Industry Returns Initiative (IRI) Review

Role of Sales and Returns History

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Introduction

The returns authorisation process is complex at the best of times. Even with IRI's automation underpinning the process, occasionally valid returns maybe rejected, simply because of the way in which booksellers manage their orders and returns. This may have unintended consequences for publishers and their distributors.

Having complete and accurate sales and returns history is essential in a number of situations:

1. To maximise the number of returns requests that are fairly handled in an automated fashion (and to avoid unnecessary manual intervention).
2. In cases of appeals by booksellers against returns rejections generally.
3. When invoice and/ or credit transactions age and gradually move out of the current 15-calendar month window for sales and returns, unforeseen rejections may occur.
4. Where a publisher, imprint or list is divested or acquired, and distribution arrangements change.
5. When a distributor or self-distributed publisher transitions to IRI for the management of automated returns.
6. Where incorrect criteria are applied to the returns request, resulting in a rejection.

The Mechanics of IRI

In IRI, each new returns request should be apportioned against the oldest available invoice in the current 15-calendar month window. By "available invoice", we mean an invoice where the invoiced quantity for a specific product has not already been completely used to inform an IRI authorisation or rejection. Any surplus should be apportioned against a newer (the next oldest) invoice. At no point does IRI attempt to tie back individual returns requests to specific sales of the same product.

These returns could relate to multiple previous sales of the same ISBN, and it is not possible to consistently or accurately match a return to a specific sales invoice. The retailer is not required to identify the invoice to which an overstock returns request relates (except for non-conformance returns). Indeed, the application of returns groups (collective sales history across multiple accounts of the same customer) makes the provision of an invoice number for overstock returns impossible. Publishers and distributors should note that overstock returns must *not* be rejected simply because an invoice number is not quoted.

To illustrate what we mean by "oldest available invoice in the current 15-calendar month window" and the impact of "ageing" on returns calculations, refer to the diagram overleaf.

[continued overleaf]

IRI Illustration	The Current 15-Calendar Month Window	Book Industry Communication

When reviewing a customer's net sales history, it is impossible to know precisely which period a prior credit note belongs to. For simplicity, when looking at the net units available to authorise a new request, distributors should further extend the sales window by up to 15-calendar months back from the date of the most recent credit in the current 15-calendar month window to see if there are further transactions, particularly invoice transactions, for the affected ISBN, that would materially change the decision to reject the returns request.

It is important to note that this does not mean that returns quantities should automatically be authorised up to 30-calendar months after invoicing, nor should publishers/ distributors need to go back the full 30 calendar months. Go back only as far as is required to make an informed decision and consider the impact of existing credit notes present in the current 15-calendar months sales history which might otherwise block the authorisation of a valid request.

The ‘calendar month’ as a unit of time is very important to IRI and informs various rules and processes. These are the blocks of time that have important functions in the IRI process. It is the calendar month, rather than the specific date within the calendar month, that informs returns calculations.

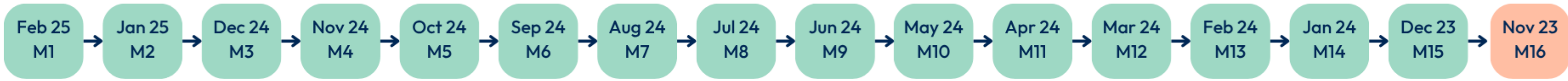
For example, for newly published titles, it is the month of publication, rather than the specific date in the month, that informs when a returns request for a new title can first be submitted. For example, if new title ‘A’ is published on the 20 March 2025 (or on any date in March 2025), then the calendar month of publication is March 2025. Ordinarily, new titles cannot be returned within 3-calendar months of publication (unless the retailer and publisher agree otherwise). This means that a March 2025 new title cannot be returned before June 2025.

To illustrate returns windows for backlist and new titles, refer to the diagram overleaf.

