

11th July, 2007

TO ALL NEWSPAPER PUBLISHER MEMBERS

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C I R C U L A R

**Suggestions for amendments to Bureau's Audit Guidelines
relating to certification of Net Paid Sales**

PART A – PREAMBLE

Bureau's Council of Management have considered over several meetings, how to increase the relevance of audited and certified circulation data amongst the users. One of the many views expressed by the advertising/media agencies which uses ABC certified circulation data was that ABC should certify total circulation figures and provide a detailed break-up of circulation figures included in the ABC Certificate. The Media Agencies were specifically interested in knowing the number of copies sold at various trade terms, under various schemes, incentives, inducements etc. Views were also expressed by some publisher members that the existing audit guidelines were not in line with the present marketing realities faced by the publishers. Suggestions were accordingly made to provide greater flexibility whilst auditing and certifying circulation figures so that the Bureau's rules were not seen as an impediment for implementing new marketing techniques and strategies which would enable publishers to grow in terms of circulation and penetration in a market place.

As we all are aware, during the phase of intense competition specially at the time of launch of a new daily in a market place, existing publisher members find it extremely difficult to comply with the Bureau's existing guidelines specially those dealing with agents trade terms resulting in such members resigning from Bureau's membership.

Considering the above views of the media agencies and publishers and also taking into account the number of publisher members which had dropped out from Bureau membership in the recent past due to various reasons, your Council considered at length on how to provide a new dimension to the concept of certification of circulation figures of member publications. Your Council accordingly felt that the certified circulation data disseminated by the Bureau may become more relevant specially to the users if, the Bureau was able to provide them complete and comprehensive audited circulation figures of most of the publications used for media planning.

It has been felt that the ceiling of 40% on trade terms to agents for newspapers is one of the major restricting factor in the present competitive environment. We are all aware that even if, some newspaper is sold to the trade at lower than 40% trade commission, the said newspaper could still be economically profitable to be sold in raddi by the trade, in

some cases, where the pagination of the newspaper is on the higher side vis-à-vis the net realization price at which it is sold to the trade as per the existing guidelines.

Accordingly, your Council felt that the Bureau may consider certifying in future essentially those copies which are sold to the trade at above the raddi value of a newspaper so that the fear of such copies being diverted to raddi by the trade was mitigated. Based on this concept, your Council is of the opinion that the suggested certification criteria on which a certificate of circulation may be considered by the Bureau in future may be based on the net sale price to the dealer (first point of sale) at any trade margin to be higher than or equal to the realization value in waste with a provision for removing excess circulation for such issues which are not in compliance with the suggested criteria. Considering the suggested criteria for certification, the criteria of maximum 40% trade terms to agents for newspapers as in force is proposed to be withdrawn. Publishers of newspapers will then be permitted to offer any trade commission for distribution of copies provided it satisfies the suggested certification criteria.

We give below a detailed note on how the suggested certification criteria based on value in waste would work for publisher members together with a draft of the suggested ABC certificate of circulation as may be issued to publisher members in future (**Annexure A**)

1) UNDERLYING CRITERIA FOR CERTIFICATION AS SUGGESTED

The user of the ABC Certificate primarily seeks information on the number of copies certified by the Bureau. As per the suggestion for consideration, as long as the net sale price to the dealer (first point sale) at any trade margin is higher than or equal to its realization value in waste then copies would qualify for certification as qualified sales. However, such qualifying copies should also comply with other applicable Bureau's audit guidelines laid down from time to time. Based on the above criteria, copies would be certified and shown on the certificate of circulation as sold to the trade above the 'raddi rate' as qualifying sales as well as those copies sold to the trade at below the 'raddi rate' under non-qualifying sales.

2) FIXATION OF RADDI RATE:

The waste rate per kg. for the calculations under suggested criteria would be as decided by the Council from time to time. For determining the weighted all India raddi rate, price of newsprint waste bought by the paper mills would be ascertained. Dealer margins / sub-dealer margins will be reduced therefrom to arrive at the net market price on an all India basis. Raddi rate, for the purpose of calculation, will be intimated to all members in advance for the respective audit period to enable publisher members to work out the raddi rate per page applicable to their newspaper based on the different newsprint used, gsm and size of the paper.

