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Compliance Requirements for Newsagents

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PURPOSE of this document

This document is a more detailed explanation of the compliance requirements description contained in the XchangeIT LINK User Manual as provided on the XchangeIT website.

Therefore, it repeats all the information in the Manual, then adds other information and provides an Attachment which has examples of Performance Cycle Pass/Fail situations.

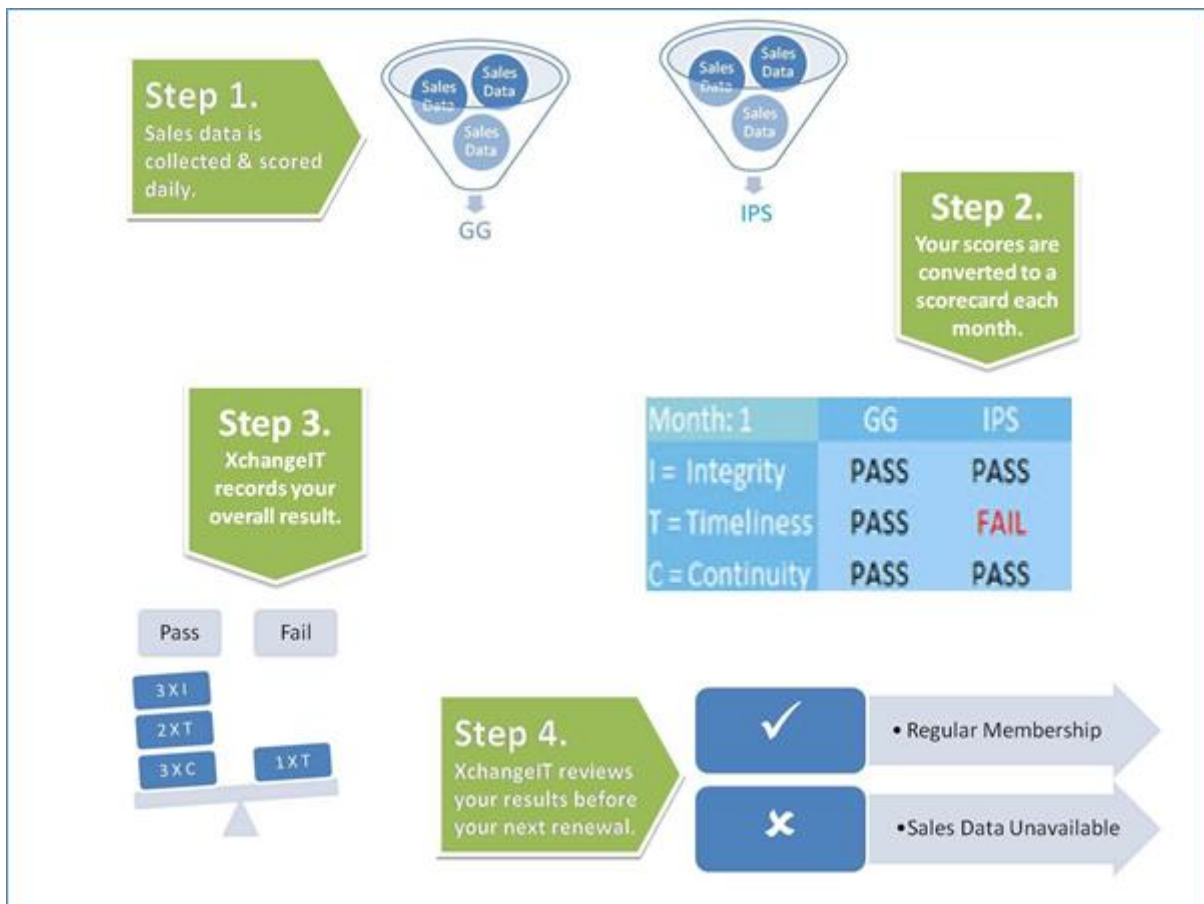
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1. Introduction & Summary

Newsagents agree in their sign-up for partnerships with distributors to supply accurate, timely data all the time – especially Sales data.

This document describes the way in which newsagents can comply with that agreement, when you get measured on your data, how you get measured, and results from assessment cycles.

As an overview the following diagram breaks the process into 4 steps:



Overview of what to do to remain compliant

Note that we are referring herein only to Sales inventory assessments for compliance.

Step 1. There are 3 tests for each distributor, each day, for a total of 6 tests on Sales data that are assessed daily. Here is a table of the tests. 6 tests = one daily assessment.

Day 1	GG	IPS
I = Integrity	P/F	P/F
T = Timeliness	P/F	P/F
C = Continuity	P/F	P/F

Step 2. A Performance cycle contains 31 daily assessments across 31 days – you need to pass 85% of these (i.e. pass 27 tests out of 31).