IRI Illustration	Backlist and New Titles	Book Industry Communication

Backlist

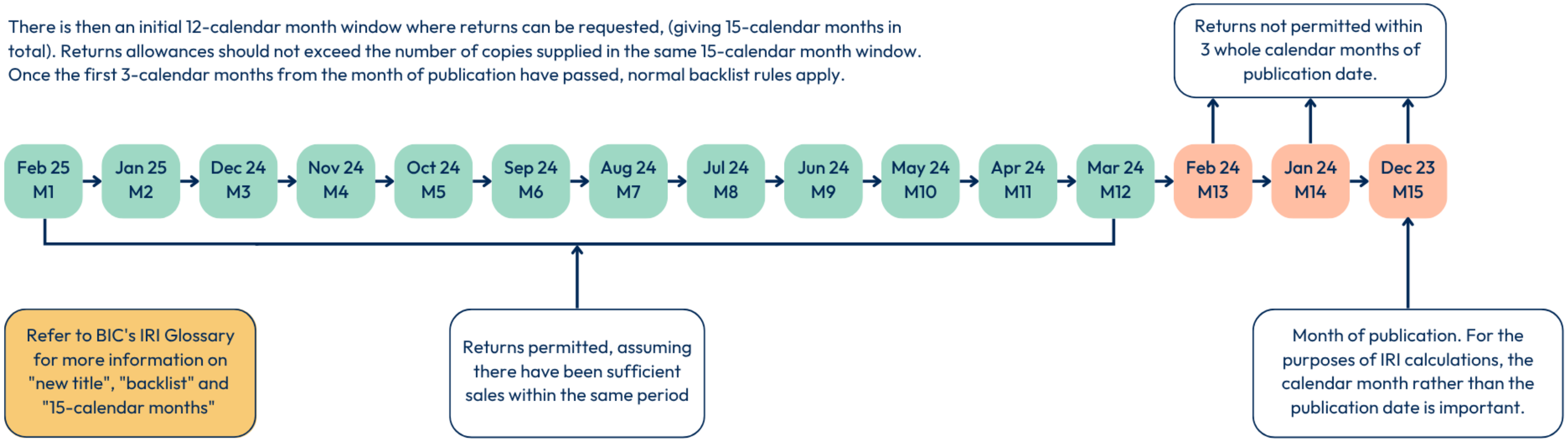
For backlist titles, returns can be requested at any point within the current 15-calendar month window, assuming there have been sales (invoices) in the same period.
Returns allowances should not exceed the number of copies supplied in the same 15-calendar month window.



New Titles

For new titles, returns are not allowed within the first 3-calendar months of publication.
The specific publication date is not important, it is the month of publication that matters.

There is then an initial 12-calendar month window where returns can be requested, (giving 15-calendar months in total). Returns allowances should not exceed the number of copies supplied in the same 15-calendar month window.
Once the first 3-calendar months from the month of publication have passed, normal backlist rules apply.



The purpose of 15-calendar months:

The returns window for newly published titles is from 3-calendar months after publication date (month) and within 15-calendar months of the last (most recent) invoice, assuming that there have been sales of the ISBN within the current sales window equal to or in excess of the requested returns quantity.

As with all book industry standards, IRI is a collaboration between industry players and the standard can be flexed to meet the needs of different business models and trading partner requirements. New titles are a good example of this, where the shelf life in a supermarket will be less than the 3-calendar months for a bookstore. In this case, providing there is prior agreement between the publisher/ distributor and the supermarket, it would be acceptable to vary the returns window for new titles to 2-calendar months (as an example) after publication date (month), and within 15-calendar months of the last (most recent) invoice in the current 15-calendar month window.

For backlist titles, returns are permitted within 15-calendar months of the last (most recent) invoice, assuming that there have been sales of the ISBN in the current 15-calendar month sales window.

When calculating the start and end points of the current 15-calendar month window, the month of the returns request is counted as calendar month one. For example, if a return is requested in January 2024 (month one), then calendar month 15 is November 2022.

The purpose of 30-calendar months:

a. **Acquisitions and Divestments:**
   It is recognised that distributors may not hold full lifetime sales and returns records for all titles. This becomes more likely given that book trade organisations are constantly acquiring and divesting themselves of publishers, imprints and partial lists. This often results in changes in physical distribution arrangements. However, it is important that sales and returns data is built and maintained to capture the BIC recommended minimum of 30-calendar months history for the purposes of IRI (trading partner relations, acquisitions and divestments, continuity).

