**Dear Newsagents**

XchangeIT's role in the GGA No Physical Returns project includes updating you on the upgraded ITC parameters, while also informing you how Variance is calculated and how the Variance checks work.

In further communications to be sent out in the next couple of weeks, XIT will address Frequently Asked Questions (FAQs) on this subject.

XchangeIT's purpose in this project is to assist newsagents to achieve the level of compliance required to qualify for the GGA No Physical Returns project, and to remain eligible for the long term.

The obvious benefits, in qualifying, are:

1. You save time doing the physical returns activity, plus
2. You save money in postage, and
3. You will be prepared for any audits that may occur during the project.

**What is the Gold Level Standard?**

In summary, to be a Gold store, you had to have passed your Sales data ITCs each month as well as pass your Variance each month for a rolling three months.
To be a Silver store, you had to have passed your ITCs each month as well as pass your Variance for two out of three months for a rolling three months.
To be a Bronze store, you had to have passed your ITCs each month as well as pass your Variance for one out of three months for a rolling three months.

**What is Variance?**

ITC is an assessment of Sales data only, and does not consider magazine Returns

management.
Variance is a calculation that does factor in Returns.
**The Variance Test** is conducted monthly on a selected ‘basket’ of products for each newsagent.
**The variance formula** is Reported Sales minus Derived Sales divided by Derived Sales, i.e.

**<u>Reported Sales - Derived Sales</u>**
**Derived Sales.**

**Key:**
**Reported Sales** = Scanned Sales Data received, i.e the SL2 data sent to XIT.
**Derived Sales** = Quantity delivered/allocated, less net credits, less GGA Approved Returns.

**A perfect Variance score will result in a score of 0**. An example of a perfect Variance score is as follows:
Allocated/delivered magazines = 200
Reported sales = 150
Approved Returns = 50
Derived Sales = 200-50 = 150
Variance Score = (150 – 150)/150 = 0 or 0%

Currently a 10% plus or minus tolerance is being allowed by Distributors.
Therefore, by way of another example:
Allocated/delivered magazines = 200
Reported sales = 190
Approved Returns = 9
Derived Sales = 200-9 = 191
Variance Score = (190 – 191)/191 = -0.005, or -0.5%.
*This falls within the allowable 10% and thus will pass the Variance test.*

An example of a variance score which does not pass is as follows:
Allocated/delivered magazines = 200

Reported sales = 150

Approved Returns = 20

Derived Sales = 200-20 = 180

Variance Score = (150 – 180)/180 = -0.16667, or -16.67%

*This falls outside the allowable 10% and thus will not pass the variance test.*

**How does the Variance Check Work?**

The Allocation, Sale and Return for each magazine is tested this way. 75% of the basket of magazines tested must pass the Variance test to be considered an overall **PASS** for that month.

**Note** that if no data is provided for a magazine title, then that is considered a FAIL for that product.

If you have any questions on this explanation, please contact XchangeIT on 1 300 551 212.

Thank you,

The XchangeIT Team.

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