3) COMPLIANCE WITH THE RADDI RATE ON A DAILY BASIS:

Compliance with the suggested raddi criteria under consideration will be on a daily basis for each issue. However, in cases, where certain issues do not comply with the criteria on a particular day/s then only the "**excess circulation**" for that particular issue/s would not be recognised for certification as qualifying sales.

The “**excess circulation**” is suggested to be worked out as under:

In case of dailies: average circulation of the previous week when all issues and its corresponding circulation had qualified for certification under the proposed raddi rule (i.e. when the net realisation was higher than the raddi value of the newspaper).

This suggestion has been proposed keeping in view that on some days publishers may be required to increase their pagination levels due to certain exigencies or during special features or additional supplements for advertisers. Higher pagination on some of these days would then result in non-compliance with the proposed raddi rule which would disqualify the entire circulation including the normal circulation on such days which would not be appropriate.

4) CERTIFICATION CRITERIA:

Subject to compliance with other applicable audit guidelines, the certification criteria is suggested to be primarily based on the net sale price to the dealer (first point of sale) at any trade margin to be higher than or equal to its realization value in waste.

The net sale price to the dealer (first point of sale) is to be calculated on a daily basis separately for each cover price.

Calculations would then be made to ascertain whether the net sale price (on daily basis) to the dealer (first point of sale) separately for each cover price is higher than or equal to the realisation value in waste. Deduction of “excess circulation” will be made if, any issue/s of a publication is/are non-compliant with the raddi criteria. Such excess circulation copies will be reflected in Part – B of the certificate of circulation under “Non Qualifying sales”.

5) CERTIFICATION OF COPIES:

ABC Certificate of circulation ‘Annexure A’ is suggested to be issued in two Parts i.e. Part A & Part B.

PART ‘A’ of the Certificate of circulation to state copies qualifying for certification under the raddi criteria. All such qualifying sales copies would also be required to comply with other applicable audit guidelines of the Bureau and qualify under the raddi criteria for certification.

A summary of such qualifying sales copies is suggested to be shown as under:

<u>Non subscription sales</u>	Average Single Copies	Average Combo Copies	Average Copies
• At 0 to 10 % above raddi rate	_____	_____	_____
• At 10.1 % to 20 % above raddi rate	_____	_____	_____
• At over 20 % above raddi rate	_____	_____	_____

PART B of the Certificate of circulation to state details of all non qualifying sales copies which either do not comply with the raddi criteria and /or not comply with the Bureau's audit guidelines under the new criteria.

6) EXEMPTION FROM THE RADDI CRITERIA:

Subscription copies which are booked by the publisher or through its agent in advance for which publisher has on record, a data bank containing name, address, telephone numbers (where available) and other contact details of the subscriber and the subscription amount is either received in advance or within 2 months of booking as per the prevalent Bureau's rules is suggested to be **exempted** from the above raddi criteria.

PART - B

OTHER AUDIT GUIDELINES IN A NUTSHELL (WHERE APPLICABLE)

1) Subscription Offers (single or joint):

The following guidelines are suggested in respect of subscription offers:

- a) Subscription requisition / request in writing from the subscriber needs to be obtained by the publisher and / or his agent(s).
- b) In case, a subscription offer is for a period of less than six months, full subscription money to be received in advance. In case of subscription schemes for a period longer than six months, for all booked subscriptions, full subscription amount should be received within a period of two months from the date of booking a subscription.
- c) Delivery charges paid for delivering subscription copies would be calculated on the cover price of the publication which should either be less than or equal to the trade commission normally paid to the vendor in respect of non subscription copies.
- d) Valuation of a gift / incentive either branded or customised, to be valued at MRP or cost to the publisher plus 15% as applicable. Gift in the form of cash or cash equivalent is however excluded from the purview of gifts to subscribers.
- e) In case a publication is offered as a gift, the same to be valued at its cover price.
- f) In case a Publication, which is not a member of the Bureau but is offered under the Joint Subscription Scheme, then the member publication shall arrange for verification of the distribution and financial books and records of a non-member publication. The Member Publication will then arrange to obtain a written confirmation from the non-Member publication that it's financial & distribution books & records are open for scrutiny by Bureau's Auditors / officials.
- g) Considering that the benefit of discount on cover price, gift to the subscriber is received by the subscriber, publisher can offer discount on cover price, gift to the subscriber etc. upto 70% of the cover price of a publication.

