

18<sup>th</sup> July, 2005

**TO ALL NEWSPAPER PUBLISHER MEMBERS**

**[For information of Members only]**

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**C I R C U L A R**

**Proposed broad amendments to Bureau's Audit Guidelines**

Bureau's Council of Management have deliberated at length recently whether the Bureau's existing Audit Guidelines in light of changing marketing practices of Daily Newspapers should be revised and if so, whether the concept of Net Paid Circulation should also undergo a change.

Many leading Media Planning Agencies are of the opinion that with numerous competing newspapers in the market place, a Media Planner had to select from a variety of publications to ensure an optimum choice so that their objectives are met. Accordingly, for a Media Planner, at the heart of media planning is the issue of choice. In order to ensure that their choice of publications is as accurate as possible, Media Planners use several tools including ABC certified circulation data and readership estimates. Whilst readership data is at best an estimate, circulation data provided by ABC is duly audited and comes through rigorous checks and balances. Media Planners would therefore like to rely on both the sources of data for preparing a media plan.

It would therefore be a desirable objective for the Bureau in the long term to audit more and more titles which are commonly used for preparation of a media plan for the benefit of all media buyers.

The Bureau is presently certifying net paid circulation figures of member Publications which abide by the guidelines of the Bureau in relation to "payment to the trade" and "gifts and incentives" etc. Whilst protecting the sanctity and the value of the ABC Certificate it has been suggested that publishers be allowed to have adequate leverage in the market place to implement new schemes, incentives etc. which could be included and considered for certification by the Bureau. The ABC Certificate could, for example, include a detailed break-up of information pertaining to all copies distributed by a publisher with specific qualifications/explanations as may be required.

For e.g. in case of subscription copies details could be provided as under : -

- ..... number of copies supplied to subscribers upto 30% discount on the cover price,
- ..... number of copies supplied to subscribers upto 60% discount on the cover price,
- ..... number of copies supplied to subscribers upto 90% discount on the cover price.  
(discount includes value of gifts to the subscriber)

In case of copies sold to the trade above the maximum threshold limits details could be provided as under :

[At present – For Dailies 40%  
For Magazines 45%]

- ..... copies sold at above 40 / 45% trade terms but below 60%
- ..... copies sold at above 60% trade terms but below 75%
- ..... copies sold at above 75% trade terms.

Similarly, details could also be provided on the ABC Certificate for copies sold below the cover price, various gifts/ incentives offered to the readers etc.

Media Planners could thereafter prepare their media plan after taking into account the full details available to them.

Media Planners have also expressed a view about the difficulties faced by them due to non-availability of comparative ABC circulation data for a particular market or a region. Lack of complete comparative information therefore prevents a Media Planner from making an informed choice. An example of the same at present is Gujarati Publications in Gujarat. As you are all aware, due to the current prevailing schemes in operation in the State of Gujarat by leading Gujarati newspapers which are not in line with the Bureau's existing audit guidelines, the Bureau could not certify the circulation figures of some of its member publications (Gujarati Newspapers in Gujarat). Consequently, circulation data of Gujarati newspapers is not available in Gujarat for a Media Planner. A similar situation could probably arise in other markets as well, in the near future as competition between publications increases and become more intense.

Subject to the above, enclosed please find (**Annexure 1**) certain important guidelines in force at present applicable to all Newspaper Publisher Members. These guidelines are considered to be the main issues to be addressed by your Council.

Your Council is also concerned about the problem of raddi sales quite unique to our country vis-à-vis liberalising the audit guidelines specially for newspapers. As per the

current wave, publishers of newspapers provide add-ons, supplements, booklets and more reading material alongwith their newspapers on a regular basis. Adequate checks and balances are required to be employed in order to prevent possible occurrence of raddi sales in peculiar circumstances.

In the **Annexure 1**, we have listed the important audit guidelines which are in operation at present. Subject to what is mentioned above, we seek your valuable opinion / views on the need to revise these important audit guidelines. Please arrange to send your views on these audit guidelines to the Secretariat preferably by **30<sup>th</sup> July, 2005**.

A Meeting of representatives of all Newspaper Publisher Members is accordingly convened to consider the views expressed by Publisher Members on these important issues jointly with the Members of the Bureau's Council of Management in Mumbai as per the following details:

**Date** : **Friday, 5<sup>th</sup> August, 2005**

**Time** : 11.30 A.M.  
[meeting likely to continue after lunch]

**Venue** : "Malabar"  
Taj Land's End Hotel  
Bandstand, Bandra (West),  
Mumbai 400050

Tel: (022) 56681234

Kindly confirm your participation or the name of your representative who will participate in this Meeting.

Looking forward to your valuable inputs on these important matters.

Thanking you,

Sd /-  
Secretary General

## Annexure 1

### AUDIT BUREAU OF CIRCULATIONS

#### PROPOSED REVISION TO BUREAU'S AUDIT GUIDELINES

##### 1) TRADE TERMS TO AGENTS:

Bureau certifies copies sold as Net Paid Sales **only if** the trade terms or remuneration offered to the trade is **below** the maximum limits prescribed as under:

Daily Newspapers	...	40% of the cover price
Weeklies & Magazines	...	45% of the cover price

##### Point for consideration:

Whether the maximum Trade Terms prescribed needs revision?

