



Frontline forecasts magazine success with SAS®

The UK's biggest magazine distributor uses SAS® to optimise availability and better target millions of magazines each week, helping ensure the right magazines reach the right stores in the right quantities to maximise sales and minimise waste.

Industry

Media

Business Issue

Optimising the supply chain in a tough market environment, and across a highly complex business, to achieve the right balance availability and waste: maximising sales while reducing costs.

Solution

A data integration, analytics and demand forecast solution across 160 magazines with sales of eight million each week, including SAS® forecasting software, SAS® Data Integration Server, SAS® Enterprise Guide® and SAS® Analytics.

Benefits

A direct impact on the profitability of a title: improved availability, fewer returns, reduced waste and lower costs: improved profit for publishers, enabling them to buck the trend of a general decline in magazine sales.

A joint venture by publishers BBC Magazines, Bauer and Haymarket, Frontline is the UK's biggest magazine distribution company. It handles some 160 titles, including *Radio Times*, *heat*, *Take a Break* and *What Car?*, through 55,000 retailers ranging from 24-hour hypermarkets to specialist newsagents and corner shops. With optimising the supply chain paramount, the goal is to maximise sales while controlling costs and minimising waste. Given the size and diversity of the distribution network, plus the fact weekly sales are typically around eight million, the scale of the challenge is huge. Since 2005, Frontline has used SAS® to get the right magazines to the right stores in accurate quantities: too few copies mean lost sales, too many and you risk returns and waste.

“One of this industry's biggest myths is you can't increase availability to consumers without also creating a bigger waste problem,” explains Greg Hayden, Head of Commercial Analysis and Information Systems. “We challenged that: using SAS to improve availability while reducing waste. We've done it by targeting magazines more intelligently into the places where they'll sell best.” This approach has enabled Frontline to buck the trend of a contracting magazine market while more successfully addressing the shift in consumer demand towards weekly (and therefore more ‘perishable’) titles. “We need to ensure availability in stores, so retailers don't run out, but avoid over-stocking and returned copies,” Hayden continues. “Getting that balance wrong has a direct impact on a title's profitability. SAS

“SAS is at the heart of the decisions we make around the most intelligent way of using investments in magazine copies that publishers give to us – shaping those decisions in the best ways.”

Greg Hayden
Head of Commercial Analysis and
Information Systems
Frontline Ltd

helps us ‘sweat’ each asset in the best ways, so every title has the best opportunities to sell.” Using SAS, Frontline has achieved a positive change in crude availability and demand availability: “Our publishers can achieve equivalent sales volumes *without* the same volume of supporting copy: availability is achieved at a better utilisation of product,” Hayden says. “We have a more efficient and effective supply chain.”

More sales, fewer returns

With services extending from management of finishing and transportation to working with wholesalers, retailer relationships and trade marketing, a key area is ‘Copy Management’. This involves forecasting and allocating copies across all titles, and is where SAS comes in. What makes this sector different, Hayden says, is that while the products share many characteristics of fast-moving consumer goods, the most obvious being the time-sensitive ‘perishable’ nature of titles like TV listings, they are provided on a ‘sale or return’ basis. “The risk of returns and so increased cost of sale rests with the



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Greg Hayden – Head of Commercial Analysis and Information Systems

publisher,” he says. “Anything unsold is a cost of production and obviously affects profitability. We have a very wide portfolio of titles and need to make intelligent decisions about the best places they should go – so every copy has the maximum opportunities for sale at the lowest practical cost.”

Frontline has used targeting tools since 1997, originally a bespoke model refined over time. “We realised that to get the fine-grained degree of control and flexibility we wanted, we had to move to the next level – which meant SAS,” Hayden recalls. In particular, SAS offered off-the-shelf high performance forecasting, with Frontline able to quickly evaluate the effectiveness of models. “We went and talked to six providers,” he recalls. “We chose SAS because it could handle the complexity we needed in forecasting, with our particular requirements. Other solutions were angled towards a continual replenishment model and couldn’t handle other stuff like seasonality, and sales decay curves. SAS gave us that flexibility.”

Magazines also differ from other products in terms of sales demand through their lifecycle; SAS now produces a sales demand curve across a title’s lifecycle, with a signature that’s unique for each magazine. “We need to understand the sales decay curve so that, in places where we’re working with wholesalers to offer replenishment, we can be clear how that should work,” says Hayden. “With magazines you can’t have a continual replenishment model. You have to make more intelligent decisions about replenishment.” Seasonality adds another layer of complexity. This can range from higher demand in general during the summer for holiday locations like Cornwall, to ensuring you meet increased

seasonal demand for certain genre: gardening magazines in the spring, football titles during a World Cup. Other titles have their own top-selling issues: the new Formula 1 season in motorsports, for instance. Such variances mean further dimensions Frontline must cater for.

SAS® Data Integration Server and SAS® Analytics draw on five years’ worth of sales and supply data held in an Oracle data warehouse. “High performance forecasting is the key,” says Hayden. “We also use SAS® Enterprise Guide® as a ‘diagnostic tool’ for more detailed and forensic investigations of specific forecasts: for example, profiling work for a new product launch or refreshing a title’s format.”

Higher profits through increased availability and less waste

SAS provides a forecast sale for a given issue of a magazine at a shop level. It then aggregates and translates that information to make it meaningful for Frontline’s supply chain operations system: adding all the shops in an area and indicating the wholesale house that titles need to go to, and in what quantities. Outputs feed directly into Frontline’s order management system: “SAS is a hard-wired part of our operations,” says Hayden. “We use SAS to run demand and sales scenarios, then explore their impact in terms of availability, working with a publisher’s representative for a specific title to help optimise sales and minimise waste.” This could involve sending 5% more copies of an issue to one store chain to support a promotion, running that in SAS and assessing the impact on national distribution. “This change could mean constrained supply for some channels; is that constraint acceptable, or

are there implications for the print run?” With forecasts run every night for titles requiring allocation, SAS has very practical outcomes, ranging from which outlets receive which magazines throughout the UK to informing future print runs to, again, optimise availability and minimise waste. “Our work makes a direct contribution to the profitability of a title,” Hayden says.

With the magazine facing tough trading conditions, the issue is even more acute for the 35,000 independent shops that lack the systems and disciplines used by major retailers to optimise sales. “With the help of SAS, however, our efforts to actively drive sales into those outlets has strengthened the independent sector relative to other publishers,” Hayden says. “We’re at odds with the rest of the market. So our work, in areas like ‘re-ranging’ titles in stores to deliver the most profitable mix and supported by SAS, has a dramatic impact.

“SAS gives us the ability to increase product availability without necessarily increasing the associated waste cost. We have incontrovertible evidence SAS enables us to do that, because we spent a year tracking results for all titles. The cost to a publisher of getting a better rate of distribution for a title is decreased as a consequence of SAS.” The result is increased profitability and revenues. “You increase profit because if you’re making products available for purchase in more of the right places, the probability of sale goes up. And for titles that sell less you’re reducing the consequential level of waste. These two happen together, which is the critical point. SAS has helped us create a more efficient and effective supply chain.”



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