



Gordon and Gotch

Raising standards for magazine distribution and optimising sales with more intelligent allocations

Overview

The need

Magazine distribution specialist Gordon and Gotch needed to replace an ageing and inflexible technology landscape while still maintaining an industry-leading allocations and reporting solution.

The solution

Cornerstone helped Gordon and Gotch implement a sophisticated and fully integrated solution for forecasting, allocations and reporting, automatically incorporating data from multiple sources.

The benefit

Statistical and customized models provide advanced demand planning capability. Large reporting suite provides greater insights into sales performance. Increased flexibility, automation and scalability support continuous improvement and easier adaptation to changing requirements.

Selling magazines is a complicated business. Every day, millions of copies of thousands of different titles are delivered to tens of thousands of retail outlets around the world. And since each issue of each title is unique, predicting sales and allocating the right number of copies to each store is a far more complex problem than distributing groceries or many other consumer products.

Gordon and Gotch, Australia's oldest and largest independent magazine distributor, sits right at the heart of this business. David Hogan, the company's General Manager, comments: "I think we can safely claim that if anyone understands the magazine business in Australia, we do. We have years of historical data about every copy of every magazine delivered or returned from thousands of retailers across the country, for all products and issues we have distributed.

"We wanted to show our clients – both publishers and retailers – that we could use this data to help them drive sales, reduce returns and increase profitability. In short, we wanted to change the way distributors are perceived within the industry.

"Distribution is not just about efficient logistics, it's about being smarter about the magazines that publishers print and where retailers sell them. We knew we were sitting on a gold-mine of information – the challenge was to turn that data into the kind of insight that our clients need to make more informed decisions."

"The technology we've implemented is incredibly sophisticated, but we don't see this primarily as a technology project. What we're trying to do is change the way the magazine industry thinks about distribution. IBM predictive analytics is going to play a key role in that effort," says David Hogan, General Manager of Gordon and Gotch.



Solution components

Software

- IBM® SPSS® Modeler
- IBM Cognos® TM1®
- IBM Cognos Business Intelligence

IBM Business Partner

- Cornerstone Performance Management
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Moving towards smarter allocations

The allocations process (deciding how many copies of each title should be allocated to each retail outlet) is the key to much of the value that a distributor can deliver. By accurately forecasting how many copies will be sold at each store, a distributor can help ensure that each store is delivered optimum supply to maximise sales whilst minimising sell outs.

Poppy Stamateas, Head of IT and Business Systems at Gordon and Gotch, comments: “Our existing Oracle JD Edwards allocations module, which was custom-developed over a decade ago, lacks scalability, because its base platform is not designed to be a forecasting engine that processes large volumes or multiple sources of data. Due to these limitations, a considerable amount of manual intervention via spreadsheets was required to deal with more complex allocations.

“We decided to build a new solution that would integrate JD Edwards with modern analytics tools to provide a much more powerful, flexible and automated way of forecasting sales and allocating copies. IBM demonstrated and provided a compelling proposal on how this could be achieved with a combination of IBM® Cognos® TM1®, IBM SPSS® Modeler, and IBM Cognos Business Intelligence.”

Putting it all together

Cornerstone, an IBM Premier Business Partner, worked with the Gordon and Gotch team to design, develop and implement the solution.

Poppy Stamateas comments: “Cornerstone made a significant contribution, particularly in the ETL and TM1 components of the project, showing enormous commitment to the completion and successful implementation of this project throughout its duration.”

Piers Wilson, Director at Cornerstone adds: “TM1 has traditionally been used by finance teams for budgeting and forecasting – but the solution we have architected at Gordon and Gotch is quite different. It’s a very innovative operational solution that combines TM1 with SPSS. It’s been an exciting project, and we’re proud to have been a part of it.”

New Gordon and Gotch process

The new allocations solution extracts sales and returns data from JD Edwards and loads it into the data warehouse. IBM Cognos TM1 then reads the data, decides which titles/issues need to be forecasted each day, and sends them to IBM SPSS Modeler for base forecasting.

The SPSS solution uses an extensive set of predictive models to produce the base forecasts –predicting the number of copies that each issue of each title is likely to sell in each store and the optimum supply to achieve that sale. The SPSS models take a huge range of factors into account, including daily point-of-sale data, sales history, seasonality, volatility (the amount of variation in an outlet’s sales), previous sell-outs, promotional activity and so on.

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— David Hogan, General Manager,
Gordon and Gotch

The SPSS base forecasts are then loaded into TM1, where relevant constraints are automatically applied and base figures adjusted where relevant.

If the total supply of copies from the publisher does not meet the total demand predicted by the base forecast after constraints have been applied, TM1 uses a number of statistical measures, parameters and expansion methods within its rules engine to adjust the forecast intelligently. Where TM1 cannot fully allocate a title/issue automatically within its rules engine, the relevant Gordon and Gotch analyst will be alerted to intervene.

Finally, once fully allocated, the allocation data is loaded back into JD Edwards for distribution, and reports are then generated in IBM Cognos Business Intelligence to show the results.

Saving time with automated processing

Poppy Stamateas comments: “When we first launched the new allocations solution, we were hoping for at least 50 percent of titles/issues to have their allocations automatically finalised. In fact, the actual result was between 65 and 70 percent. When you consider that with our old process, every allocation required manual intervention by our analysts, this is a major time-saving.”

The company’s analysts now only need to intervene by exception, providing Gordon and Gotch with more time and the capability to analyse sales performance, measure marketing activity effectiveness, and make recommendations to its clients for future growth.

Setting the business apart from the competition

According to David Hogan: “The ability to forecast more accurately and complete the allocations process more efficiently puts us in a strong position with our clients – they were keen for us to develop the new system and we feel it’s a key differentiator for our business.

“The ability to gain deeper insight into sales and share that insight with clients via Cognos Business Intelligence helps us prove that distribution is about more than just efficiency – it’s about making the right operational decisions to boost sales and profitability.”

Developing new capabilities to transform the industry

As a next step, Gordon and Gotch will extend the solution to enable sales-based replenishment (SBR) – a method of using daily sales data to predict when an outlet is going to sell out of a particular title/issue and send more copies to avoid a sell-out. After that, it will develop financial budgeting and forecasting models that will provide clients with even richer insight.

“Historically, we’ve always been talking to our clients about sales and returns,” concludes David Hogan. “But in the future we’ll be talking about dollars and cents, profits and losses, down to the level of each

issue of each title at each store. That's going to be a real game-changer for the industry, and a big step forward in our mission to put intelligent distribution at the heart of the magazine business."



About Gordon and Gotch

Gordon and Gotch is the largest independent distributor and wholesaler of printed media in Australia, distributing in excess of 140 million copies of approximately 3,500 mass media and special interest publications per year. Gordon and Gotch is a core business within the PMP Limited Group, an ASX listed company with over 1,200 employees in locations across Australia and New Zealand.

To learn more about Gordon and Gotch, please visit gordongotch.com.au

About Cornerstone

Cornerstone Performance Management is an IBM Premier Business Partner, providing management and systems consulting services to help its clients analyse, visualise and manage their businesses more effectively. Cornerstone operates throughout Australia, with offices in Canberra, Melbourne and Sydney.

To learn more about services and solutions from Cornerstone, please visit cornerstone.com.au



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