

BIC INDUSTRY RETURNS INITIATIVE (IRI) WORKSHOP – Minutes

Clays, St Ives PLC, 1 Tudor Street, London EC4Y 0AH

Tuesday 10th November 2015, 2-5:30pm

Present

Alaina-Marie Bassett, BIC

Graham Bell, EDItEUR

Nicola Bevin, HarperCollins Publishers

Sarah Coltman, HarperCollins Publishers

Douglas Culham, Penguin Random House

Simon Edwards, Consultant

John Garrould, Bertrams

Matt Griffin, Little, Brown Book Group

Sarah Hassenpflug, Blackwell's

Matthew Hogg, Macmillan Distribution

Luisa Keep, Macmillan Distribution

Jonathan King, Batch

James Long, Pan Macmillan

Karina Luke, BIC

Andrew MacBeth, Waterstones

Kate McFarlan, Clays

Peter Morley, Publishing Technology

Lynne O'Neill, John Smith Group

Simon Pallant, Gardners

Simon Parker, Batch

Chris Peck, Publishing Technology

Kate Preusse, Waterstones

Simon Robson, Bloomsbury Publishing

Roger Sidwell, Penguin Random House

Peter Skone, Penguin Random House

Fraser Tanner, Batch

1. Welcome and apologies

SE welcomed the attendees to the workshop and the Group introduced themselves for the purpose of the minutes.

2. An Introduction to IRI

SE explained both the origins of and historical decisions around IRI. He noted that the initial project and research for IRI – which had been carried out by KPMG, on behalf of the Booksellers Association and The Publishers Association – had taken a large amount of time and funding to conduct; though the cost of processing returns is much higher and has huge implications on the book industry at large. SE informed the Group that BIC took the concept of IRI forward in 1998 and by 2000, the scheme was being piloted within the book industry and an IRI Code of Practice and IRI Rule Book were subsequently agreed upon. IRI was widely adopted by major distributors in 2005.

SE read out the rules involved with IRI usage, which are as follows:

- RULE 1: Pre-authorisation via standard electronic communications, e.g. EDI or Batch returns.
- RULE 2: Sale or Return (SOR) or Firm Sale.
- RULE 3: Window – returns allowed X (3 months) after publication and within Y (15 months) of last invoice.
- RULE 4 & 5: Subject to Sold Volumes and agreed Cap Limits (across chain, not branch).
- RULE 6: Agreed standard Credit Calculation (Weighted Average).
- RULE 7: Non-Conformance Returns – deducted now, Overstock Returns – credit issued in month returns received and credit terms period applied.

SE noted that there are unresolved issues with some of the IRI rules, especially the 3-15 month window.

SE went on to list the benefits of IRI, which include:

- Improved speed of returns request and authorisation
- Simplified processing of returns
- Ability to consolidate returns requests by distributor
- Reduced workload at publisher (in Sales, Customer Services and Accounts)
- Consistent authorisation of returns
- Improved goods receiving of returns at distributors
- Sales force shop visits can be focused on new titles
- Re-purposing of some stockroom areas into shop floor space
- Fewer credit claims
- Fewer queries chasing overdue returns or credits
- Automation of returns authorisation and crediting process

SE noted that all of the above benefits result in a reduction of costs across the book industry supply chain but the savings cannot be fully quantified without commissioning another KPMG report; for which there is no funding at present. He noted that all the organisations represented at this workshop and those within the book industry supply chain at large will certainly benefit from IRI, with the possible exception of printers, as they are the least affected by returns.

SE informed the Group that originally the IRI envisaged a third party secure destruction service where the transport cost of returning books could be saved by secure destruction at the retailer. These books would be identified as “red box”, i.e. not required for re-sale (as opposed to “green box”, i.e. required back in perfect condition in order to be re-sold.) This was trialled but was not taken forward although large hubs do undertake pulping. The other main area which has not been fully adopted is non-conformance returns (though Batch Returns offers this service and Macmillan Distribution, TBS Ltd, Penguin Random House and Oxford University Press are all live). He also noted that although IRI is now very widely implemented across the industry, it is not yet universal and there are some significant distributors as well as some retailers who are not yet on IRI. He noted that it is the objective of this workshop to address these gaps and issues, to find out why IRI adoption is not universal in the industry and to see if anything can be done.

SE noted that IRI has achieved a lot over the past ten years but this workshop has been set up in order for both IRI and non-IRI users to discuss where the standard should go from here

and what could be improved or else included within the standard going forwards. Some ideas suggested by the group in advance of the workshop include exploring the idea of

- 1) “Recalls”, i.e. books which were supplied but should now be returned in order to be within the returns window. This is still done by WHSmith and was offered by THE.
- 2) Providing advance warning of OP titles or titles that are going Firm Sale – especially if the title is a hardback that goes Firm Sale before the paperback edition is released.

SE outlined how the workshop will function and noted that the Group will be split into two sub-groups to review the current Best Practice Guidelines for IRI, discuss and log their organisation’s issues with the IRI standard, and finally put forward any suggestions for solutions that they might have. He noted that the full Group will then be reformed to provide feedback on their findings, prioritise issues and discuss next steps.