Step 3. There are 6 performance cycles in a billing review period – you need to pass 4 of 6 performance cycles to be compliant and maintain your lowest possible subscription fee.

The Key to Success:

Scan all your sales and, where applicable, your returns.

Scan all sub-agent transfers in/out, where applicable.

Send your Sales Inventory data each and every day, on time. That way you will retain all your services plus keep your fees at a minimum. If you fail enough Compliance tests on your sales data, your Returns capability will be removed.

Summary:

- It is easy to be compliant – just follow the Key to Success, described above
- You will have some time (30 to 60 days) to get your system working properly, before assessments are counted in overall compliance
- Compliance assessments are on Sales inventory data
- The tests are on ITC & V (see details below), over 6 Performance Cycles of 31 days each cycle
- You receive adequate warnings if tests are failing, & guidelines for rectification
- Consistent failure leads to XchangeIT EDI Returns Service being switched off by ALL magazine distributors.

2. What data gets assessed

Data sets – the heart of the matter

XIT LINK and newsagency supply chain efficiency is predicated on 3 data sets – Delivery, Sales Inventory, and Returns data. Along with these data sets is the use of Returns forms and claims.

The major focus of data assessment is on the Sales Inventory data, and secondly, on Returns data. At a later time each distributor will apply a Variance data test, which will form part of the Performance Assessment criteria.

All the major magazine distributors have recognised the benefit to newsagents of a single XIT EDI portal to manage the three data sets, and especially the benefit of distributors accepting all types of Returns claims. This is now available in XIT and so you now have the ability to manage your Returns and, thereby, your business cash flow much better.

In exchange for the privilege of accepting all Returns types (regular and supplementary) you as a newsagent agree to provide Sales Inventory data in a timely, accurate, manner continuously. XIT performs regular tests to assess compliance to such data and if the data is not provided accurately, timely and continuously the distributors reserve the right to switch off the ability to do Returns through EDI.

XIT is set up to make it as easy as possible for you to comply. In essence, all you have to do is scan all sales, scan all returns (where applicable) all of the time, on time and you are likely to pass compliance tests with flying colours. This is provided you have a properly maintained POS system from one of the leading POS system suppliers.

3. When your data gets assessed

The process

- Sales Data is uploaded via XIT and many initial tests are performed. Many of these are file format related, and go through basic tests such as Record type, Total Quantity sent, Sender code.
- Three categories of tests are performed – Integrity, Timeliness, and Continuity also known as ITC (See Section 4, below for details).
- ITC results are provided to you almost instantly, so you can see immediately how you are progressing.
- There are 6 Sectors that get tested – 3 tests (i.e. ITC) X 2 magazine distributors = 6. See illustration below.

Rec: 23/09/16 - 05:01:57 AM	1928-2016-09-23-05-01-48-389-GG20160922_20160922232911_1.SL2	Gordon and Gotch	Sales Inventory Data (SL2)	doc	P P P	RESEND
Rec: 22/09/16 - 05:00:32 AM	1928-2016-09-22-05-00-19-622-GG20160921_20160921232912_1.SL2	Gordon and Gotch	Sales Inventory Data (SL2)	doc	P P P	RESEND
Rec: 21/09/16 - 05:02:19 AM	1928-2016-09-21-05-01-49-709-GG20160920_20160920232914_1.SL2	Gordon and Gotch	Sales Inventory Data (SL2)	doc	F P P	RESEND

- Each night, in a batch process, we generate a Performance Cycle result for the 3 ITC tests for each of the 2 Distributors.
- There are 31 days in one Performance Cycle. So, this equates to 31 X 6 tests = 186.
- There are 6 Performance Cycles in a Services and Billing Assessment exercise, during which time, if your results are consistently poor, Subscription fees will be adjusted upward and XchangeIT EDI Return Services will be withdrawn by ALL magazine distributors. During this time we will provide adequate information on performance, check to see if the problem is technical or POS related, give timely warnings, and offer improvement suggestions.

4. How your data gets assessed

Basically, you upload Sales Inventory and/or Returns files with data in them, and the system performs tests automatically.

The Tests

- **Integrity.** Simply, this checks that the correct sales unit numbers (not dollars) are recorded in the data. It tests for basic conformance with XIT Data specifications. This applies to Sales data



and to Returns data.

- **Timeliness.** Tests that files are received within the required/mandated timeframe – currently 6AM AEST next day. This applies to Sales data.

- **Continuity.** Tests to ensure files are received in sequence and that none are missing, and that the totals match up. This applies to Sales data.
- **Variance.** Compares “sales reported” against “sales derived” for given issues, per distributor.

