

# **Distribution as another spearhead for international expansion?**

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# International expansion strategy

## Background

Chosen businesses as spearheads for Rautakirja's international expansion:

- Press distribution
- Kiosk and convenience store trade
- Movie theatres

### Reason why?

- Distribution regarded as business as such – not just as a supplementary or ancillary function
- Closely connected with publishing
- Logical business areas
- Exportable versatile knowhow on press as a product group even on the international level



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# Role options for a distributor

## A) Logistics provider only

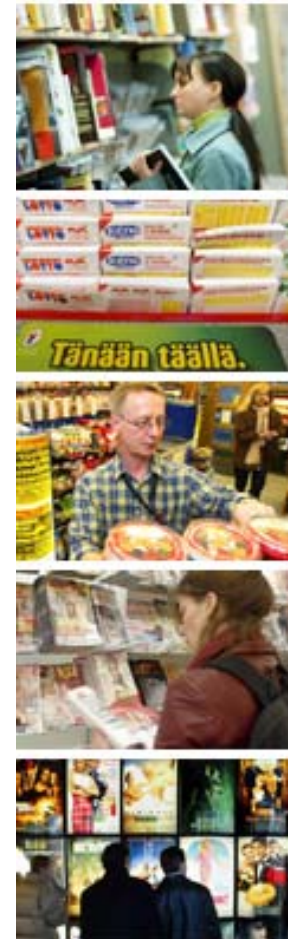
- Handles picking of the product and their transportation to points of sales (POSses)
- Distribution fee

## B) Additional services

- Also IT-based draw regulation

## C) Total package provider (the Rautakirja model)

- Also marketing to retail trade + full responsibility of the trade relationship with the retailer
- FEE: total commission granted out of the cover price of the product, covers all the services