   Where distribution arrangements do change, it is strongly suggested that a transition period is negotiated (usually 3-calendar months) to facilitate the receipt of returns by the old distributor and to allow the new distributor to upload sales history to facilitate returns longer term. It is also recommended that the full sales and returns history, covering a minimum of 30-calendar months for every title and customer, is transferred to the new distributor as part of the transition process. It is important to note that this does not mean that returns quantities should automatically be authorised up to 30-calendar months after invoicing.

   Sales and returns history for newly published titles should be built up as a matter of routine from publication date.

b. **Exception Handling:**

   Up to 30-calendar months' sales and returns history is recommended for exception handling. Namely, to authorise rejected returns correctly in limited circumstances, as well as for more pragmatic customer relationship purposes.

However, it should be noted that if there have been insufficient sales of a specific ISBN in the current 15-calendar month sales window, then there is no automatic returns allowance and no automatic authority to return. To authorise returns correctly it is not sufficient to have only the 15-calendar months' history since the book was most recently invoiced. 30-calendar months' sales history is required to accurately and fairly authorise returns for books invoiced, because the ageing of invoice and returns transactions moves them beyond the current 15-calendar month window and may affect returns allowances in the present window. Again, it is important to note that this does not mean that returns quantities should automatically be authorised up to 30-calendar months after invoicing, nor should publishers/ distributors need to go back the full 30-calendar months. Go back only as far as is required to make an informed decision.

To illustrate the start and end points of the 30-calendar month window, we have used the previous 15-calendar month example:

> The month of the original returns request is counted as calendar month one. A return requested in January 2024 (month one) has a 15-calendar month window ending in November 2022. For the purposes of extending the sales and returns history by a further 15-calendar months (i.e., out to 30-calendar months) to inform exception handling and the review of returns rejections in limited circumstances, calendar month 16 would be October 2022 and calendar month 30 would be August 2021.

A detailed glossary of IRI terms can be found in the Resources section of the BIC website at www.bic.org.uk

Best Practice:

Whilst some publishers and distributors have chosen not to entertain authorisations by looking beyond the initial 15-calendar month window, best practice has *always* been to look beyond the current 15-calendar month window up to a maximum of 30-calendar months to take account of the impact that ageing invoices and credit notes have on returns authorisations/ rejections.

Similarly, to avoid complications, BIC recommends that the 15/ 30 calendar month rule is consistently applied (as far as possible) across all a publisher's/ distributor's publisher, retailer and wholesaler clients.

The Weighted Average Calculation:

Where a publisher or distributor chooses to authorise returns outside the current 15-calendar month window for overstocks and there is no available sales history, there is no obligation to credit items using the weighted average calculation (the data may not have been captured or there may have been no sale). Depending on in house systems and processes, items could be:

- Credited based on the original invoice price and discount
- Credited at the current invoice price and discount
- Credited as instructed by the client publisher

Whilst the credit may be based on an invoice price and discount in the above scenarios, there is still no requirement to provide the invoice number when requesting an overstock return. However, the credit should be given as per the normal terms in place with the returning party.

See overleaf for worked examples of IRI calculations in action. Each is designed to reflect a different returns scenario, some of which are more complex than others.