- h) Subscription offers are meant for individual subscribers who remit the subscription amount in advance, copies of the same may be delivered thru the vendor.
- i) Discount on cover price, gift to subscribers etc. are the benefits accruing to the subscriber who pays for the copy in advance or within the specified time at a prescribed subscription price. On the other hand delivery charges are paid to the vendor for delivering subscription copies to the subscriber. The benefit to the reader and delivery expenses paid to the trade are to be considered separately and not to be clubbed together.
- j) Auditors should have complete access to the subscribers list and Auditors should satisfy themselves through random verification about the genuineness of the subscribers.

2) Trade terms to agents:

Publishers can offer to the trade any amount as trade commission. Apart from the trade commission, if any additional amount is paid to the trade which is directly connected with selling / distribution of copies, then the same shall be added to arrive at the gross trade terms to the vendor.

Any amount not connected with distribution of copies paid / reimbursed to the trade for which supporting is available need not be considered as part of the trade term. The trade term to be calculated on the cover price of the publication.

Actual cost of transporting publications from the printing location to the distribution centres as per contractual arrangements made by the publisher not to form part of the delivery charges or trade term.

3) Combo offers (non subscription)

A combo offer is defined as “more than one publication available under any scheme (other than subscription) to readers at a combined price”.

- a) Combined price along with the titles / names of publications involved in the combo offer shall be distinctly mentioned on the print line below the masthead on all publications involved in a Combo offer.
- b) Average number of Combo copies of the respective publications in an offer will be shown separately on the respective ABC Certificate and shall be reckoned for certification as Net Paid Sales.
- c) No gift either in the form of a publication registered with RNI or in any other form will be permitted for combo offers (non subscription).
- d) A combo price to be atleast 50% of the combined cover prices of all publications involved in a combo offer.

- e) In case of a combo offer of a daily / weekly / monthly the combined price to be similarly worked out and should be atleast 50% of the cover price of all publications involved in the combo offer.
- f) Number of combo copies to be separately shown in the print order of the respective publications.
- g) Combo copies should be separately billed to agents / sub agents.
- h) In case a Publication, which is not a member of the Bureau but is offered under a combo offer, then a member publication shall arrange for verification of the distribution and financial books and records of the non-member publication. The Member Publication will then arrange to obtain a written confirmation from a non-Member publication that it's financial & distribution books & records are open for scrutiny by Bureau's Auditors / officials.
- i) The net sale price to the dealer (first point of sale) would be calculated as (combo cover price less trade discount / commission). The pagination to be considered would be all pages of all publications included in the combo offer. The net sale price to the dealer of a combo copy should then be higher than or equal to its realization value in waste.

4) Gifts /incentives to readers:

- The value of gift / inducement / incentive to a reader should not exceed 50% of the cover price of the publication on which an inducement is offered.
- In case another publication is offered as a gift, in such cases, on the print line below the mast-head of the main publication, it should be mentioned that "XYZ publication offered free with DEF publication".
- Similarly, on the print line of the publication offered free, it should be specified that this publication is offered free alongwith XXX publication.
- Print Order of the publication offered free should specifically show the number of copies offered free with a particular publication.
- In case a Publication, which is offered as a gift / inducement / incentive is not a member of the Bureau then the member publication shall arrange for verification of the distribution and financial books and records of a non-member publication. The Member Publication will then arrange to obtain a written confirmation from the non-member publication that it's financial & distribution books & records are open for scrutiny by Bureau's Auditors / officials.
- Copies of the Publication offered free as an inducement or at less than the prescribed cover price would be considered for certification as non Qualifying Sales.

