



Press Distribution Review Panel

Annual Report 1/11/11 – 31/10/12

Governance

The Press Distribution Review Panel (PDRP) was established to:

- a. Encourage compliance with the Press Distribution Charter.
- b. Provide comment on compliance issues.
- c. Ensure continuity of arbitration decisions.
- d. Provide an on-going mechanism for the identification of trends.
- e. Collect, audit and publish data on compliance

The Press Distribution Charter (PDC) and its complaints resolution process is designed to help retailers resolve most supply chain problems quickly and effectively. A copy of the PDC has been made available to every retail outlet and can be obtained from wholesalers or the Press Distribution Forum web site. www.pressdistributionforum.com.

The complaints process is structured under a streamline three stage process that puts greater emphasis on resolving issues locally yet provides a final independent arbitration.

The PDC provides a simple, 3-step process that enables a retailer to raise any issue on the standards and get it resolved efficiently as follows:

Stage 1 – informal discussion with wholesaler lasting no more than 48 hours.

Stage 2 – formal use of the companies Fast Track Resolution process which is centrally monitored by the PDRP.

Stage 3 – Referral to an independent qualified Arbitrator.

Membership

The PDRP members for the year under review were:

Neil Robinson	-	Independent Chairman
Darren Barker	-	NPA
Rajiv Chotai	-	Independent Retailer
Debbie Dalston	-	Smiths News
Raj Ganatra	-	Independent Retailer
Carrie Rooks	-	PPA
Richard Sage	-	Independent Retailer
Dave Shedden	-	Menzies Distribution
Mark Williams	-	Independent Retailer
Dorothy King	-	PDRP Administrator

Meetings were held on 19th January, 26th April, 28th June and 20th September 2012. The minutes of these meetings can be found on the Press Distribution Forum web site.

Statistics

During the twelve month period 1st November 2011 and 31st October 2012 a total of 111 PDC Stage 2 complaint forms were submitted generating a total of 170 breaches of PDC standards. The complaints are recorded against 24 wholesale houses and 3 newspaper publishers.

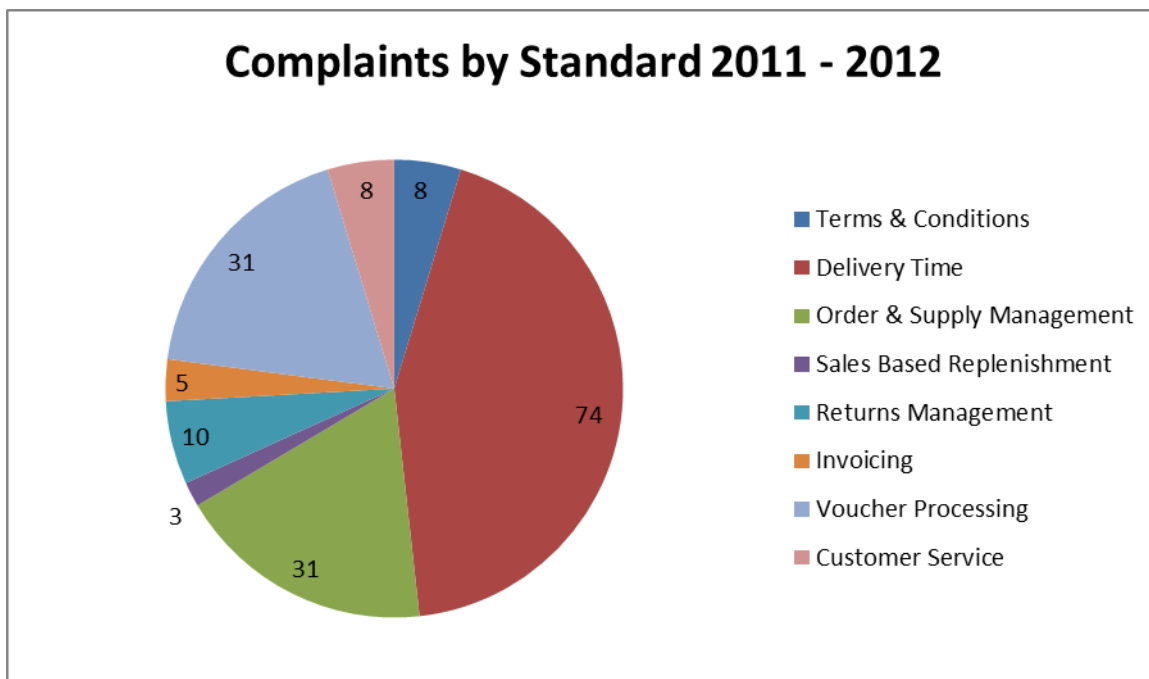
During this period 9 complaints were escalated to Stage 3.