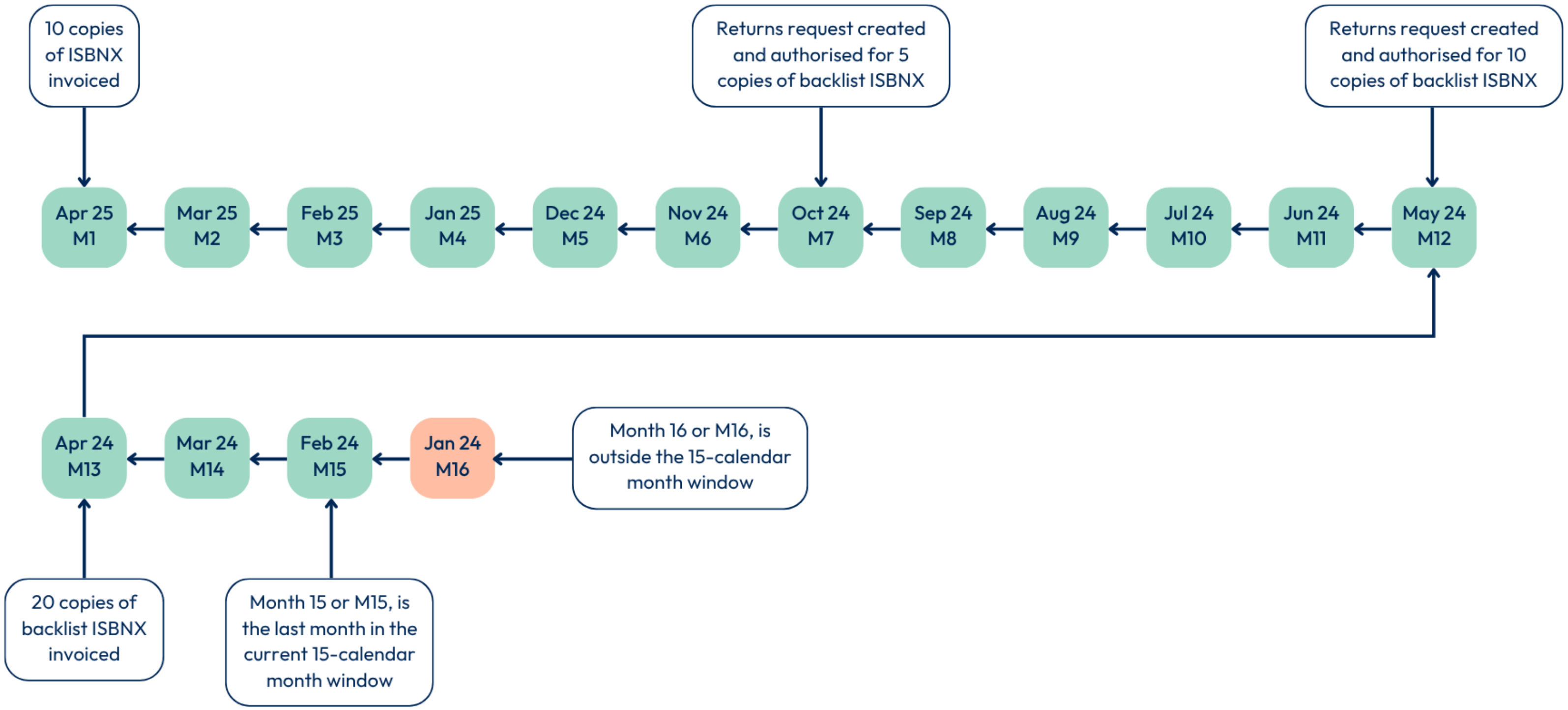
Worked Example 1
This shows a returns request within 15-calendar months of the original invoice.

Worked Examples 2 and 2a
These show a returns request where some transactions have aged and fallen out of the current 15-calendar month window. Although the scenario is the same in both versions, the outcome is different. In example 2, the most recent returns request is rejected, although the requester could appeal that decision, given that there was an aged invoice for a large number of the product. In example 2a, the most recent returns request is authorised.

Returns stakeholders should be aware that both scenarios and outcomes reflect the spirit of IRI and current IRI rules. It is the complex nature of automating the rules that sometimes leads to variations in outcomes. Retailers should contact their publishers/ distributors for more information.

Worked Examples 3 and 3a
These show a returns scenario extending up to 30-calendar months, the absolute limit for possible returns authorisations governed by IRI. In example 3, the returns request is authorised. However, worked example 3a includes both authorisation *and* rejection responses.

