

CHIC : Channel Information control (EP.20583)

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Abstract

This paper describes the ESPRIT project the **C.H.I.C** (the acronym for **Channel Information Control**) is a pilot project for the control of the publishers distribution channel, focused on new-stands channel.

Keywords

Publisher distribution channel, newspaper industry, re-engineering, automatisisation

1. SUMMARY

C.H.I.C (the acronym for **Channel Information Control**) is a pilot project for the control of the publishers distribution channel, focused on new-stands channel. The CHIC project aims to achieve two different kinds of **objectives**:

- to realise a real time survey of sales figures and returns, which must be simple, automated and open;
- to establish a new relationship system among all the operators of newspapers industry, whose **approach** must be co-operative, integrated, open and focused on SMEs.

The first step to this approach is the creation of a **consortium** of partners having different but complementary purposes, which are interested in working together for this project:

- Class Editori, an Italian publisher of economics newspaper and co-ordination Partners;
- CH.K Tegopoulos, a Greek publisher of the second largest newspapers;
- Coopers & Lybrand, an Italian management consultant, part of an international network;
- Falcon Informatica 90, an Italian Technological partner;
- Epsilon Software, a Greek technological partner.

CHIC basic idea consists in implementing the following 3 items :

1. spotting 150 new-stands in Italy and 40 in Greece, representative of total sale trends;
2. establishing a relationship with News-vendors and Local distributors selected by a publisher submission of the adequate services and non-monetary benefit package.
3. implementing a survey system-involving LDs in re-engineering phase to give the publisher sold and return figures in real time, using the existing organisation and technology.

The **measurable results** are expected for Publishers mainly by a strong decreasing of production and distribution costs (because of returns reduction) and also by a little increasing in sales (because of sold-outs reduction). These results-reached only in those areas where the sampled new-stands are-can be estimated at the end of the project in :

200 K ECU per year of improvement in the contribution gross margin, for Italian Publisher, reached in areas representing about 25% of total sales;
 # 22à K ECU per year of improvement in the contribution gross margin, for Greek Publisher, reached in areas representing about 60% of total sales.

Other not measurable results and impacts are expected in order to :

1. improve the business process of the Publishers and also of the New-vendors and Local Distributors, mainly in quality improvement of personnel and decision making process, in better understanding of distribution flow, in better use of news-stand place (instead of pile up returns) and in better support and automate news-stands administration;
2. improve the technological and consultant Partners know-how in publishing industry, for reusing in their commercial activities other than CHIC exploitation;
3. create a dissemination documentation concerning the CHIC results, specially addressed to publishing SMEs;
- 4 create a positive ecological impact deriving from the less production of paper (due to return reduction), specially in the actual word crisis of cellulose production.

The consortium reaches the following agreement of the exploitation of the project results :

- # to involve one or more northern Europe publishers before starting the commercial phase;
- # to establish a "grant period" during which each partners cannot exploit the CHIC achieved results, so that Publishers Partners are allowed to maintain their competitive advantage against their competitors. This "Grant period" consists of at least 6 months for Smells not directly competitors and of at least 18 months for other companies;
- # to fix for each partners, as Intellectual property Right, a different percentage related to their effort to the project : cut for about half for two publishers, and about 50% increased for three Partners, as a reward for the above 'grant period'.
- # to decide, within the last half year project, which sort of commercial structure to set up (joint venture or other).

2. CHIC CONSORTIUM : PARTNERS' ROLE and ADDED VALUE in working together

One of the two fundamental CHIC goals, as indicated in the summary, is to set up a new relationship system among all the operators of newspaper industry. Prior requirement for such goal is to realise a co-operative approach among partners, which is achieved by clarifying the following roles, interests and complementary characteristics of each of them for achieving of common goals, with particular reference to the added value in working together.

2.1 Roles and responsibility of the two Publishers

They have a leading role for defining, organising and evaluating the pilot system installed in the respective companies and countries, because that system can realise a significant competitive advantage in their business process against their competitors.

Class has the leading role and the responsibility of entire CHIC project and Consortium, because both of them were born by a Class idea and so it has the major economic interest in extending the pilot results to the entire national territory.