KL encouraged the Group to be as transparent as possible during the above-mentioned process and share their experiences of IRI fully, in order to get the best results from the workshop and gain a true reflection of IRI in the book industry as it currently stands. SE agreed, noting that the main objective is to reduce the administration cost of returns for all organisations as a whole. KL suggested that the Group may also identify areas that require education / training for IRI. She noted that the issues raised during this meeting are unlikely to be resolved as a part of the workshop itself – instead a full list of all current IRI issues will be collated with a view to a BIC Task & Finish Working Group being commissioned to carry out the necessary work in future.

3. Group work: understanding the issues and barriers for IRI-users and non-users

The following areas for consideration were arrived at by the two sub-groups (please note, both lists below have been transcribed from the original notes made by both groups during the workshop).

- Sub-Group #1
 - Standardisation of IRI usage – some aspects of the standard can be interpreted differently by suppliers / distributors.
 - POD and Firm Sale titles – visibility of and reason for returns – may not be fully supported by industry metadata through the supply chain.
 - RO1: Quantity higher than supplied – reasons for refusals; some low volume errors spotted which need to be resolved. A dummy record could be used to see how the system handles this.
 - Pilot / test scenarios for organisations to check / crash test their returns systems.
 - Where organisations should go for advice / resolution of issues – who is responsible for looking into any issues that arise?
 - Refusals / phasing / standard response / rejection code.

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- Industry standard for credits (when they reach a specific and agreed figure) – how should any remaining credit be distributed after the returns have been put through the system; standard needed to outline Best Practice?
- Adoption of IRI by organisations that currently don't use it.
- Promoting the benefits of IRI to non-IRI users and creating promotional materials for this purpose to encourage their involvement in the standard.
- Educate organisations about the functions that are already available in IRI.
- Firm sales should be dealt with retrospectively, i.e. when a book is changed to Firm Sale, the system needs to be able to identify that the book wasn't sold under those terms when it was purchased – currently systems reject these instances.
- Check that the 3rd message is being used – live requests aren't being closed off/ended and are being included in the calculation of the returns allowance; internal systems training issues.
- Two-tier IRI service – provide authorisation, adjusting perimeters by organisation – this may encourage other organisations to use IRI; would need to be automated.
- Recalls – process needed so supplier knows about returns timing and is forewarned when a date is approaching.
- Managing retros – it is important that the IRI rules regarding the application of retro deals is understood on both sides.

KL and SE noted that sales should not be included in the figure / taken into account for retros and that the guidelines state this, however it could be made clearer.

- Sub-Group #2

- IRI education needed – both for Batch's recent returns system development and industry knowledge of IRI, how it works etc. in general – especially for non-IRI users.
- 100% engagement – via Batch and outside Pub.
- Book condition – should organisations credit in full if the condition is not 'mint'?
- Events Stock B10 – Inv, Ref or Manual solution? Events stock should be treated like non-conformance.
- Retros – credit calculation: meant to be excluded (as per page 7), treated as non-con – clarification needed.
- RAN rejections – 3rd message, organisation, timing, quantity higher than supply, 90-day term for the RAN – should be mandatory?
- Codes accuracy.
- IRI reporting needed for efficiency – Batch reminders, Pub reminders, general response times.
- OP Stock – issues with authorisation; date of OP; link to Pub and awareness of it; automated.
- Travel guide (dated product) – sector exclusion; 3-15 month issue for some products / publishers.
- Rule book defined by user / selective usage of IRI needs to be addressed.

4. Feedback session to discuss / share the issues raised by sub-groups and prioritise them

SE thanked the sub-groups for their feedback and noted that the above issues need prioritising. The Group agreed the requirements should be prioritised as follows (the top of the list being the most important):

- **Testing returns systems using a piloted / standard set of tests**

PM argued that this testing phase will help organisations establish which orders have failed in their system and why. GB asked whether a series of tests is necessary or if more could be gained from analysing examples of failed orders. SH suggested that organisations need a process that lends an authoritative voice to prove that the system in question isn't doing what it should.

- **RO1 – Quantity Higher Than Supplied**

SH noted that many valid returns are refused due to this issue and it therefore needs to be resolved. She noted that, often, the issue arises because an order drops out of the designated timeframe and in-time returns are still refused on this basis. MH suggested that the absence of a third party causes issues here and LK noted that there are many workarounds for this issue in place which worsen the automation of the process. SE noted that the testing of RO1 could be carried out by a BIC Task & Finish Working Group and the Best Practice Guideline would be amended / clarified in the process.

- **Clarifying / amending IRI Rules**

MH suggested that the interpretation of IRI rules needs to be reviewed to ascertain what each rule should mean as opposed to what organisations currently interpret it to mean. The Group agreed that retailers should be approached for feedback in this area. SE commented that many retailers are unaware of the benefits of the third despatch message for their organisation and suggested that they should be educated on this. MH volunteered to write a document about this message for retailers. SH suggested that use of the third message should be mandatory in order for organisations to get credits. KL agreed. SE noted that distributors would be able to inform BIC about which organisations are not using the third message currently.