During the period under review there were in excess of 43 complaints that were resolved via the PDF helpline.

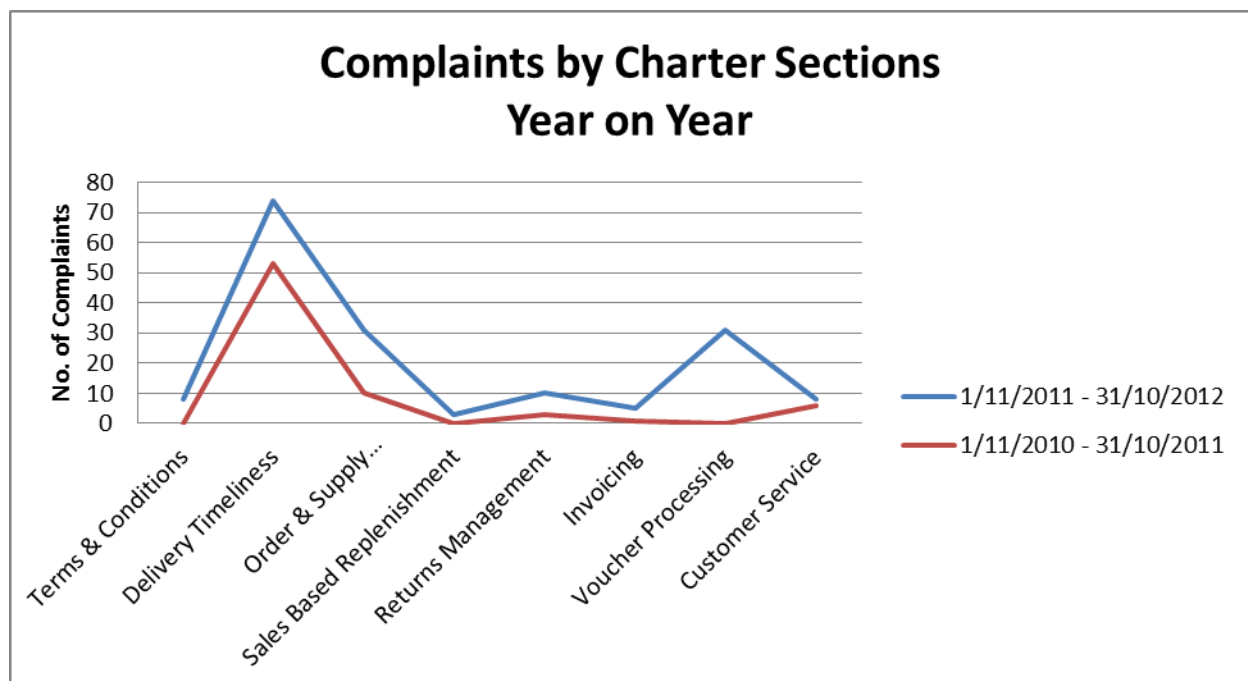
In the first year of operation, 1/11/2010 – 31/10/2011, there were a total of 64 PDC Stage 2 complaints generating a total of 76 breaches of PDC standards. The complaints originated from 20 wholesale houses and 3 newspaper publishers.