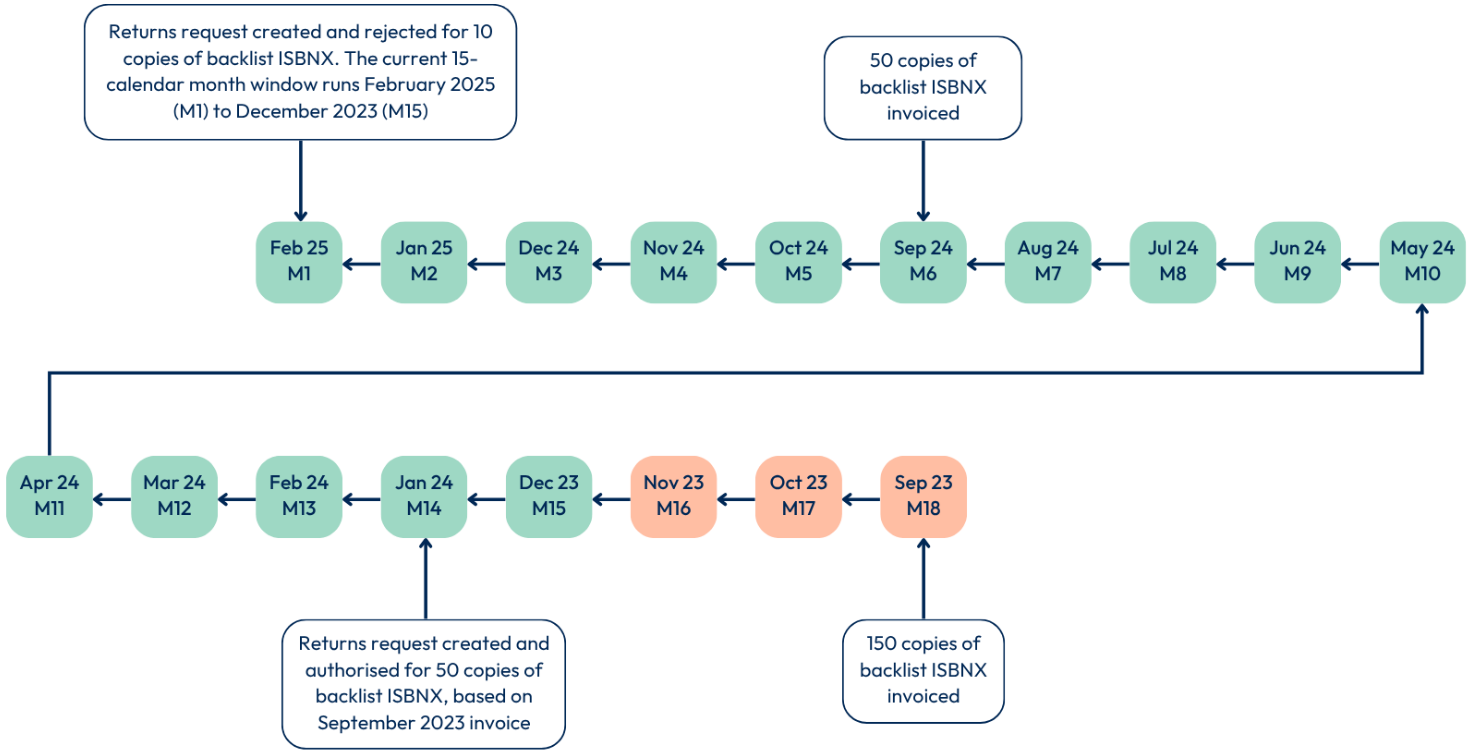
IRI Worked Example 1 | Return Within the Current 15-Calendar Month Window | Book Industry Communication



Notes

1. April 2025 represents the current month (M1 or month one). This is the month of the returns request.
2. April 2025 back to February 2024 (or 15-calendar months) represent the current 15-calendar month returns window.
3. Returns are permitted within 15-calendar months of the last (most recent) invoice, assuming that there have been sales of the ISBN in the current 15-calendar month sales window.
4. The returns allowance will be net of previously authorised returns in the same 15-calendar month window.

