenly found ourselves running a single-copy operation with a decree to increase daily and Sunday sales by at least five percent in the next 18 months?

If the newspaper isn't consistently promoted, isn't readily available, or doesn't have compelling editorial content, the single-copy reader simply votes with her feet.

Single copy isn't the sexiest of subjects, so it was hard to start an article about best practices in single-copy management. Should we explain why single copy is so important? No, we decided. Everyone knows that single-copy sales are vital to increasing net paid circulation. Publishers understand that single copy is profitable, is an ideal way to build brand equity, and offers a highly efficient channel for subscription sales.

Next we asked, should we peg the piece to how consumer packaged goods (CPG) companies manage both brand development and retail account management? Too generic. Circulation departments recognize the need to partner with retailers to drive product to consumers. After all, both parties know that the consumer is the ultimate target and that consistent branding through promotions and advertising is the lynchpin of mutually profitable sales.

Then it hit us. What would we do if suddenly we found ourselves running a single-copy operation, with a decree to increase daily and Sunday sales by at least five percent in the next 18 months? Oh, and we had to maintain expensive returns at no more than 15 percent.

This would be an especially interesting challenge because the single-copy reader needs to be persuaded to buy the newspaper every day. If the newspaper isn't consistently promoted, isn't readily available, or doesn't have compelling editorial content, the reader simply votes with her feet. Single-copy shares much in common with CPG brand management.

First thing we would do is cheat. We would contact our industry peers and find out what they've done to increase single-copy performance. This is exactly what we did by tapping the resources of John Murray, vice president of circulation for NAA. He pointed us to several best practices newspapers and we freely stole from them

what we could. (Actually, the very first thing we would do is to invite John to audit our single-copy distribution and marketing operations, but that would really be cheating!).

Here are some of the ideas we came up with as we pondered how we would keep our circulation jobs:

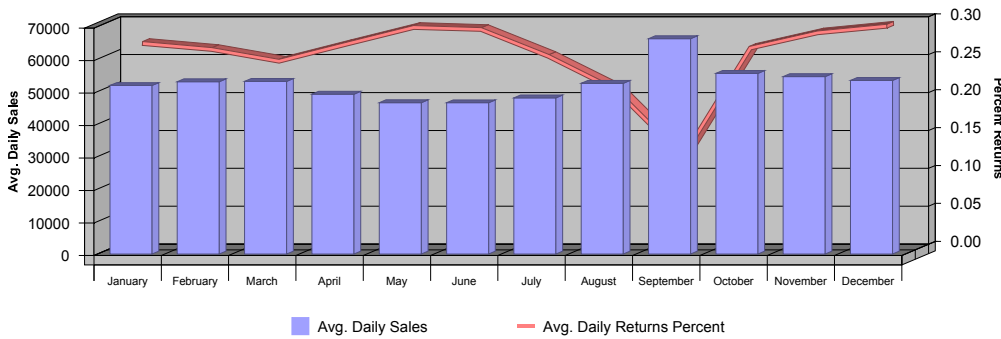
1. Analyze year-over-year trends for sales, returns and sellouts by draw type, day of week, single-copy district/route, category (based on SIC codes), chain store, individual store outlets and rack locations. We would want to know where we were up or down, particularly where the newspaper consistently had returns in excess of 15 percent and sell-outs of more than 50 percent. With this analysis, we would quickly identify where we could increase draw to reduce sellouts and decrease draw to reduce returns. We would move poorly performing street racks to new locations until results improved. Then we would monitor performance on a daily basis to make fur-

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Average Daily Sales and Returns % by Fiscal Month 2001



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their refinements in draw.

We believe that newspapers should be able to maintain single-copy returns in the 12 – 15 percent range by systematically managing draws and returns down to the outlet level. The ability to analyze trends by outlet over time by day of week is a critical element of this. One of our clients is saving nearly \$400,000 a year in returns – while increasing sales — by using this type of analysis.

2. Look at the entire cost structure and rates for the single-copy operation. If we didn't already have it, we would create a pro forma P/L statement for the past two years and then project the numbers out for the next 18 months. We'd look at the profitability of every single-copy channel. We would perform an operations and marketing audit to identify where we could streamline operations and reduce costs. If we're going to fund more branding activities, we need to cut unnecessary costs.

It's critically important that a newspaper have both the information technology and the data collection processes to capture and analyze single-copy performance at the outlet level by day of week. We know a senior circulation executive at a major metro who believes this is a waste of time because the newspaper doesn't collect returns. However, this same executive can't tell you his day-to-day sales by category, chain and outlet and is missing significant opportunities to increase sales by better managing draw. Besides which, somebody is paying for that extra newsprint – and ultimately it's the newspaper.

3. Review the organizational structure and skills available in the single-copy operations. Do we have skilled marketing and sales staffers? Do we have account management representatives who know how to partner with retailers? Do we have the distribution network down to a science?