- The word gift would specifically exclude all cash gifts or cash equivalents (gift cheques etc) to subscribers / regular readers from the purview of gifts to subscribers / regular readers. Gifts offered to subscribers / regular readers only in kind would be considered for the purpose.
- All copies involved in a scheme offering its readers cash gifts / cash equivalent will not be recognized for certification as “Qualifying Sales – Part A”.

➤ **Valuation of gifts:**
Branded Product:

A specific branded product which is readily available in the market place bearing a MRP. For valuation of the same, MRP to be considered as the cost.

Customised / Unique Product:

Is a product, which is manufactured and specially packed as per customer’s requirements/ specifications whether branded or not.

For the purpose of valuation, the price would be reckoned as the one determined between the manufacturer and the customer ordering the product. The value of the same to be taken as per the Invoice (inclusive of all taxes) of the customized / unique product plus 15% (mark up).

- The provision of removing excess circulation is applicable in only one off offer and would not be applicable in case of gifts offered by a publisher against a publication being purchased for a **specific period** value of which is more than 50% of the cover price. Such a scheme would accordingly not qualify for certification and all copies involved in the said scheme would be shown as non Qualifying Sales.
- The provision of removing excess circulation would apply only in case of one off / particular issue.
- All incentive schemes to readers to be framed in such a manner such that the name of the beneficiary / reader is identifiable. An audit trail in the form of a reader booking form with the name, address and other contact details should be made available for auditor’s verification alongwith a record of gifts purchased and distributed.
- Publishers should ensure that the reader incentive schemes are not taken advantage of by the trade in order to increase their earnings which would result in reduction of the net price at which the trade purchases a copy from the publisher.

5) Institutional Sales:

Institutional sales are those copies sold by the publisher directly to various institutions. Such institutional sales to hotels, airlines, libraries etc. would be included as qualifying sales upto 20% of the total sales provided copies qualify under the raddi criteria.

6) Institutional subscription sales:

Institutional subscription sales would also be permitted upto 5% of the total sales over and above the copies already shown as institutional sales. However, in case of institutional subscription sales, full list of all recipients of copies along with their names, addresses and full contact details should be available with the publisher for audit verification.

7) Principal Agent:

An agent who effects atleast 20% of the total sales or minimum 25,000 copies whichever is higher per printing centre / edition would be recognized as a principal agent. The principal agent would then step into the shoe of the publisher and accordingly would be required to maintain all prescribed financial and distribution records for audit verification.

8) Copies not qualifying for certification / Non Qualifying Sales:

All copies which do not meet the Bureau's criteria for certification as well as which are not in compliance with the revised audit guidelines would be shown under Part 'B' of the Certificate separately for information only. Such copies would not then be permitted to be added alongwith the qualifying copies (Part A) for the purpose of publicity / promotion campaigns.

9) Banking of cash collections:

Cash collections received from all sources should be banked intact on the next working day.

10) Advance indents / monthly confirmations from agents.

Publisher members are required to maintain following documentary evidence for supply of copies namely:

1) Advance written indents from agents in support of copies supplied to them.

OR

2) Monthly confirmation from agents duly showing the number of copies received, sold and those remaining unsold with them together with details of any credit notes issued and payments received from agents.

Confirmations received from agents should be duly stamped and signed by the agents or their authorised representatives.

11) Revision in Bureau's Code for Publicity:

The word '**circulation**' in the revised context shall always mean qualifying sales shown under Part A of the Certificate of Circulation for an entire audit period as certified by the Bureau.

Circulation figures shown in Part B of the Certificate of Circulation are for information purpose only and should not be used, added with any other circulation figures for any publicity / promotion campaigns in any form whatsoever.

- 12)** Apart from the above guidelines, all publisher members would also be required to comply with other existing guidelines as mentioned in the guide to ABC Audit.

PART - C

Also enclosed for your reference (**Annexure B**) is a comparative statement of Bureau's existing audit guidelines and suggested audit guidelines for immediate comparative evaluation.

We solicit your esteemed views / comments on the above suggestions for the benefit of the Bureau's Council of Management by **21st July, 2007**.

Thanking you,

Sd/-

Secretary General