Both publishers have the interest in working together because they present complementary characteristics regarding their products and distribution, so the system can more probably be adequate and furtherly developed and spanned off.

Class have specialised newspapers that sell few copies in many new-stands scattered throughout all the national territory. Total circulation is rather stable, with exception in case of promotion or tax expiring dated and is fragmented mainly because the national population is scattered in various mid-size towns.

Tegopoulos has a large circulating newspaper (Eleftherotypia), with many copies sold per each news-stand and 60% concentration in two major cities (Athina and Thessaloniki); but circulation undergoes high variation due particularly to seasonal movements of populations and to the hostile country logistic (island and mountains).

Both publishers have the interest to developing a pilot in partnership with technological and management consultant companies, mainly in order to make " a made to their measure" system open to further developments and falls-out.

2.2 Roles and responsibility of the two technological Partners

They have a leading role in developing the application tools required by two Publishers.

They are already suppliers in information systems for the two publishers in their respective countries, so they are interested in their customers' satisfaction.

They have already worked together in another Esprit project (6882 MULTIDOC), so there is no risk in technical co-ordination.

They are interested in the exploitation phase, where they have the leading role and responsibility in the dissemination of CHIC results (Epsilon) and in the commercial exploitation (Falcon), according to the IPR agreement with the other CHIC partners.

CHIC project allows both technological partner to improve their know-how in publishing industry, for re-using in their commercial activities other than CHIC expatiation.

2.3 Roles and responsibility of the management consultant Partner

He has a leading role in methodological tasks (business model and conceptual design).

He has both know-how and organisation (head office in Milan and Rome, and branches in Athens and many different cities in all Europe) to make constancy and co-ordination to the publisher partners in more difficult project tasks (model choice, review and evaluation)

The same know-how and organisation can be fatherly used for the market survey, a very important task for the exploitation kick-off. This phase is very interesting for it.

Like the two technological partners, he's also interested in improving his know-how in publishing industry, for re-using in his other commercial activities.

3. OBJECTIVES and RESULTS

3.1 CHIC basic idea

The CHIC project aims to achieve two different kinds of objectives (is measurable the first one, the second one is not) :

to realise a real time survey system of sales figures and returns, which must be simply, automated and open;

to establish a new relationship system among all the operators of newspapers industry, whose approach must be co-operative, integrated, open and focused on SMEs.

CHIC basic idea, for achieving these two objectives, consists in implementing the following 3 items :

Spotting a small numbers of new-stands, about 0,5% of total figure (150 in Italy and 40 in Greece) chosen in 12 Italian and 3 Greek towns, representative enough of total sale trends. This significance consists in the selected sample being representative enough of total sale trends. This significance consists in the selected sample being representative enough of domestic sale trend according to geographic area (small, medium, large towns), to season (sea-side, mountain, thermal areas, etc.), to geographic site (North-west, north-east, centre, South, Islands).

Establishing a relationship with news-vendors and Local Distributors selected by a publisher submission of the adequate services and non-monetary benefit package in exchange for new service required under section.

Implementing a survey system - involving Lds in re-engineering phase- to give the publisher sold and returns figure in real time. This will occur by the existing organisation and technology as deemed suitable in the feasibility study (for instance, solution might be paper printed bar-code reading the news-vendors could provide through optical pen tool just before delivering buyers their copy: data would then be stored in a small personal computer and sent by modem). The possible use of an international standard, at the moment unknown, will be also evaluated during assessment task of the project.

3.2 Benefits for new vendors and local distributors

CHIC basic idea is therefore to carry out an open and co-operative system with main channel suppliers. Competitively in one's own business can be achieved by first establishing competition terms in suppliers' business process.

in this logic, CHIC objectives concerning the realisation of News-vendors and local distributors' benefits are the following :

to involve some of both Local distributors and News-vendors (or better, their organisation representative persons) in the publishers' business process re-engineering phase, trying to develop and incentive a co-operative spirit.

To realise a survey system that turns out - from the news-vendors point of view-extremely simple, not bulky, free and very little time wasting, such as it can be extended for survey to other publishers' products. This it is absolutely vital for the project success.

