



**INDUSTRY CODE OF PRACTICE FOR THE SUPPLY OF
NATIONAL NEWSPAPERS IN ENGLAND & WALES**

BEST PRACTICE PROCEDURE

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1.0 BACKGROUND

- 1.1 The Code of Practice for the supply of national Newspapers has been in operation since 1 October 1994 and has been recognised by all parties in the news trade as the appropriate mechanism for the introduction of new retailers into the newspaper retail trade.
- 1.2 The Code of Practice replaces the previous mechanism whereby wholesalers, with the advice of newspaper publishers, would decide whether or not it was appropriate to grant an application of newspaper supplies from a new retailer on the basis of certain traditional criteria.
- 1.3 The new system enables any potential retailer to receive newspaper supplies as long as certain specified criteria are adhered to. The central element of this is the introduction of a minimum entry level payment, (MEL), which, along with certain minimum credit requirements and the application of a commercial carriage service charge are the key factors that provide wholesalers with the appropriate commercial assurances.
- 1.4 The introduction of the Code of Practice was a result of the MMC enquiry published on 9 December 1993 and subsequent DTI recommendation. It was agreed and accepted by all relevant parties to the trade as an alternative to a statutory order.
- 1.5 The Code of Practice was drafted in plain English and was kept as short as possible with a view of encapsulating the spirit and essence of the agreed process while avoiding the necessity of a complex and over burdening legalistic format. The intention was to provide an easily understood framework in which new applicants to the newspaper retail trade could understand the entry procedure and their responsibilities.
- 1.6 The intentional lack of a legalistic format can however lead to differing interpretations of the management of the code. While it is widely accepted that the essence of the code is continuing to be uniformly and successfully implemented as clearly illustrated by an additional 10,000 retailers, there are nevertheless minor differences in the day to day procedures adopted by different wholesalers.
- 1.7 It is therefore considered appropriate to implement a Best Practice guide to be used by all wholesalers in conjunction with the code.

SUPPORTING AND DEVELOPING NEW ENTRANTS TO NEWS RETAILING

2.0 INTRODUCTION

2.1 The Newspaper Code of Practice requires that new entrants meet certain conditions to receive a wholesale service:

- Agreement to a minimum net weekly newspaper invoice value set at the Minimum Entry Level (MEL).
- Credit risk requirements – a deposit payment of three times the MEL.
- Payment of a weekly Carriage Service Charge which reflects the wholesaler's commercial and economic distribution costs.

2.2 It is acknowledged that the initial trading period for new entrants may not be profitable and the supplying wholesaler(s) has a responsibility to support such retailers and to help them exceed the MEL.

3.0 COMMENCEMENT OF SUPPLIES

- 3.1 Once the application procedures have been completed the wholesaler will agree with the new entrant the quantity of newspaper supplies that they will receive. This would normally equate to a net invoice value not less than the MEL and represent a suitable mix of newspaper titles for the area of trading.
- 3.2 Although these supplies will be firm sale the new entrant must be encouraged to return any unsold copies accompanied by an unsolds advice note. This will enable the wholesaler to help manage the mix of titles in line with actual sales and will also highlight when the new entrant's net sales are approaching the MEL. The unsolds will not be credited to the retailer or claimed from the publisher by the wholesaler.
- 3.3 If the new entrant elects to retain the unsold copies rather than returning them to the wholesaler and does not provide unsolds data they should be made aware that this will restrict the wholesaler's ability to manage the mix of supplies and may not enable the early introduction of a sale or return trial.

4.0 MANAGING SUPPLY LEVELS FOR NEW ENTRANTS

- 4.1 Whenever wholesalers receive an unsolds advice note accompanied by the unsold copies, the mix of titles will be managed on a regular basis to optimise sales. New entrant retailers will not be precluded from receiving promotional copy allocations where records indicate a sales opportunity may exist.
- 4.2 Where new entrants elect not to return unsold copies, wholesalers will seek unsolds data from the retailer to enable the mix of titles to be managed. However, this may not be as accurate or as effective as when unsolds are returned on a daily basis.

5.0 SALE OR RETURN TRADING FOR NEW ENTRANTS (Re Code of Practice 2.5)

5.1 1) Not Returning Unsold Copies or Providing Unsolds Data

Under normal circumstances and where the new entrant is not returning unsold copies or providing unsolds data, the new retailer will be required to sustain a net newspaper invoice value at or above the MEL for a period of 6 months before a sale or return¹ trial is granted. If the new entrant then maintains a net newspaper invoice value in excess of the MEL whilst trading on sale or return for a further 6 months, they will then be granted sale or return¹ on an ongoing basis. Thereafter if the net newspaper invoice value falls below the MEL, the Code of Practice provides for wholesalers to charge a minimum net weekly charge (set at MEL).

5.2 If their order value falls below the MEL during the sale or return trial for four consecutive weeks² they will be given the option of returning to firm sale trading under MEL rules or trading as a sub retail outlet. The wholesaler will use their best endeavours to identify the nearest news retailer willing to supply them.³

5.3 2) Returning Unsold Copies

Where a new entrant is returning unsold copies or providing unsolds data and their net sales have generated a net newspaper invoice value in excess of the MEL for four consecutive weeks² they then will be granted an immediate sale or return¹ trial. If they then maintain a net newspaper invoice value in excess of the MEL whilst trading on sale or return for a further 6 months they will be granted sale or return¹ on an ongoing basis. Thereafter if the net newspaper invoice value falls below the MEL, the Code of Practice provides for wholesalers to charge a minimum net weekly charge (set at MEL).

5.4 If their order value falls below the MEL during the sale or return trial for four consecutive weeks² they will be given the option of returning to firm sale trading under MEL rules or trading as a sub retail outlet. The wholesaler will use their best endeavours to identify the nearest news retailer willing to supply them.³

1 Sale or return facilities will be subject to publisher criteria and approval

2 The four week consecutive period will exclude non representative periods (e.g. Christmas)

3 Where the nearest retailer is a multiple retailer it may be appropriate for the sub retailing decision to be referred to their head office.

6.0 THE MINIMUM ENTRY LEVEL (Re-Code of Practice 2.0)

6.1 The Minimum Entry Level is defined in the Newspaper Code of Practice as “half of the average net value of newspapers invoiced weekly to all existing retailers in the wholesaler’s area calculated as the average net weekly newspaper invoice value for the six months ending 31 March 1994.” To determine whether a retailer has met the MEL, the net weekly newspaper invoice value (adjusted by any handling allowances) is compared with the relevant MEL.

7.0 DISCRETION TO SUPPLY BELOW MEL (Re-Code of Practice 2.4)

7.1 The Newspaper Code of Practice sets out to facilitate entry to news retailing and gives wholesalers the discretion to supply below the MEL. Wholesalers are encouraged to use this discretion wherever commercial or social issues suggest that it is appropriate to do so.

7.2 Wholesalers will apply discretion to supply below the MEL during periods of temporary cover price reductions. During such periods new entrant retailers will not be required to pay a MEL surcharge if their volume sales level at normal cover prices would equal or exceed the MEL.

7.3 A temporary price reduction is defined as a reduction to the normal cover price when retailer profit is maintained at the same pence per copy as for the title at normal cover price.

8.0 SUB RETAILING (Re-Code of Practice 6.0)

Sub retailing provides a mechanism to respond sensibly to local consumer demand by transferring supplies from a news retailer over limited distances. These distances are set at 500 metres within central urban areas and 1 kilometre in other areas.

Wholesalers are encouraged to use their discretion to extend these distances where no retailer within the prescribed distance limits is willing to supply.