

NEWSPAPER DISTRIBUTION – AN UNIQUE INDUSTRY

Newspaper sales are a vital part of the business for thousands of rural retailers. As a product, it is something that many people want to buy very locally and it has the shortest shelf life of any product there is. The distribution industry for newspapers is unique, getting product to scattered retailers in a very short time window, an impressive achievement carried out day after day. It is a vital service to thousands of rural shops. For some, a quarter or even a third of turnover comes from newspapers and magazines. They are important to profitability in their own right and their contribution to customer footfall is also considerable.

The industry is unique insofar as the newspaper publishers appoint distributors to cover a particular territory and retailers have no choice at all over who they get their supplies from, despite the fact that it is the retailer who pays the bill. Over the years, the number of newspaper distributors in England has declined, until now just two companies, Smiths News and Menzies, cover nearly all of England. In a few places, such as Cornwall, a separate company distributes the News international titles. In practice this does not benefit retailers – they cannot start newspaper deliveries to their customers before they have all titles delivered to them. They also end up having to pay two sets of delivery charges.

The Office of Fair Trading has looked at this industry several times, concluding in September 2009 that at that time it would not refer the industry to the Competition Commission because it would not be feasible for them to properly assess how supply chains were likely to evolve and hence the impact of any possible remedies. This conclusion is as wet as a weekend in a hot tub, but at the same time it is very difficult to know where the industry should go. We are where we are.

Retailers often bitterly resent the fact that they have no control over which company they buy their newspapers from or the trading terms they are offered. Smiths News and Menzies operate a very difficult time-critical operation, but to judge from some of the anecdotal evidence from retailers, at least some of their depots do behave like the monopolies they are in terms of the service they offer retailers and their arrogant response to queries or complaints.

The solution may well lie in the hands of the newspaper publishers, although by allocating contracts to just two main distributors and allowing the third player in the market, Dawsons News, to fail, they have gone for a short-term cost reduction but probably weakened their long-term negotiating position considerably.

Newspapers are still an important part of our democracy and their distribution to the end consumer is therefore of more than normal commercial interest. The RSA is calling on Government to re-invigorate the OFT's interest in this market with a view to coming up with a least-

bad solution to protect the interests of retailers against their monopoly suppliers.