To define an adequate service and non-monetary benefit package for new-vendors, i.e. : automatic accounting integration, free use of equipment's promotional benefits and incentives, to automate the requested quantity of copies to be delivered by their local distributors, to automate request for second providing (in case of sold-outs) or for arrears through their PCs, and so on.

To get a better use of news-stands place, (instead of pile up returns), due to the expected returns reduction.

To realise an information flows system that improves, as regards Local distributors, quality and timing of distribution, contributing to enhancing their service function and competitively among local distributors in the same area.

3.3 Measurable objectives

To design, implement, test and review a prototype application tool (ways, organisation and tools) to survey sale and returns trend in real time on a significant sample of news-stands and local distributors. The sample shows the publisher sales data every day (at least two times each

day), and for all publications; direct connection with the local distributors gives number of copies for each CHIC sales point and unsold quantities.

To use above data to optimise run and distribution plan of the very next issue, as a function of contents, according to news-stands sample.

To check reliability of above data through cross-check with physical and accounting return figures.

To develop a model which extends a part of the sampled news-stands results to the distribution areas where the sampled news-stands are.

To use above data to automate and integrate documents issued by news-stands and local distributors

To involve one or more northern Europe publishers before starting the exploitation phase.

To possibly set up a joint-venture (or other specific organisations) to sell application tool and know-how on this project, according with the exploitation agreement reached between the CHIC partners.

3.4 Yardsticks

The yardsticks for measuring the results of the pilot system, regarding as the respective area of results (the sampled news-stands or the distribution area where the sampled news-stands are), are the following :

Total sales per each area of results

Ratio returns on news-stands related (returns/n.stands).

Sold-outs number, that is the number of the news-stands with all issues sold and no returns.

Reliability index. It is a percentage ratio of such survey data on accounting figures and physical returns, where 100% indicate no difference between survey data and accounting or physical data.

variation of contribution gross margin, originating from sales net revenue of copies in a given area less production and distribution variable costs delivered in the same area. It is more synthetic evaluation yardstick, combination and assessment of the preceding yardsticks.

In the second step of pilot implementation (assessment at the end of project, 30th month) some of the above results are expected to extended to local distributors in CHIC news-stands areas. In Italy, the 12 distributors account for about 25% of national result, in Greece, the 3 distributors for about 60%. Therefore, contribution margin improvement rate will be less significant than expected in 150 Italian or 40 Greek news-stands, nevertheless the absolute margin value will be far more significant since benefit is measures on a much wider area.

Result of improved margin is expected 15% in Italy and 3% in Greece. Prevailing effect comes from fewer returns than higher sale rate. In absolute values final rates bring about improved contribution margin by about 200 K ECU for Italian publisher and about 220 K ECU for Greek publisher. These figures are regarded as possible achievements, subject to further improving, since quality of data recorded on sale point and by local distributors must be high, 85% reliable in test phase, 90 to 95% reliable in first pilot phase and 80% to 65% in second pilot phase.

3.5 Other not measurable results and impacts.

Other not measurable results and impacts are expected from CHIC project :

1. more quality and professionalism of technical and administrative publisher's personnel
2. growth is fostered to accelerating Publisher's decision-making process as market feedback;
3. improvement of the technological and consultant Partners' know-how in publishing industry, for re-using in their commercial activities other than CHIC exploitation;

4. creating a dissemination documentation concerning the CHIC's results, specially addressed to publishing SMEs;
5. creating a positive ecological impact deriving from the less production of paper (due to returns reduction), specially in the actual world crisis of cellulose production.

Possible project falls-out , in order to further improve the Publisher's business process are :

- extending news-stands and local distributors in order to expand favourable economic results expected and adjust statistic significance of news-stands sample as against overall sales;
- developing ability to anticipate return flow (timing and quantity of each area) so as to plan re-use of copies other than pulping, i.e. sample copies for promotion and subscription campaigns, magazine rebinding for re-sale, gadget copies to enclose in same publisher's different products.
- developing a marketing system to turn discontinuous into regular buyers (possibly subscribers), according to correlation of contents/events and sales peaks/points; focusing the above marketing system more and more towards direct marketing, in order to draw on-site buyers' profile so as to increasingly meet information requirements and to improve target objectivity for promotion/advertising customers planning on papers.