Complaints by Standard

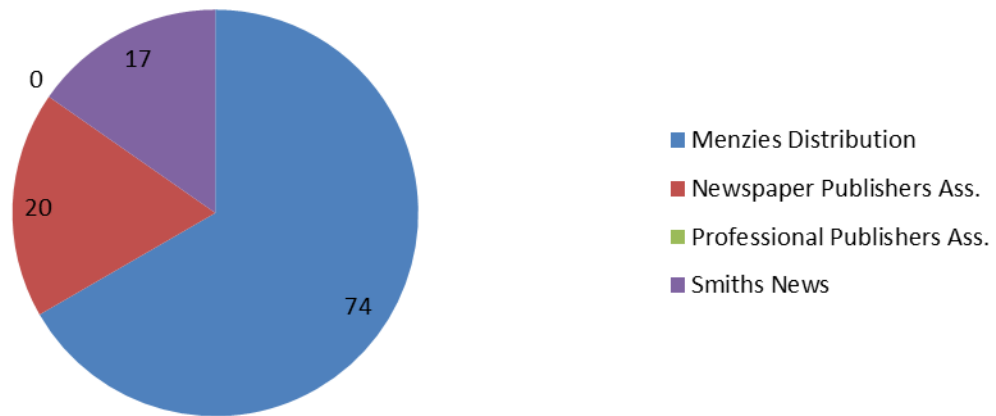
Of the 170 breaches that were reported 8 related to Terms & Conditions, 74 Delivery - Timeliness, 31 Order and Supply Management, 3 Sales Based Replenishment, 10 Returns Management, 5 Invoicing, 31 Voucher Processing and 8 Customer Service.



In the previous year of the 76 breaches that were reported 0 related to Terms & Conditions, 53 Delivery - Timeliness, 10 Order and Supply Management, 0 Sales Based Replenishment, 3 Returns Management, 1 Invoicing, 0 Voucher Processing and 6 Customer Service.

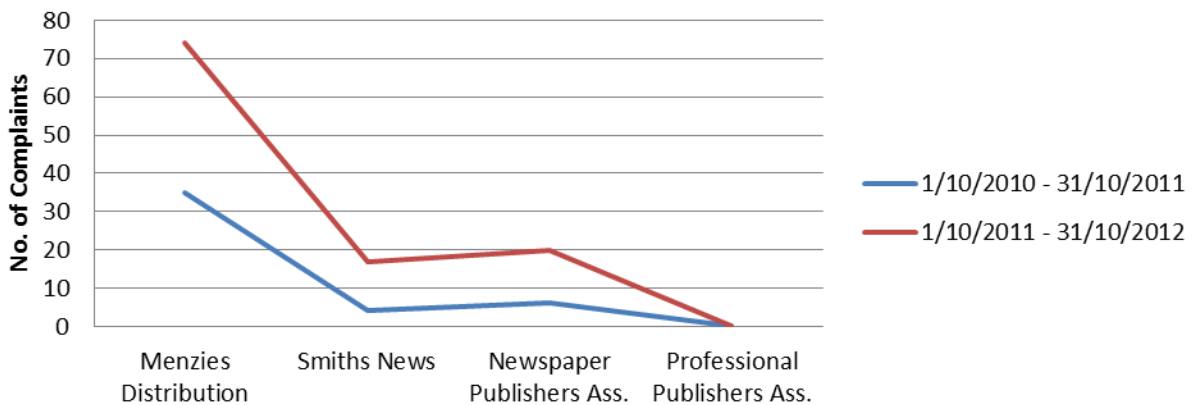


Complaints by Company/Association 2011 - 2012



In the previous year Menzies Distribution had 35 Stage 2 complaints, the NPA 18 and Smiths News 11. There were no complaints regarding magazines made to the PPA.

Complaints by Company/Association Year on Year



It is important to note that Menzies Distribution has centralised its complaints process this year. This has vastly improved the methodology of how complaint data is being supplied within the organisation, and brought about greater transparency. By having complaints registered centrally; the administration is prompted to liaise with the distribution house for a response and there is an on-going monitoring of each complaint,

thereby ensuring that the complaints are being processed within the permitted time limit of 28 days. As a result of the changes there has been a significant increase in the number of complaints recorded against Menzies Distribution. The changes to the Menzies Distribution complaints process were welcomed by the Press Distribution Review Panel.

