

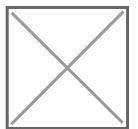
3 January 2013: Distribution of the magazine press by single issue / untwining of transport flows

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Upon request from the government, the Autorité de la concurrence assesses the compatibility with competition regulations of the various systems envisaged by players in the sector to untwine press transport flows between press distribution services and press wholesalers.

The system involving logistics subcontracting between distributors for the handling of press publications, together with the creation of a shared structure responsible for managing transport, presents the fewest competition problems.

> *Version française*



Following information that has appeared in the press and in the interest of transparency, the Autorité de la concurrence makes public its opinion, requested by the government, on the form and conditions of an industrial reorganisation of the press distribution sector. This reorganisation involves the creation of homogeneous regional areas that will enable logistical supply flows to be untwined, that is to say, with each press distributor only covering its own areas.

Background

The so-called Bichet Law of 2 April 1947 organises press distribution in France on the basis of controlled freedom, equality as regards distribution and solidarity among publishers. When a publisher decides to join together with other publishers to organise distribution, the bulking and distribution of their

newspapers and publications are handled by press distribution co-operatives.

The single-issue press distribution sector is currently experiencing a serious crisis caused by a drop in sales of more than 25% over the last four years. Despite this decrease, logistical costs did not drop proportionally, on account of fixed costs.

There are two magazine distributors, namely **Presstalis**¹ that distributes 64% of magazine titles (and is also the sole distributor of national daily newspapers) and **Messageries Lyonnaises de Presse** (MLP) that distributes 36% of magazine titles (2011 data).

The press distribution logistics chain

Under the current system, press publishers exclusively choose one distributor, for each press title, for distribution throughout the entire country.

Publishers thus assign their titles to a distributor, which is responsible for grouping together and transporting the various magazines from the different publishers to the press wholesalers. As each wholesaler has a local monopoly on its area and as publications need to be distributed throughout the entire country, each warehouse receives deliveries from both distributors. The warehouses then distribute the press to the 29,000 sales points (kiosks and newsagents), known as "press retailers".

The untwining of the supply chain is part of a set of reforms

In light of the current situation, characterised by the sharp drop in sales volumes and the financial difficulties of Presstalis, the sector has embarked on a series of reforms aimed at making press distribution more efficient. These reforms, which are set to be implemented throughout 2013 and 2014, include a reduction in the number of warehouses (Level 2 master plan) and the vertical integration of Presstalis (the creation of 5 regional platforms surrounded by secondary warehouses).

One of the courses of action under consideration involves untwining the supply chain. While each distribution service currently supplies all warehouses using its own resources (cf. diagram, page 8 of opinion 12-A-24), all players within the sector would like to rationalise this organisation by untwining the supply chain from level 1 (Presstalis or MLP) to level 2 (press wholesalers spread throughout the country), thus avoiding the two distributors having to supply all warehouses.

Having assessed the advantages and drawbacks of the various systems for untwining the supply chain, the Autorité considers that the system involving logistics subcontracting between the distributors for the handling of press publications and the creation of a shared structure responsible for managing transport, is that which presents the fewest problems in terms of competition (cf. diagram, page 12 of opinion 12-A-24).

Under this system, each publisher retains the distribution company of its choosing for each of its titles. Although this system has the significant drawback of imposing mutual subcontracting between press distribution services, it does however safeguard competition between the distributors as regards value-added services, such as information and financial flows, as well as the adjustment of delivery quotas².

The negative effects of a lack of competition between press distribution services as regards handling and transport may also be offset by:

- the fact that publishers are both shareholders and customers of the cooperatives (which do not aim to increase their profits);
- the fact that the shared resources company, providing that it is controlled on an equal basis by Presstalis and MLP, shall have no incentive to unjustifiably increase its margins or reduce the quality of its service, as it shall only be operating for the requirements and interests of its parent companies.

As the reasons for extending the delay when switching press distribution services would then no longer apply, and in order to boost competition in added-value services, the Autorité wishes the notice period required for switching from one press distribution service to the other to be shortened.

(1) Previously named Groupe NMPP, the company became Presstalis on 14 December 2009.

(2) The press distribution companies advise publishers on assessing the number of copies to be distributed to each sales point.

> Full text of Decision 12-A-24 of 21 December 2012 on the untwining of the supply chain in the magazine distribution system.

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