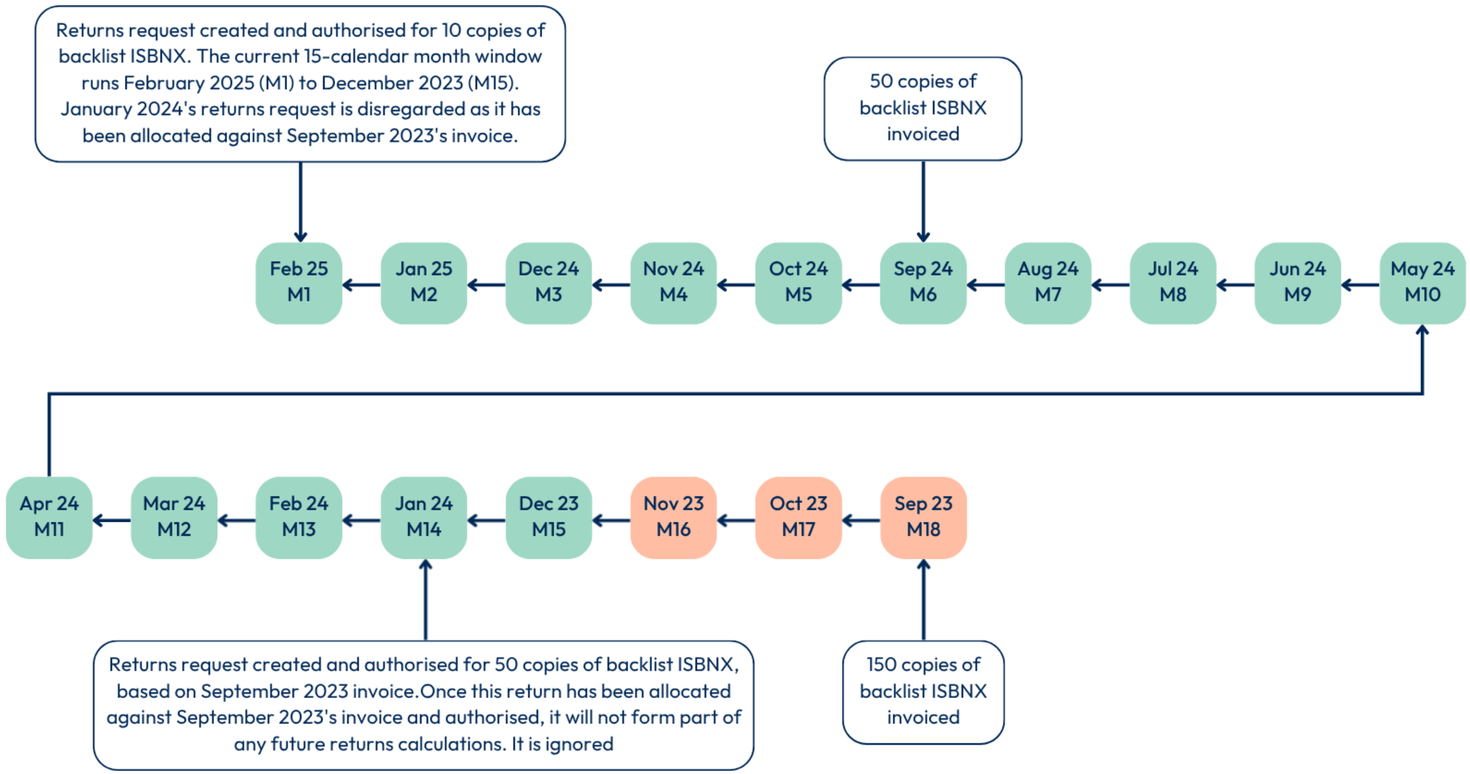
IRI Worked Example 2	Return Extending Beyond the Current 15-Calendar Month Window	Book Industry Communication



Notes

1. When ISBNX was originally invoiced in September 2023, the current window for returns ended in November 2024.
2. The first returns request was authorised. The request was within 15-calendar months of the original invoice.
3. Returns are permitted within 15-calendar months of the last (most recent) invoice, assuming that there have been sales of the ISBN in the current 15-calendar month sales window.
4. A further 50 copies of ISBNX were invoiced in September 2024.
5. When a further returns request was created in February 2025 for 10 copies of ISBNX, the current returns window runs from February 2025 to December 2023.
6. The original invoice for 150 copies has aged and is now outside the current 15-calendar month window.
7. For the purposes of the returns calculation, in the period February 2025 to December 2023, 50 copies have been returned and 50 copies have been invoiced. There is no returns allowance to send back a further 10 copies.
8. If the returns rejection is appealed, the ageing of the September 2023 invoice should be taken into account.