Type of Complaint by Branch

Wholesaler/ Publisher	Area	Terms & Cond.	Delivery Time	Order & Supply	SBR	Returns Manag.	Invoice	Voucher Process.	Cust. Serv.
Menzies	Chester		2						
Distribution	Ipswich	1	6					1	
	Linwood		1					1	
	Maidstone	1	8	7		2	1	8	
	Newbridge		1	1	1			1	
	Portsmouth		1	1					
	Preston		2	3				2	
	Ryde			1				1	
	Sheffield	1	23	12	2	2	2	12	4
	Swansea	1	3						1
	York		4	1				3	1
Smiths	Birmingham		1					1	
News	Borehamwood					2			1
	Brislington		1						
	Bristol North			1					
	Croydon					1			

	Hammersmith					1	1		
	Hornsey		1						
	Newport		1				1		
	Plymouth	1	1	1					
	Shrewsbury			1					
	Slough			1					1
	Stoke on Trent		1						
	Wednesbury			1					
NPA	MGN		7						
	NI		7			2		1	
	Telegraph	3	3						
TOTALS		8	74	31	3	10	5	31	8

*NB Numbers indicate breaches of Press Distribution Charter complaints and therefore include multiple complaints

The higher-than-average volume of complaints attributed to Sheffield is a symptom of transitional issues, which Menzies Distribution experienced following the consolidation of its business units in Yorkshire at the end of July.

A sustained effort to address these issues at the local level has seen an incremental reduction in the level of complaints since that point.

Timeliness of Stage 2 Process

The Press Distribution Charter provides that Stage 2 complaints should normally be completed within 14 days but no longer than a maximum of 28 days. The table below records the number of complaints that failed to be completed within 28 days of commencement and the average time for completion in the period 1/11/2011 – 31/10/2012.

Wholesaler/Publisher	Number of Complaints	Not completed in 28 days	Average Time for Completion
Menzies Distribution	74	6	11.78
NPA	20	1	12.60
Smiths News	17	0	9.41

The figures for the previous year were as follows:

Wholesaler/Publisher	Number of Complaints	Not completed in 28 days	Average Time for Completion
Menzies Distribution	35	5	10.66
NPA	18	2	17.56
Smiths News	11	2	19.27

All Stage 2 Complaints were ultimately resolved satisfactorily. The Chairman of the PDRP has communicated with those parties concerned regarding timeliness of the process.

During the period under review there were 9 referrals to the Independent Arbitrator who is required to deliver adjudication within 14 days. The average time taken for the adjudications was 10.33 day. Two Stage 3 arbitrations took over 14 days, however in both cases the Independent Arbitrator called for further and better particulars thereby delaying the process.

Trends

From the compliance data four clear trends seem to emerge when comparing the year on year statistics:

- The total number of complaints is up from 64 to 111 which represent a 73.44% increase.
- Menzies Distribution complaints are up from 35 to 74, a 111.43% increase.
- There were no complaints regarding Voucher Processing in the year 2010 – 2011 whilst there were 31 in the year 2011 – 2012.
- There were 9 referrals to the Independent Arbitrator in the year 2011 – 2012. There were none in the previous year.

The fact that the total number of complaints is up by 73.44% represents a greater recognition of the Charter and its complaints process. The increase in retail awareness has probably been driven by the distribution of a simple one page flyer describing the three stage complaints process coupled with greater exposure in the trade press. Whilst self-promotion achieves results, the value of 'word of mouth' should never be underestimated and it is clear to the PDRP that a clear and transparent dispute process is beginning to gain popular retail support. The PDRP does not believe that the increase in Stage 2 and 3 complaints represents deterioration in service levels in the supply chain.

The dramatic increase in Stage 2 and 3 complaints made against Menzies Distribution should not be misinterpreted. In the first instance there was bound to be a significant increase in line with the 73.44% general increase in the total number of complaints and the numbers have been further uplifted by the changes made internally to the management of the complaints process. The PDRP welcomes the improved transparency of the Menzies Distribution process and is not alarmed at the increase in the number of complaints.

Voucher processing has emerged as the second most common area of complaint. There were no Voucher Processing complaints in the year 2010 – 2011, but in the year under review there were 31. The dramatic emergence of Voucher Processing as an area of complaint is a concern to the PDRP. To a retailer the voucher is a cash equivalent and, accordingly, large losses can be experienced if the administration processes fail. The PDF is asked to give Voucher Processing some urgent attention as the use of vouchers continues to accelerate. It is important that there is a concise set of standards for the publishing and processing of vouchers that wholesalers, publishers and retailers can accept and subscribe to.