4 - WORKPLAN

4.1 Introduction

The workplan is the document where are defined the specific objectives, the risks, the activities, the allocated resources, the deliverables and the timing to achieve the goals of the project. The formal tool to lead the Partners to attain and control the content of the workplan is the project management (see next point 5 of this technical annex), which makes a part of the same workplan as a last workpackage. But the essential tool to lead the partners to attain their goals is the realisation of the co-operative approach among them, as a consequence of the understanding of the complementing roles and characteristics of each of the partner, as described in the preceding point 2 of this technical annex.

Before examining the workplan, it is important to highlight that :

The interdependencies with external events for the success of the CHIC project are concentrated in the involving Local distributors and news-vendors in Publishers business process re-engineering task. This is the reason why this task represents the major risk of the entire project and also why the 2 publishers have planned some promotional cost under the items "other costs" in the cost statement for funding.

The main CHIC goal is to realise an open and co-operative survey system, but the two publishers invest in this project mainly for obtain a competitive advantage in their cost structure against their competitors. This is the reason why most of the deliverables, especially during the first 18 months of the project are classified as "confidential", and also why the first dissemination documents are planned at the 15th project month.

The possible use of the International standards (i.e.: bar code, software standardisation, data processing documentation procedures) is at the moment unknown. it will be evaluated within the "assessment" task, in the quality control assurance activity.

4.2 Description of the workpackages, critical tasks and Milestones

1. Project scoping
2. Re-engineering
3. Test-bed implementation
4. Pilot implementation
5. Exploitation
6. Project management

The first work package aim at defining scenery, ties and potential of application tool and at making detailed operating plans (5 months). no critical paths are identified.

The second workpackage concerns the re-engineering of distribution Business process, according to integration goal with selected news-stands and local distributors (11 months). Critical tasks consist especially in involving news-vendors and local distributors (month 1 through 4) and also in model choice (month 4 through 6); a checking milestone will follow. Critically can be successfully coped with only in Local distributors and news-vendors are involved to jointly find out possible alternatives and best solution; a serious mistake would be one to force procedures on passive users. It is vital for them to fell active and associate. This is the reason why is planned, more than promotions, a review for the conceptual design, the technical design and also for model choice, after the first steps of next work package.

The third work package includes an on-site working test (9 months) intended for functional set-up as well as data real flow of first three goals (20 news-stands and 2 local distributors, only). Special care must be devoted to thoroughly review on site all problems raised by suppliers and even replace them with alternative suppliers in case they show no real attention and interest in the project, but very critical can be to transfer tests results and know-how acquired into decisions to start pilots and survey actions of commercial exploitation.

Therefore, it turns out to be fully critical and the real acid test for soundness of the partner group and after all of the entire project. It will be crucial to thoroughly prepare a steering committee, to provide necessary documentation and to look after personal relationships in order to dray and represent from all working group members any and whatever assessment or evaluation which may push the project. At the end of critical period (month 15 or project) significant milestone follows.

The fourth workpackage, Pilot implementation, is less critical than test bed but larger since it lasts 16 months as a whole and covers a great number of links (150 news-stands and 12 local distributors in Italy at the same time 40 news-stands and 3 local distributors in Greece).

The last workpackage before project management, exploitation last 18 months; critically occurs in month 22 though 24, soon after partners and dealers selection parameters will be checked to possibly carry on activity and define dealing policies (perhaps in a joint company) and involving one or more northern Europe publishers in commercial activities. This is a check on the appeal and possibility to rally exploit the CHIC know-how. A checking milestone will follow.

Every workpackage is concluded with a steering committee meeting, which assesses job and updated goals in view of project prosecution according to project management procedures.

The 3 milestones planned before Final review are the control points in time, marking the completion of major critical tasks and deliverables, at which project progress can be assessed.

4.3 Workplan structure

Project scoping

The first workpackage investigates the project as to current and expected performances and precisely defines scenery, ties, potentials and goals.