ACTION: MH to write an educational piece for retailers about the third despatch message and email to KL and SE for initial review.

ACTION: SE to liaise with distributors regarding which organisations are not using the third despatch message and report back findings to KL.

- **POD / Firm Sales**

KM suggested that POD / Firm Sale is a major issue. SH noted that if POD / Firm sale isn't recorded accurately then Blackwell's don't get new title / edition information. AM noted that the 3-month window is no longer appropriate for the book industry as it stands today – especially at busy times, such as the Christmas period. SH asked if the 3-month window is a historical decision. SE suggested that the 3-month period was decided upon to reassure publishers that new titles would be given a minimum time on

sale. If a bookseller orders a new book then it can't be returned for 3 months unless it was ordered for an author event or it is non-conformance, i.e. faulty, etc.

- **Encouraging the adoption of IRI**

SE suggested that all organisations that currently use IRI should encourage their non-IRI client publishers or trading partners to adopt it. He noted that many organisations may be unaware of the existence or benefits of IRI. GB suggested that a case study should be written by a publisher that reluctantly decided to implement IRI and is now pleased with the result / benefits. SH noted that smaller organisations may fear the cost of implementing IRI and that they could lose control of their book returns by implementing it – though, in reality, the opposite would be true. FT informed the Group that some organisations are doing IRI over the web at little to no cost to their organisation – as such, he noted that organisations do not need an expensive system to implement IRI.

- **Timeframe for Authorisation**

SH noted that the timeframe for authorisations in IRI can be long. AM and FT noted that waiting for a set amount of time for an authorisation is better than continually chasing for a response. SE suggested that informing organisations about their response rates in comparison to their competitors could encourage organisations to perform better in this area going forwards.

- **Pulping**

KP noted that organisations should be made aware of the fact that pulping is a viable option instead of returns. SH asked whether it is necessary to remove stickers from red box titles. The Group suggested that stickers do not need to be removed from titles that are going to be pulped. SH suggested that this should be clarified in the Best Practice Guidelines. PM suggested that it might be worth approaching paper companies to see whether they would be prepared to take away books for recycling for a fee. KM noted that Clays do this but it is not a viable / realistic option to normal organisations since they will not have the space that Clays has for storage.

- **Condition of returns**

KP asked whether there are rules regarding the condition of returns, noting that academic books invariably need to be in pristine condition – more so than trade books. SE informed the Group that all books have to be in “mint condition” according to the IRI Rule Book, and noted that this should not have changed.

- **The IRI process**

FT suggested that this Group should discuss sell-through, why returns matter, and how IRI affects sales / returns. He noted that this could encourage adoption. SE noted that, when using IRI, organisations' returns volumes can go up but there should be more sales to compensate for this. He agreed that this should be documented.

- **Order cancellation**

JG noted that there should be a way for organisations to prevent returns, i.e. when an organisation has placed an order but realise later that they do not need the stock. He suggested that organisations need an efficient way to cancel orders / dues, etc.

5. Final round up and next steps

SE thanked the Group for their feedback, noting that the information provided will now be fed back to the members of the BIC Physical Supply Chain Committee and BIC Operational Board. He noted that a Task & Finish Working Group (T&FWG) may be commissioned to carry out the work that has been outlined by this Group. Anyone interested in joining the Task & Finish Working Group should register their interest with AB. Please note: the opportunity to sit on any BIC Committee or Group is reserved solely for BIC members.

ACTION: KL to forward these minutes to the BIC Physical Supply Chain Committee and the BIC Operational Board for their feedback and a decision regarding a T&FWF / Project.

ACTION: Once it has been agreed that a project will be called into action, ALL to contact AB to register interest in joining the IRI Task & Finish Working Group.

KM suggested that organisations could be asked to test their systems regardless of whether / when the Task & Finish Working Group is set up. SP agreed but noted that preparing the test scenarios will take time. SE asked whether PM / Publishing Technology might be willing to carry out this work. He also suggested that examples of specific systems issues should be collated from the organisations represented at this workshop and subsequently circulated to this Group for comment.

ACTION: PM to liaise with his colleagues to ascertain whether Publishing Technology might be willing to create a set of tests for returns systems and report back to KL and SE.

ACTION: ALL to send examples of their organisation's recent systems issues with regards to IRI, to SE for collation. This document should then be circulated to this Group for comment.

PM noted that the process for working out issues in each organisation's system will involve both time and money. He suggested that it will not be possible for all organisations to carry out this work immediately. SE commented that it would be beneficial for this Group to find out how many dedicated workers and how much money organisations spend on manual intervention for their returns systems.

KL noted that the minutes for this workshop will be produced asap. She encouraged the Group to inform BIC if anything has been missed out / misunderstood. KL noted that the Group will then need to await feedback for the testing results, and the response from BIC's Physical Supply Chain Committee and Operational Board regarding the proposed IRI T&FWG.

ACTION: ALL to provide feedback on the minutes for this workshop.

ACTION: AB to add the IRI Task & Finish Working Group as an item on the forthcoming agendas of the BIC Physical Supply Chain Committee and Operational Board.

SE and KL thanked both Clays for hosting this workshop and the Group for attending.