Whilst the number of complaints made by retailers concerning vouchers has , manifested itself so has the abuse of vouchers within the supply chain. During the course of the year there have been a number of instances where vouchers have been transferred, bought, sold or traded. Obviously, the true ‘ethos’ of a voucher is that it needs to be redeemed by the party seeking the reimbursement for it and, as such, they are not transferable. It may be that the emergence of complaints concerning vouchers is in some way linked to these issues.

The industry’s Independent Arbitrator was called upon at Stage 3 a total of nine times during the year 2011 -2012 and the adjudications can be viewed on the Press Distribution Forum’s website. www.pressdistributionforum.com .

The PDRP collects audits and publishes data on compliance to the PDC; however these statistics do not reveal the extent to which informal negotiation at Stage 1 of the dispute resolution process resolves a considerable number of day to day issues within the supply chain. During the course of the year the PDRP Administrator has aided in the informal resolution of a number of disputes and the PDRP has started to record the basic detail of these cases for audit purposes.

Issues

Collection of Data

The timeliness and accuracy of the Stage 2 Complaint data being supplied has been a cause for concern. Despite allowing three weeks at the end of each month for contributors to submit details of Stage 2 complaints, the deadline is rarely met by all parties and on many occasions there have been errors in the data provided. The situation deteriorated to a point where it became necessary for the PDRP Chairman to write to the Press Distribution Forum requesting that these issues be addressed. Whilst there has been some improvement in the situation, the problems do persist to some degree.

It has become evident that each wholesale company has its own 'internal' complaint process together with paperwork and/or complaint form and the Panel questioned whether such complaints were being recorded and captured as Press Distribution Charter complaints. The PDRP requested that the wholesale companies investigate their operations in an attempt to determine the extent of this. As a result, it became apparent that day to day routine restitution payments made to retailers were generating audit paperwork and such complaints were, quite rightly, not being submitted to the PDRP administrator as PDC complaints having been resolved at source. The wholesalers were confident that all PDC complaints were being properly recorded and submitted to the PDRP administrator.

The retail representatives queried whether the complaint processes being operated within the wholesalers were being operated robustly. From their own experiences and anecdotal evidence there was a suggestion that completed PDC Stage 2 Complaint Forms were being returned to wholesale depots and then not duly processed. The suggestions were that depots did not want to be seen as underachieving, the returned complaint form did not reach the correct member of staff or workloads had increased within depots without the necessary prioritisation.

Wholesale representatives referred these concerns back and, as a result, changes were made to the internal processes some of which are referred to in an earlier part of this report. The PDRP also directed that wholesalers and publishers acknowledge the receipt of every completed PDC Stage 2 Complaint Form.

The PDRP considered the question of retail apathy to the PDC complaint process and it was agreed that retail perception is that there is little incentive to use the process as there are commercial constraints on a retailer's time that make small complaints non cost effective.

In order for the PDRP to monitor service levels in the industry it is essential for retailers to make PDC Stage 2 Complaints were applicable, for publishers and wholesalers to positively and transparently handle such complaints through the due process and for proper capture and recording of those complaints.

Magazine Complaints

It is very apparent from the statistics that, over a period of two years, there have been no PDC Stage 2 Complaints made against magazine publishers or distributors. The Panel considers this to be perplexing as it is aware that problems do exist at a retail level concerning receiving title in time for the due sale date, short or over supply and allocation.

The PDRP formally asked the Professional Publishers Association (PPA) to consider the position and report back. The PPA was of the opinion that there were complaints being made, but that they were being dealt with and resolved at the point of first contact i.e. wholesale and escalated to Stage 2, when appropriate, through those channels. Whilst accepting this point, the PDRP felt that some magazines issues of a greater magnitude should be going through the PDC process.

It was accepted that minor problems in the supply chain were being resolved on a regular basis or, at worst, at Stage 1 of the PDC complaints process. Furthermore, there

was a degree of retail tolerance for magazine 'one off' failures. In these circumstances, retailers did not tend to exasperate a problem as there were pressures on their own time and they did not consider that a PDC complaint would or could bring about a resolution of their problem.

Retail representatives were able to verify these findings by personal experience of issues exceeding £50 which they did not take through the PDC process.

The Panel considered that such issues should have been taken to PDC Stage 2 and were concerned that, if such retail practise was widespread, many magazine issues were being lost to capture. In an attempt to quantify the scale of this problem, wholesalers were asked to informally capture complaints concerning more serious magazine supply issues. Over a period of two months Menzies Distribution and Smiths News identified approximately 80 complaints regarding magazine allocation, but all of them were dealt with via customer service or resolved at PDC Stage 1.