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# Press distribution

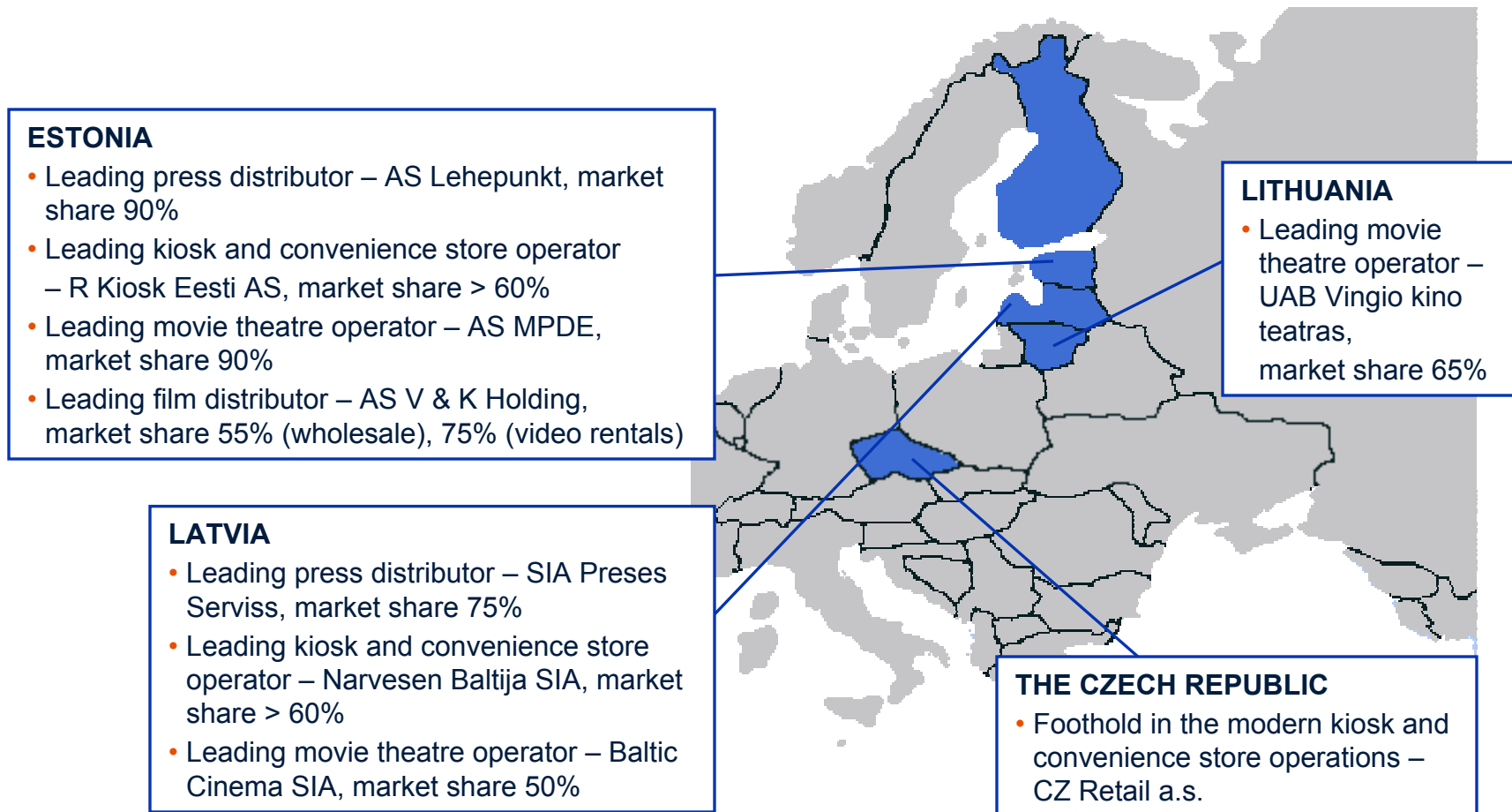
## Key indicators 2003

Net sales	€ 87.6 million	(€ 193.0 million before changes in accounting principles)
EBITA	€ 11.9 million	(€ 11.9 million before changes in accounting principles)
Personnel	273	

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# International expansion

## Achievements



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# Possibilities for press distribution internationally 1/2

- Exportable knowhow in distribution
- Business as such – good profitability
- Value chain creation
- Press retail knowhow
- Distribution system and concept works well in practice
  - possibility to further develop with add-on business
- Whoever controls distribution, controls business



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# Possibilities for press distribution internationally 2/2

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- Synergies with magazine publishing
  - ✓ Serving all publishers in a market
  - ✓ Operating impartially and transparently
  - ✓ Sanoma Magazines' role: mediation of information on the markets, market analysis, contacts
  - ✓ Expansion partly to same markets with Sanoma Magazines – by joint effort when rational, new EU entrants (CEE countries) offer potential to all companies



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# Competition in Europe

- Hachette Distribution Services
  - sometimes competing on the same market
  - joint venture in the Czech Republic
- Narvesen International
  - joint venture in Latvia
- Local players
  - ✓ competition or targets for acquisition
- Most of the competitors have a totally different strategy and operational model
  - ✓ supporting role to own retail business (HDS) or publishing (many local players)



# Next steps

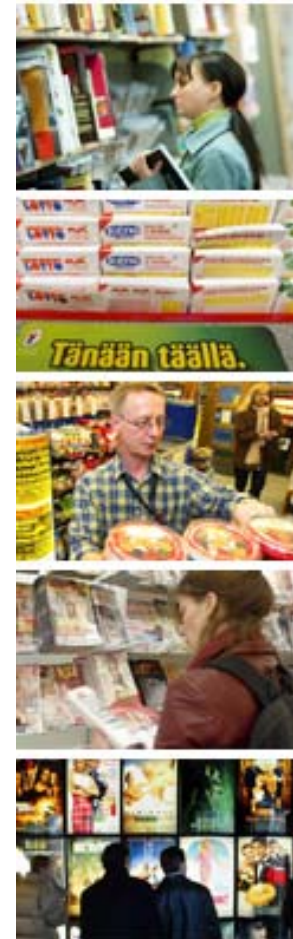
- **Expansion in the Baltic states**
  - ✓ complete the Baltic presence
    - expand with press distribution and kiosk/convenience trade to Lithuania
    - strengthen the position in Latvia
  - target: market leadership in both press distribution/kiosk and convenience store trade
- **Slovakia**
  - entry through the Czech subsidiary CZ Retail a.s.
- **Other CEE countries**
- **Romania**
  - ✓ negotiations in progress
  - ✓ target: market leadership in press distribution
- **Russia**
  - ✓ negotiations in progress
  - ✓ target: market leadership in press distribution in Moscow and the role of one of the major players in modern kiosk/convenience store retail in Moscow
  - ✓ in Russia, distribution is truly the key – today a real bottleneck
- **Nordic countries**
  - ✓ structural arrangements?

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# Rautakirja international expansion strategy

## Press Distribution

- Acquisition of or partnership with the strongest local player
- Entry to markets, where distribution is presently underdeveloped
- Good co-operation with publishers
- Transparency of operations and practices



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