Assessment and high level business model

- To formally define macro parameters for each project area of application
- To set assessment criteria and parameters of present performances, mainly relating sales and return levels, trade off between news-stand average return and sold-out news-stand percentage, average market reaction time.
- to measure present performances
- to define technological compatibility of publisher, local distributor and news-stands, in view also of space and job organisation bonds of the news-vendors.
- to identify performance objectives
- To identify terms of co-operation with local distributors, News-stands and racket organisations to boost the project and its quick implementation.
- To define statistical methods to select the Local distributors and news-stands.

Planning

To check, after the above analysis, the necessity/opportunity to adjust the work plan in all its WPs and tasks through further operational, financial and economic details.

The analysis and results of the first stage of the work plan will be formalised in a report including all the above specifications, to be submitted to the steering committee.

Re-engineering

The second workpackage goes deeper into the project in four directions, precise mapping of information flows, data running time, dissemination process, design formalising; checking of organisational impacts; accurate definition of technological tools. this stage is preliminary to a test bed and crucial for the real application.

Involving distributors and news-vendors

Analysis and conceptual design

- To arrange standard mapping of circulation/return processes, data management and data running time.
- To formally introduce process changes originating from project implementation by stating terms and actions of change management. In particular, details will analytically concern use of data reaching the publisher in real time from news-stands and local distributors.
- To give all functional specifications for technological tools.
- Type of connection among news-stands, local distributor and publisher must be found to optimise mutual data exchange.
- to define all possible accompanying actions to favour acceptance of new tools
- to check all cultural and organisational impacts
- Innovation alternative frameworks must be defined.

Model choice

Alternative actions/tools need to be defined, and to be used if outcome is unsatisfactory in relation with expectations.

Technical design

- To produce a detailed organisational procedures scheme, related to :
 - news-stands (NS)
 - Publisher structure
 - Local distributors distribution
- To fully determine technological tools for :
 - NS inputs management
 - data transmission management
 - local distributors inputs
- To define all technical specifications in full details, in order to modify or to interface publisher's information systems. Specifications must be compatible with the new information flow and with the organisation changes implied by such a flow.
- To provide all detailed specifications for pilot project management,
- To provide specifications concerning Performance monitoring System implementation
- Consequently, to verify Work plan (and related WPs and tasks) adjustment needs.

Test bed implementation

In order to adjust vital project variables, it is necessary to test them on a limited sample. A reasonable assumption is to perform full pilot testing on at least two Local distributors and about 20 News-stands, as an upper limit.

This vital phase starts with support systems implementation and integration. It then proceeds with test start-up, monitoring and trouble shooting, if applicable. The phase ends with adjustment actions at all levels. This phase is the pre-requisite to proceed with pilot extension to their local distributors and news-stands.

Test implementation and start-up

- System development
- HW/SW product selection for their integration
- Specific HW/SW development (if applicable), related to News-stands, Local distributors and publisher, as well as data transmission and product preparation.
- HW supply for publisher, News-stands and local distributors.
- HW/SW installation and acceptance procedures at news-stands and local distributors
- Test start up
- Sales data input and consolidation
- Publisher's new forecast statistical models use start up
- Printout distribution models start up (at publisher and at local distributors)
- Results Evaluation procedures start-up
- test project Post-implementation review

Organisation and evaluation of test system

- Along with systems implementation, a start-up support team is created
- Support documentation is prepared

- News-vendors and local distributors plan definition
- Training plan definition and implementation
- Test follow-up procedures definition and normalisation
- At test end, a global results evaluation is performed, followed by the appropriate feedback corrective actions.

Pilot implementation

According to test results, the pilot project will be generally applied in Italy and started in Greece. About 150 News-stands and 12 distributors are expected to be totalled in Italy, and 40 News-stands and 3 distributors in Greece.

The pilot implementation steps are virtually similar to test steps, easier as they are already tested and more difficult because number of users is ten times higher.

Italian and Greek implementation and start up

Italian and Greek organisation and evaluation of test system, with global evaluations and decisions.

A report will be submitted to the steering committee, which will make a general assessment of the project with particular attention to :

- technological aspects
- human resources
- business processes
- potentials, roles and objectives of exploitation strategies and dissemination initiatives
- potential common projects aimed at CHIC improvement and/or fall out
- operational workplan updating.