

## BIC INDUSTRY RETURNS INITIATIVE (IRI) REVIEW BREAKOUT SESSION – Minutes

**Location:** GoToMeeting / Conference Call

**Date and time:** Thursday 1<sup>st</sup> June 2017, 10am

**Minutes taken by:** Alaina-Marie Bassett

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### Present

Alaina-Marie Bassett, BIC (AMB)  
 Vincent Bull, Waterstones  
 Simon Edwards, Consultant (Deputy)  
 Matt Griffin, Hachette  
 Sarah Hassenpflug, Blackwell's  
 Karina Luke, BIC  
 Peter Morley, Ingenta (Chair)

### Apologies

Doug Culham, Penguin Random House  
 Luisa Keep, Macmillan Distribution  
 Jonathan King, Batch  
 Andrew MacBeth, Waterstones (AM)  
 Adam Miles, Pearson  
 Alex Milne-White, Hungerford Bookshop (AMW)  
 Simon Parker, Batch

### 1. Welcome and apologies

PM welcomed the Group to this breakout session and the apologies were delivered.

### 2. Competition Law – Conduct Reminder

The Group was reminded about BIC's Competition Law Policy – for further information regarding this policy, click here: <http://www.bic.org.uk/149/BIC-Competition-Law-Policy/>

### 3. Returns window

PM noted that the purpose of this meeting is to narrow down what the returns window for IRI currently is, how it works, and how/whether it should be amended going forwards in order to understand the reasons for, and subsequently reduce, the number of rejections that organisations receive when seeking to return books.

#### - B10 – Seasonal / Events Stock

SE suggested that this Group will also need to discuss seasonal / events stock which retailers may want to return outside of the IRI returns window. KL noted that this stock can be dealt with already through the use of B10. SE agreed but noted that because so few organisations have implemented B10, many retailers are not using this facility at present. (It may not be seen as worthwhile for retailers to use B10 for only one or two distributors). KL noted that the IRI Review Task & Finish Working Group (T&FWG) will need to ensure that its proposed solution is adopted going forwards. SE noted that the Group should avoid replicating the B10 solution unless it can be significantly improved. Ideally B10 would be implemented by more distributors.

#### - Excluding orders from the IRI returns window

KL noted that for B10, a code is required to allow orders to be exempt from the IRI returns window and for the organisation's system to act on this information and give the authorisation to return. VB informed the Group that Waterstones manually pre-authorises codes to allow specific titles / orders to be excluded from the 3-month

returns window; these books are therefore processed externally to IRI but via Waterstone's systems. KL noted that this practice is inconsistent. SE noted however that the practice at least ensures that the tally of ordered / returned products on the retailer's systems is correct.

SH noted that sales reps are uncomfortable about setting up codes which will make titles exempt from the IRI returns window. MG noted that Hachette does manual confirmations in addition to IRI – meaning that it has 2 parallel processes for returns. PM noted that this could be an issue for organisations that want to do IRI well.

- Shorter minimum window for returns

SE reminded the Group that Tesco would like to be able to return stock earlier than the current 3 month rule and this would be for all returns, not just seasonal / event stock. He informed the Group that many organisations may feel that the minimum 3-month window is slightly too long but that a 2-month window may be too short. Perhaps a 10 week window would work better? KL stated that the IRI Review T&FWG should approach other retailers to find out about their requirements before pursuing this further. She noted however that it is not within the T&FWG's remit to completely re-write the IRI rules as this was not the purpose of the IRI Review project.

SH suggested that the T&FWG should also liaise with Penguin Random House (PRH) – who raised this item initially – to find out Tesco's reasons for wanting a shorter window. It is assumed that Tesco want to turnover the books they stock more quickly. KL reminded the Group that industry standards should not be changed to accommodate one organisation – further and wider research is needed here. The Group agreed that further information is required before a survey can be produced to canvass the industry further. KL suggested that the survey should also include information about the end / maximum returns window.

- Longer maximum window for returns

SE reminded the Group that some travel guide publishers have suggested that an extension of the returns window would be advantageous to their organisation type, due to the nature of their books. He asked the Group to provide feedback on this proposal, noting that the decision will have a knock-on effect for wholesalers also. SE believed that the 15 month rule is parameter driven and could possibly be extended by agreement between trading partners. However, the IRI rules cannot be changed by this group although the group could recommend further action by the Physical Supply Chain Committee. SH informed the Group that Blackwell's would never return its orders as late as 15-months after the invoice date. She was not opposed to a longer window but suggested that to get round the 15 month limit, organisations could simply credit and re-invoice their customer organisations on a case-by-case basis to extend the timeframe / shelf-life of the books purchased; this would be a virtual delivery, i.e. the books would not need to be physically returned and then re-sent to the organisation. This would reset

the window for these titles. SH noted that this would allow publishers to decide for themselves how long the returns window should be. She also noted that stock is currently re-issued in this way but mainly when a new distributor is taking over another.

KL and PM agreed that further research will need to be carried out to ascertain how widespread this requirement is. SE suggested that while workarounds could be put in place to resolve issues on a case-by-case basis, it may not be appropriate to give them a legitimate place in IRI.

- Recalls  
SH suggested that recalls could be a prospective solution for new editions of frequently produced travel guides. She noted however that the Group will need to find out precisely what travel guide publishers want in this respect. SE agreed, noting that recalls would be outside IRI.
- Misunderstanding the IRI rules  
SE noted that some organisations still misinterpret the IRI rules, thinking that it is 15 months from publication date (which is incorrect) rather than 15 months from the last invoice date. SH noted that it is nonetheless 3 months from publication date for the minimum returns window. This could explain why travel guide publishers may have stated that 15 months isn't long enough. In fact, additional orders would effectively extend the on-sale period.
- IRI Survey  
KL suggested that the proposed survey should ask organisations whether they use a 12 or 15-month maximum returns window; the question should not state which of these windows is correct. PM also suggested that organisations should be asked what they would change about IRI if they could. KL noted that this question will need to be worded carefully to ensure that a metaphorical can of worms is not opened.

