

No News Is Bad News: The Threat To Universal News Access

Consumers naturally take supply chains for granted, not unreasonably expecting their favourite brands to be on sale at their local store. However, in the highly competitive world of newspaper and magazine publishing a change in competition law could affect where we buy our favourite titles.

Exclusive distribution agreements have been standard practice in the UK for many years. These “vertical agreements” allow a publisher to appoint a sole wholesaler to a given area. This means that newsagents in that territory have to buy via the publisher’s designated wholesaler. In return that wholesaler has to supply every approved retail outlet in his assigned territory.

In May, the government will change the law relating to vertical agreements between firms at different levels of the supply chain. The current exclusion of this type of agreement from the Competition Act will be repealed and as such publishers’ exclusive arrangements with wholesalers may be open to legal challenge. If a challenge were successful, what would be the likely impact?

Independent studies carried demonstrate that up to 20,000 smaller retailers in the UK could be at risk, because

wholesalers would be motivated to criss-cross each other’s formerly exclusive areas in search of the largest news accounts. Smaller newsagents will become much less profitable to serve. At best wholesalers may ask them to pay more for magazines and newspapers, at worst they could force them into closure. The effect could be especially pronounced in rural areas. The current universal obligation to supply the printed word would fragment. Over time market share would inevitably move to the supermarket sector.

Supermarkets have a key role to play in the sales of the press, particularly magazines. The combined market share of the big four grocery players is close to 40% for the circulation of some magazines. They have greater space for displays and promotional clout to sell copies. But a diversified press in a democratic society needs a diversified retail estate. Supermarkets and independents both have a role to play.

In spring 2004, publishers and wholesalers joined forces to form a group requesting the Office of Fair Trading issues an exemption to the forthcoming repeal of legislation. The industry awaits the deliberations of the OFT, expected in February. A fully open

market would not be in the interests of consumers nor maintain sustainability and development of a vital British industry.

Newspapers and magazines operate in a sale-or return market, with the supplier taking the risk for unsold copies. Ever increasing print and paper costs have necessitated the development of allocation systems to maximise sales and minimise unsold copies. Such systems can only work with one wholesaler. More than 14 million newspapers and a myriad of different magazine titles are distributed to more than 54,000 retailers. Economically and environmentally, this works best when as many newspapers and magazines as possible are delivered together.

The end of vertical agreements would benefit supermarkets – but no one else.



David Stam is Managing Director of Marketforce (UK) Ltd., the country’s largest magazine distributor.

This page was sponsored by the Periodical Publishers Association (PPA) on behalf of UK magazine and newspaper publishers and wholesalers.



For more information:

Toby Hicks,
Communications Executive,
Periodical Publishers Association
(PPA)
Queens House,
28 Kingsway,
London
WC2B 6JR

tel: +44 (0)20 7404 4166
Direct Line: +44 (0)20 7400 7528
Fax: +44 (0)20 7404 4167
e-mail: toby.hicks@ppa.co.uk
Visit www.ppa.co.uk for
further information on PPA