Within the above tests, we have developed the following nine tests:

1. Sales Data (File) Duplication
2. Sales Data (File) Integrity
3. Sales Data (File) Timeliness
4. Sales Data (File) Continuity
5. Returns Claim (File) Duplication
6. Returns Claim (File) Integrity
7. Returns Claim (Document) Currency (used by IPS and G&G)
8. Returns Claim (Document) “Distributor’s Own” (used by NDC)
9. Sales Data Variance

The first 8 are On-Line Tests – that is, *they are triggered upon the receipt of a file*. The 9th test, Sales Data Variance is an Off-Line test. It is triggered manually or according to a schedule, and according to each Distributor’s situation. The Variance test will be monthly, once all Returns are closed for the specific issues the distributor is testing.

5. Results Summary and what happens next

- ITC’s are based on a Pass or Fail measurement.
- Reminder – there are 3 tests across 2 distis, for a total of 6 tests per day.
- Over a 31 day Performance cycle you will be assessed 31 times (unless you are a newsagent that works less than 7 days, in which case your assessment number and results are adjusted accordingly).
- In any Performance cycle you may fail Integrity and Continuity 12 times, and Timeliness 14 times.
- This result is factored into your Pass/Fail for a performance cycle (31 days)
- You need to pass 4 of the last 6 Performance Cycles to retain your membership category and your EDI Returns facility.

More detailed explanation of Performance Cycles:

A Performance Cycle is 31 days, and there are 6 performance cycles to get to the next billing period, which is at the 186 day mark. The 186 day mark is also an important assessment period because your subscription fee category is assessed. Then, after 12 performance cycles, one year has passed, and a third billing cycle begins.

Performance Cycles part A: If you fail 4 out of 6 performance cycles, two things happen. One, your fees increase to \$1008.00 p.a (INC. GST) and two, you cannot do Returns Claims through XIT EDI.



Performance Cycles part B: After you have failed 4 out of 6 and you then pass the next 4 in a row you can be considered for re-instatement of Returns through XIT EDI (but your increased billing remains until the next billing cycle).

See Attachment A for an example of what might happen over a 13 cycle period. Note that in the detailed example the required remedies are illustrated as well as the withdrawal of Returns services & higher fees.

6. Attachments

A. Example of Performance Cycles Pass, Fail, and associated Actions

	PASS, with Action	FAIL	ACTION
Perf Cycle 1		Y - Warning	Warning 1
Perf Cycle 2		Y – Warning 2	Warning 2: Fee will increase to \$916.36p.a. ExGST, and Returns will be switched off if there
Perf Cycle 3		Y – Warning 3	Warning 3: Fee will increase to \$916.36p.a. ExGST, and Returns will be switched off if there
Perf Cycle 4		Y- Warning 4	Warning 4: You have failed 4 out of 6 Performance Cycles. At your next Billing cycle (in 62 days time) your fees increase to \$916.36p.a. ExGST, PLUS you will no longer be eligible to do EDI Returns.
Perf Cycle 5	Y – continue		Note: You have passed 1 out of 5 performance cycles. To be re-considered for EDI Returns you must pass the next 3 in a row. Your fees will be adjusted back to regular only after the next billing cycle in 217 days time.
Perf Cycle 6	Y - continue		Note: You have passed 2 out 6 performance cycles. To be re-considered for EDI Returns you must pass the next 2 in a row. Your fees will be adjusted back to regular only after the next billing cycle in 186 days time.
Perf Cycle 7	Y - continue		Note: You have passed 3 out 7 performance cycles. To be re-considered for EDI Returns you must pass the next 1 to be considered for a EDI Returns re-instatement. Your fees will be adjusted back to regular only after the next billing cycle.
Perf Cycle 8	Y - continue		Note: You have passed 4 in a row. You will now be re-considered for EDI Returns. Contact XchangeIT help desk. Your fees will be adjusted back to regular only after the next billing cycle.
Perf Cycle 9	Y - continue		Note: You have passed 5 in a row. You should be back to regular returns. Contact XchangeIT help desk if you have not been re-instated. Your fees will be adjusted back to regular only after the next billing cycle.
Perf Cycle	Y -		Note: You have passed 6 in a row. You should be

10	continue		back to regular returns. Contact XchangeIT help desk if you have not been re-instated. Your fees will be adjusted back to regular only after the next billing cycle.
Perf Cycle 11	Y - continue		Note: You have passed 7 in a row. You should be back to regular returns. Contact XchangeIT help desk if you have not been re-instated. Your fees will be adjusted back to regular only after the next billing cycle.
Perf Cycle 12	Y - continue		Note: You have passed 8 in a row. You should be back to regular returns. Contact XchangeIT help desk if you have not been re-instated. Your fees will be adjusted back to regular only after the next billing cycle.
Perf Cycle 1	Y - continue		Note: You have passed 9 in a row. You should be back to regular returns. Contact XchangeIT help desk if you have not been re-instated. Your fees will now be adjusted back to regular, at \$427.28 ExGST.

Note also that:

- Help Desk investigates individual performances with the goal of helping to improve. Cooperation on the part of the newsagent is required for Help Desk to be effective.