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##### 2) NET PAID SALES:

Bureau presently certifies circulation figures as per the under mentioned definition of NET PAID SALES:

- a. Has been sold by the publisher and **has been paid for by genuine readers** at not less than the **normal declared newsstand** and/or subscription price;

and/or

- b. Has been sold to the distributing trade by a Publisher or by his agent/agents within trade terms which may be specified by the Bureau from time to time and which may reasonably be supposed to have been sold by the distributing trade to and paid for by genuine readers at not less than the publisher's normal declared news-stand and/or subscription price. (*Unless Auditors/Bureau having any evidence to the contrary*).

The Net Paid Sales shall not include:

- 1) Sale of Back copies.

- 2) Copies remaining as unsold/short receipt out of copies indented as notified by the distributing trade and accepted by publishers.
- 3) All copies reported as unsold in cases where additional copies supplied without agents' indents even though such claims are not accepted by the Publishers.
- 4) Copies equivalent to outstanding dues beyond the credit period as prescribed by the Bureau provided such copies have not already been deducted as per clause (3) above.

The Net Paid Sales shall include add back of copies deducted on account of outstandings during the **immediate** previous period but the amount of which is realised in the following audit period.

**Points for consideration:**

- Whether the concept of Net Paid Sales needs to continue with the existing limits on:
  1. Trade Terms : 40% in case of Daily Newspapers  
45% in case of Magazines
  2. Institutional Sales upto 10% of Net Paid Sales
  3. Gifts / incentives etc. beyond the prescribed limit considered as an inducement and copies not included as Net Paid Sales.
  4. Copies not paid for by genuine readers at normal declared newsstand and/or subscription price are not considered as net paid sales
  5. Whether the concept of Net Paid Circulation be replaced with the concept of paid circulation so as to reflect the entire distribution of a newspaper.

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### 3) INSTITUTIONAL SALES

Bulk sales to Institutions viz. Hotels, Airlines, Libraries, Schools, Colleges and Offices paid for by the Institutions at trade terms not exceeding the maximum rate prescribed by the Bureau are presently recognized only upto 10% of Net Paid Sales for inclusion and reckoned as Net Paid Sales.

**Point for consideration:**

Whether there is a need to raise the limit of 10% of Net Paid Sales for certifying Institutional Sales.

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#### 4) COMBO OFFERS

Combo Offers at **prescribed full cover price of each Publication** in the offer are only considered for certification as Net Paid Sales.

**Points for consideration:**

- i) Whether combo sales (2 or more publications sold together) could also be considered if sold at less than the prescribed cover price of any of the Publication in the offer?
- ii) Whether gifts in the form of a publication should be permitted on Combo Offers?
- iii) Whether Publisher should be permitted to offer higher trade commission on a publication in a combo offer which is not eligible for certification being sold at less than the cover price?

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#### 5) SUBSCRIPTION COPIES

Under the present audit guidelines Discount/Gifts/Incentives to Subscribers together with the cost of distribution\* of a Publication should not exceed 90% of the cover price of a Publication for the corresponding period of subscription. Subscriber is to pay atleast 10% of the cover price so as to qualify such subscription copies as Net Paid Sales.

\*(cost of distribution of a Publication includes trade terms to agents and/or delivery charges incurred such as postage, courier, handling charges or by any other name)

**The maximum trade commission for distribution of Subscription Copies, would be:**

In case of Dailies : 40% of the Subscription Price

**OR**

**Delivery charges:** Actual cost as may be incurred by a Publisher on postage, courier, subject to the above maximum limits.

Discounts/gifts/incentives including the trade terms offered and/or delivery charges incurred should be within the overall limit of 90% of the cover price of a Publication.

Delivery charges to also include all expenses incurred on delivery of a Publication to the Subscriber viz. postage, courier, handling charges or by any other name. Publisher to maintain adequate records as a proof of actual delivery charges incurred for audit purpose.

**Points for consideration:**

- Whether delivery charges (where incurred on Postage, Courier) could be treated as a cost and **excluded from the 90% overall limit?**
  - Whether trade commission on subscription copies if distributed through the trade is to be paid on **subscription price OR cover price?**
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**6) BUREAU'S CERTIFICATION POLICY:**

Bureau would consider for certification a Publication for a six monthly audit period provided the Net Paid Sales achieved during the audit period are **50% or more of the total sales of a Publication** during the audit period. (Net Paid Sales means copies sold upto the maximum trade discount permissible).

**Point for consideration:**

If all copies distributed are to be specified (detailed) on the ABC Certificate then whether this rule of 50% should continue?

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**7) Gifts:**

Publisher Members are permitted to offer gifts to readers upto 50% of the cover price of a publication for single copy sales so that such copies qualify as Net Paid Sales.

In cases where the value of gifts exceeds 50% of the cover price of a publication, then excess circulation achieved due to the gift is reduced while arriving at Net Paid Sales. However, the same is permitted in case of adhoc gifts / sampling only and not on gifts offered continuously on single copy sales.

**Point for consideration:**

Whether the condition of 'ad-hoc gifts / sampling' needs reconsideration?

**8) Responsibility Statement:**

At present Bureau obtains a confirmatory Statement from the Publisher as well as their Auditors whether “Net sale price for each issue at the maximum trade term offered to the distribution trade was higher than its realisable value in waste”. If not, then the details of all such issues on which the net sale price is lower than the realisable value in waste is sought from the Publisher Auditors and details mentioned on the ABC Certificate.

**Points for consideration:**

- Whether there is a need to frame a rule - that only those copies will be considered for certification provided copies are sold to the trade at a price which is atleast 10% higher than the weighted average raddi price (as set out by the Bureau periodically say every month).
- A Raddi Price Monitoring Committee may be formed from amongst the Council Members who could provide regular inputs based on market realities.