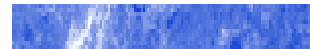
What additional training is required? We would use balanced scorecard techniques to set organizational, sales and financial benchmarks.

4. Identify store chains and individual stores where performance is sub par. We would visit each of these outlets to find out what we could do to help increase sales. Comparing same-store performance year over year is a very powerful analytical technique. We might find out that a particular chain or outlet is experiencing more competition, or that the newspaper consistently arrives late or is not displayed well. Once we know what is causing poor performance, we can do something about it.

5. Evaluate the penetration of store outlets in each SIC (Standard Industrial Classification) group. To accomplish this, we would acquire a list of all businesses in our primary market by each of the relevant SIC groups. Vendors for business lists include Dun & Bradstreet and InfoUSA. If our market was small, we could do this process manually. If it were large — with literally thousands of businesses — we could match our SIC single-copy outlet database to the business list using a third-party direct mail house, or through our own merge/match software from Group 1 or FirstLogic. Once we knew all of our additional potential outlets, we would aggressively take steps to partner with them.

6. Create a detailed operations and marketing plan with specific objectives and tactics to increase sales at targeted outlets or groups of outlets, and to increase penetration in the most important SIC groups. For example, we could assign a category manager to all hotels and resorts within our region, with a mandate to build relationships and programs for every major business in the hotel

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Single-Copy Treasure Trove, Continued

Overall, our approach to single-copy sales would be to treat it as a stand-alone business, with its own P/L, operations and marketing plan, organization structure, sales and marketing staff, and considerable amounts of training in consumer packaged goods marketing techniques.

category (SIC code 7011). We would create separate business development plans for each important single-copy channel: racks, bulk sales, stores, kiosks, entertainment venues, and hawkers.

7) **Partner with senior editors** to identify what types of news stories and graphics have the most impact on sales. The magazine industry has honed this to an art, with many publications testing different covers for the same issue to determine what drives sales. To state the obvious, Page One displays have a major impact on circulation sales. Best practice newspapers track daily causal factors such as breaking news, content enhancements, weather and local events to help plan future draws when similar factors occur. We would attend daily news budget meetings and make sure that editors get daily sales results.

8) **Review the status of relationships with key customers:** distributors, dealers, store managers/owners and carriers. We'd meet with these individuals to make sure we understood their objectives and concerns and correspondingly inform them of our objectives and strategies for the next 18 months. Each of these customer types is important and each has different needs. For the store manager, it's how we help her drive more store traffic. For the distributor, it's how we help him increase operations efficiencies and profits; it's the same for carriers who are employees. We'd spend a lot of time discussing how we could make it easier for these customers to do business more profitably with the newspaper.

9. **Work with the marketing department to identify opportunities for brand development.** This is a wide-ranging subject area, and one that we will come back to often. We would need to know how the newspaper is positioned in the market, as well as reviewing the consumer research that validates the brand image. We would review past single-copy (and home-delivery) promotions to evaluate what worked, what didn't and why. We would develop a program of brand-building advertising and promotion over the 18-month period to support our goal of a five percent increase in sales. NAA and INMA have a wealth of information about single-copy consumer buying behavior. We'd make sure that everyone involved in single-copy sales development completely understood the single-copy marketing environment.

Brand development and retail account

management are the cornerstones of consumer packaged goods marketing. We would not have taken the single-copy management job if there wasn't an adequate budget for these two critical activities. The only way to get consumers to purchase more newspapers over the counter is to promote the brand and its availability. CPG companies spend billions of dollars on brand and retail channel development and they are some of the most flinty-eyed, bottom-line driven folks in American business. As the CEO and Chairman of Proctor & Gamble, A.G. Lafley, once commented: "Nobody ever cost-saves their way to sustainable growth." And he's from the financial side of the business!

10. **Join forces with the advertising department to develop major sales promotions for key store chains and other major single-copy outlets.** Advertising campaigns that drive store traffic are invaluable to retailers. We would be very careful to focus our efforts on chains that afford us the greatest opportunity for growth. We would also take advantage of the new ABC rules for discounted bulk sales by designing advertiser-supported single-copy packages. We would look for opportunities to create value-added single-copy advertising packages for national or regional packaged goods companies — such as for beverages, health care, food services and household products.

Promotional campaigns have to be based on solid consumer research; we'd have to demonstrate the demographics and value of the single-copy audience to our potential partners.

Overall, our approach to single-copy sales would be to treat it as a stand-alone business, with its own P/L, operations and marketing plan, organization structure, sales and marketing staff and considerable amounts of training in consumer packaged goods marketing techniques. We'd also make sure that we had the appropriate information technology to enable us to keep track of our progress against benchmarks and budget.

The ideas we have presented here are by no means comprehensive, but they do represent what we believe are some of the basics necessary to improve single-copy sales and returns performance. In the coming months we will be coming back to the subject of single-copy management frequently and we will add to and refine our suggestions.

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