#### 4. Raw Data – Return Refusals

The Group referred to MG's raw data which was circulated to the Group on Thursday 1<sup>st</sup> June 2017. MG noted that the information provided is an anonymised data set with the life history for a single title and customer; it includes all data for the branches validated in that customer organisation as they use a single limit. PM noted that he also has a spreadsheet of raw data which shows why MG's statistics do not calculate properly.

PM displayed his spreadsheet on screen during the meeting, noting that the example shows an occurrence whereby a minus figure for returns is displayed due to the number of returns being incorrectly calculated against more recent invoices rather than the original invoice date. He commented that organisations need to log the return by going back to the original invoice / order date but the credit needs to be applied to the month in which the return was requested in the ledger. He commented that this practice may not be easy to carry out initially however it

will stop the calculation of negative statistics / figures. SE noted that this practice may also be difficult for organisations to program into their systems. The Group agreed it would be a worthwhile endeavour though.

- **ACTION:** ALL to send examples of their organisation's returns issues to PM, ASAP.
- **ACTION:** PM to include the examples in the spreadsheet which he is currently compiling.

- Credits

KL suggested that the IRI Review T&FWG could add information / further clarification about the optimum dates for returns to the IRI rules, i.e. organisations should endeavour to submit their returns on the 1<sup>st</sup> of each month. She noted that this would help organisations to avoid credit notes falling into the following month. SE noted that organisations are concerned as to whether their returns have been accepted; the credit follows according to IRI rules.

SH referred the Group to the 'TITP R01 Refusal Example' document on Google Docs which she produced previously. She noted the similarity between Blackwell's and Ingenta's examples and the issue contained in each. SE informed the Group that he liaised with Graham Bell of EDItEUR to discuss the concept of the last purchase being solely returnable, i.e. each order replaces the last, making the stock from the previous order unreturnable. SE noted that this process is unviable for the book industry and would influence bookseller ordering behaviour in a negative way.

PM's solution is to keep a running tally of the returnability quantity of each title by allocating each return against the earliest invoice (within 15 months). Note this would not affect in any way the granting of credit once a return is authorised. All this needs to be defined precisely as it is extremely complicated. The Group agreed that if it is possible to program PM's suggested solution, this would resolve the issues being experienced by PM, SH and MG. MG noted that the returns would need to be posted against the earliest possible order.

- **ACTION:** PM to liaise with his colleagues at Ingenta regarding the possibility of returns being held / posted against the earliest possible order within the 15-month returns window in Ingenta's systems, and report back to this Group at the next meeting.

**5. Next Steps**

In addition to the items mentioned above, SH noted that further examples and some scoping will need to be carried out. PM also suggested that this Group should investigate how difficult it might be to amend in-house systems. SH agreed, noting that some systems are live with IRI but nonetheless do not offer it to retailers. SE commented that many organisations also have their own manual processes for approving returns which can vary widely. The Group agreed that this project needs to educate and reassure organisations in order to restore their trust in IRI and that the solution needs to be communicated clearly as it may not be straight forward to implement. SE noted that this solution will ultimately benefit the entire book industry by reducing admin costs. MG suggested for this reason that the documentation produced should show that the solution benefits both sides of the supply chain.

- Testing

The Group agreed that, after this solution has been programmed, it will need to be rigorously tested. SE noted that the IRI tests produced to date are not detailed enough to cover this situation so a new set will need to be created. PM agreed but advised that the number of tests produced should not be excessive. SE noted that this Group expects the new tests to fail initially and under certain circumstances will refuse returns (RO1) in error however the test is needed to confirm this. PM noted that he can use the examples provided by this Group to date to carry out the new tests.

- Documenting the issue and solution

The Group agreed that once the solution works as it should and performs correctly when tested, documentation will need to be produced. SE noted that it might be possible to quantify the costs involved for organisations to implement the solution; he noted that by quantifying the issue it will be possible to quantify the benefits of the solution and therefore the business case to the industry at large. SH asked whether this Group could gain access to the industry's total returns statistics. KL informed SH that BIC would be unable to obtain this information as it is commercially sensitive and not reported centrally, however she reported that the ballpark figure for returns is currently assumed to be approximately 8-10%. PM agreed to think about documenting this issue.

➤ **ACTION:** PM to document this issue, the proposed solution and what it involves, ASAP.

- Survey

KL noted that the IRI Review T&FWG will now need to consider what should be asked in the IRI survey. SE volunteered to write a draft survey which the Group can subsequently add to / edit as they see fit.

➤ **ACTION:** SE to produce a draft survey regarding the returns window ASAP and circulate it to this Group for feedback prior to the next meeting.

➤ **ACTION: ALL** to review SE's draft survey and provide feedback on / amendments for the questions asked prior to the next meeting; with a view to the survey being completed by this meeting.

**6. A.O.B.**

The Group did not have anything further to report.

**7. Date of next meeting**

The Group agreed that another breakout session should not be scheduled at this time. The next meeting of the IRI Review T&FWG will take place on Wednesday 28<sup>th</sup> June 2017.

The Group suggested that the next meeting after 28<sup>th</sup> June could be a face-to-face meeting to encourage further engagement. KL agreed that the meetings of this Group could alternate between face-to-face meetings and conference calls going forwards.