



Press Release 11th February 2011 Accompanying Notes

Background Summary

Home News Delivery (HND) newsagents have been in decline for a number of years. Whilst the bigger picture today, from a publishers` perspective, tends to focus on digital media and the daily predictions of when and how many consumers will convert to whatever pay walls, both newsagents and news wholesalers rely on the `old` printed media for their news revenues.

Ironically, there is no statistical evidence that the internet has actually damaged circulation. Those that do best on the internet also do best in print. For every 30 minutes consumers spend reading a printed newspaper, they spend two to three minutes in a newspaper website. Forty five percent read a print newspaper, reading on average 40 pages. Twelve percent read a newspaper online but visit between four and six pages. So it`s all to play for – the screen versus the letterbox. And the industry needs to fight back as the biggest threat newspapers face comes from the closure of HND newsagents.

In order for HND newsagents to survive and prosper, newspaper publishers need to provide the best content, print adequate quantities at a price and margin that can sustain retailers and produce and deliver them at an agreed time into wholesalers. Wholesalers in turn need to pack accurately and deliver them into newsagents at the time they require for their customers. They must also minimise their charges for this service. And HND newsagents need to also analyse all aspects of their operation to ensure profitability and customer service is maximised.

A significant factor in the profitability and sustainability of HND newsagents lie in their financial relationship with their delivered customers. Relating to a **Localink** survey undertaken last year, it is estimated that there is a rolling outstanding weekly debt of nearly £50m which continues to grow whilst newsagents inject more and more of their personal capital into that debt. HND development concepts such as the publisher funded Homelink canvassing scheme has proven its ability in generating new HND orders but over one third of all orders generated cannot be placed with a newsagent. The underlying reason for this is that many HND newsagents know that an extra order is also an extra debt. Wholesaler invoice payment conditions ensure there is only a negative cash flow situation between payment from HND customers and payment of invoice to wholesale. An urgent solution to this conundrum is required – that solution is Direct Debit.

Cheque Clearing Discontinuation

One of the biggest threats to HND newsagents and therefore HND circulation lies with the cessation of cheque clearing in 2018 or sooner. Most major High Street retailers and petrol stations today no longer accept cheques. And cheque guarantee

cards will be withdrawn by 30th June this year. One third of guaranteed cheques are used in shops and a further one sixth are used for bill payments. Currently 88m cheques are used with a cheque guarantee card per annum and the withdrawal of cheque guarantees will further accelerate the decline in cheque usage.

Conversion to Direct Debit as soon as possible makes complete sense and will provide those newsagents with a significant competitive edge.

Localink – How It Works

Localink has been specifically designed and developed for Home News Delivery newsagents. It is a simple electronic online service that allows newsagents to debit their customers bank accounts for the service provided, placing the newsagent in full control of the management of HND debt. It operates completely separately and standalone from a newsagents HND system and this is what makes it especially easy and flexible – it can even be used from home or a laptop.

After a successful registration application the newsagent is issued with a contract which details how Direct Debit must be operated. They will then be issued their Service User Number, their DD instruction form for their customers to complete, online name and password. From this point onwards newsagents are in full control of how quickly they collect and input their customers` Direct Debit instructions and confirm with them when and how much to collect. Collections can be made after just five working days notice to the customer.

As a result there will be less negative conversations with customers over money owed and this will in turn hook customers into HND longevity. Newsagents can then more positively look to build on the quantity of delivered products.

The web based system provides 24/7 access and provides a full reporting facility with downloadable reports for importation into HND accounting systems. The system is configurable for instant email alerts notifying customers immediately of any changes to collection. The collection of regular fixed amounts can be automated if required and a full reconciliation of monies collected is produced 3 working days after collection. Those monies are credited into the newsagents` bank account 5 working days after collection. The whole system is able to be branded by retail organisation. For further information including pricing please visit www.localink.co.uk

RSM2000 - Technical Service Provider

Established in 1999, RSM2000 is a renowned specialist provider of payment and billing solutions. They provide tailor-made solutions to meet the needs of blue chip companies, charities, franchises and trade organisations of all sizes throughout the UK. Their clients include Texaco, Cancer Research UK, Age UK and Great Ormond Street Hospital charity. For further information please visit www.rsm2000.co.uk

Trial Newsagent Testimonial

By Will G of Eastbourne.

We have been acquiring HND businesses during 2010 and we now deliver to around 1500 customers, covering a large area of Eastbourne. Realising the need to change

the way we collect money from our customers, we approached Stefan last Summer (2010) with the idea of setting up direct debits.

He showed us the direct debit system to which we have converted many of our customers to this method of payment. The advantages of using direct debit is that it puts us, the newsagent, in total control of when money is collected from the customer.

Initially we contacted around 1000 of our customers – many of which were already asking to pay via direct debit. We had 700 replies of which 500 wanted to use direct debit. The online system is so easy to use – we just decide with our customers when to collect and how much and we just press a button. The money is in our bank account within the week. Once past the initial set-up, it is simple and cost effective.

Outstanding debt is reducing and we are now further encouraged to continue to grow our HND operation. Direct debit is the future of Home News Delivery - especially considering that cheques are most likely to discontinue.

Direct Debit – The Future

There is an urgent need to reduce the exposure of HND circulation both now and into the future. Direct debit will have a positive effect on the business attitudes of HND newsagents and thus will encourage more effective support of the plethora of initiatives and promotions devised by publishers. In turn it will invite publishers to more creatively re-invent tomorrow's consumer promotions.

Publishers and wholesalers in turn will need to provide the right level of support for newsagents in the conversion of their delivered customer to Direct Debit. In turn this will lower the debt risk for wholesalers and the circulation risk for publishers. Regional titles delivered into consumers directly by their publishers can also obtain significant benefits.

HND is an area that as yet has not been effectively harnessed by magazine publishers and distributors. It is estimated that around 2% of magazine circulation is home news delivered. There is a huge opportunity to develop sales via this route to market to mirror the rise in magazine subscriptions over the past 5-10 years.

Direct debit will reduce and virtually eradicate late/outstanding HND debt and significantly improve the liquidity of newsagents for them to re-invest in their business. It also aides HND business start ups. HND customers can be encouraged to increase their spend instore simply to be charged via their Direct Debit account later on. At a stroke the HND newsagent can `leap frog` the supermarkets on the financial relationship they have with their consumers. In future, electronic voucher solutions could also be borne in relation to HND customers.

Direct Debit will be the norm for newsagent home news delivery

Stefan Wojciechowski
LOCALINK