The PDRP decided to await the publication of the second edition of the PDC in the hope that the revised standards would provide an improved route for magazine complaints.

The retail representatives referred the PDRP to an increase in the supply of damaged stock. It appeared that wet magazines were the prime cause for concern. Obviously, the receipt of such stock leads to stock shortages and an inability to satisfy customer demands. It was noted that currently there is no visibility of stock returned as unsellable.

Changing Retail Delivery Times (RDTs)

During the course of the year there has been a number of PDC Stage 2 and 3 complaints concerning wholesalers changing Retail Delivery Times to Scheduled Delivery Times (SDTs).

The RDT or SDT is of fundamental importance to the PDC as it determines the time by which daily delivery must be made. There is an established industry practice for changing RDTs. First, the commercial need of the retailer should be determined with reference to shop opening time, Home News Delivery rounds, manual or computerised systems for marking up, casual sales patterns e.g. local shift changes, rounds preparation, weekend versus weekday patterns and required delivery times.

The wholesaler should then use the information gathered to agree with the retailer a Retail Delivery Time (RDT) by which the wholesaler will deliver newspaper supplies. The RDT is a time by which it is agreed that the retailer has a commercial need for the copies and which is considered by the wholesaler to be operationally feasible.

If the wholesaler is unable to agree an RDT with a retailer (for commercial or logistical reasons) then the wholesaler should suggest a Scheduled Delivery Time (SDT) i.e. a time by which the wholesaler is able to deliver to the retailer, based on current arrival times at the wholesale house.

If the retailer is not satisfied with the SDT set by the wholesaler, he has the right to two reviews with the wholesaler, at monthly intervals, examining the impact of the SDT on the retailers business. If the retailer is still unhappy with the SDT, he may make an

appeal to the Press Distribution Charter's Independent Arbitrator. The arbitrator will determine if the SDT is indeed a reasonable time, in the light of the commercial needs of the retailer on the one hand and the logistical practicalities of the wholesaler on the other, and will determine a time which is binding on both parties.

Complaint Verification

The PDRP relies upon analysis of captured PDC Stage 2 and 3 complaints data in order to monitor compliance to the Charter. With this in mind, the Panel considered the credibility of the data being provided and considered that some form of audit of the data being provided might be desirable.

Two concepts are being looked at: the first is based on an investigation into a sample of complainant retailers in order to verify that the complaint, its handling through the process and the outcome and, the second, is by tracking a 'live' genuine complaint for the same purpose.

Both Menzies Distribution and Smiths News have review and audit processes, but it was considered to be more transparent for the PDRP to be conducting its own process.

It was decided that, in the first instance, the PDRP would carry out monitoring of a 'live' Stage 2 Complaint. As a result of that exercise, the PDRP came to the conclusion that it would be more efficient and transparent for retailers to apply for a PDC Stage 2 Complaint Form from the PDRP Administrator rather than from the wholesaler or publisher whom they wish to make the complaint against. The reasons being:

- a) To maintain a more accurate record of PDC complaints.
- b) To monitor the progress and timeliness of the complaint.
- c) To impartially identify the root of the complaint, especially in relation to origin i.e. publisher or wholesaler.

The PDRP Chairman wrote to the PDC Review Committee making this proposal and a duly amended process was then put before the Press Distribution Forum.

Unfortunately, the PDF chose not to adopt the proposed amendment. Whilst this is disappointing, the PDRP is mindful of the fact that retailers are able to obtain Fast Track Resolution forms from the PDF website and that the existing process does enable retailers to refer a complaint to the Chairman of the PDRP if their issue is not resolved at Stage 2 within seven working days of the end of the wholesaler/publisher Fast Track Resolution process (28 days). Obviously, if a retailer does not get issued with a FTR form he may refer the issue to the PDRP after the above mentioned timelines.

Submission to the PDC Review Committee

In addition to the recommendation referred to above, the PDRP suggested a number of changes to the PDC which it hoped would improve the efficiency of the supply chain and bring about greater transparency in the self-regulatory process.

Neil Robinson
Chairman – Press Distribution Review Panel
7/1/201