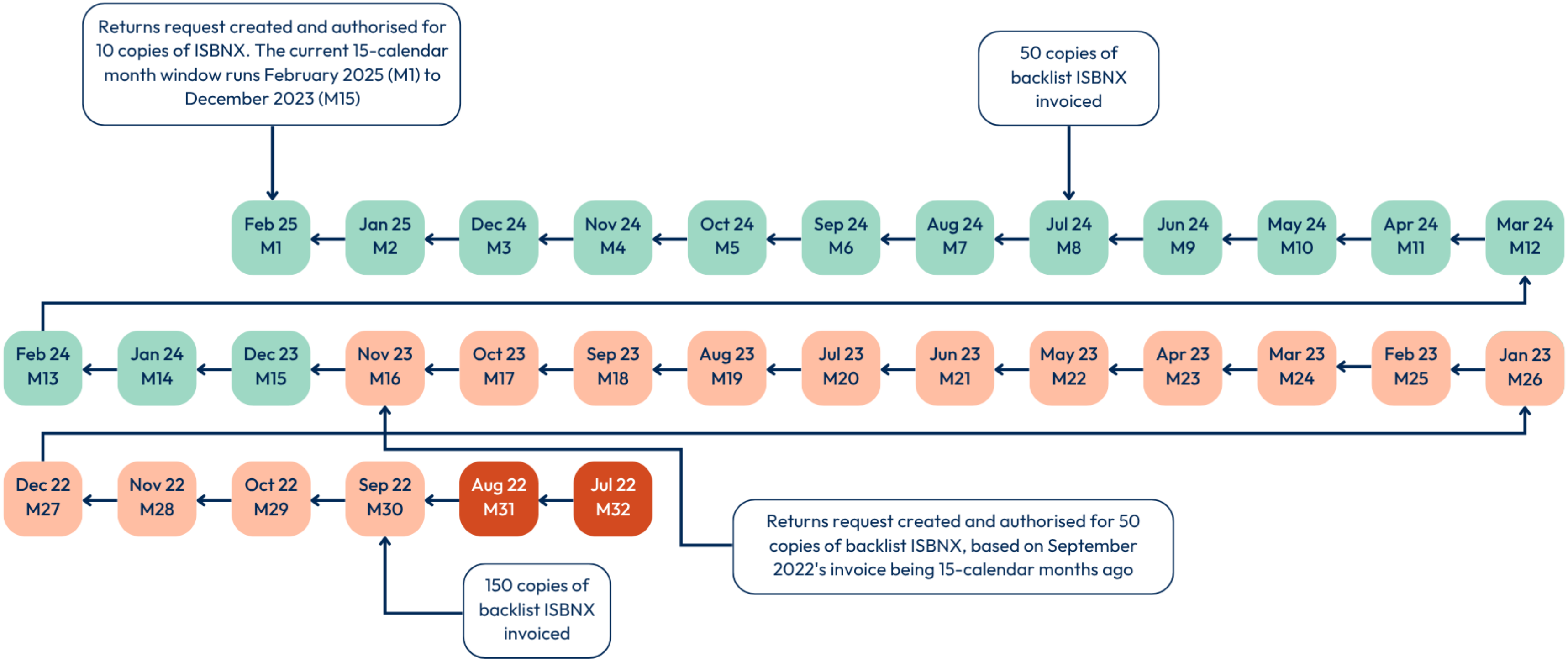
IRI Worked Example 2a | Return Extending Beyond the Current 15-Calendar Month Window | Book Industry Communication



Notes

1. When ISBNX was originally invoiced in September 2023, the current window for returns ended in November 2024.
2. The first returns request was authorised. The request was within 15-calendar months of the original invoice.
3. Returns are permitted within 15-calendar months of the last (most recent) invoice, assuming that there have been sales of the ISBN in the current 15-calendar month sales window.
4. The oldest returns window ran from September 2023 to November 2024. January 2024's returns request was allocated against September 2023's invoice.
5. At the point that February 2025's returns request is raised, the current returns window runs from December 2023 to February 2025.
6. In this version of the worked example, January 2024's returns request is disregarded although it is within the current returns window. This is because it has already been authorised against an invoice that now falls outside the current returns window (although it was in the returns window when the returns allowance for January 2024 was calculated).
7. In this scenario, February 2025's returns request is authorised based on a returns allowance calculated from September 2024's invoice. This is done by looking for the first (oldest) invoice in the current window and disregarding returns transactions if these are older than the oldest invoice in the current window.

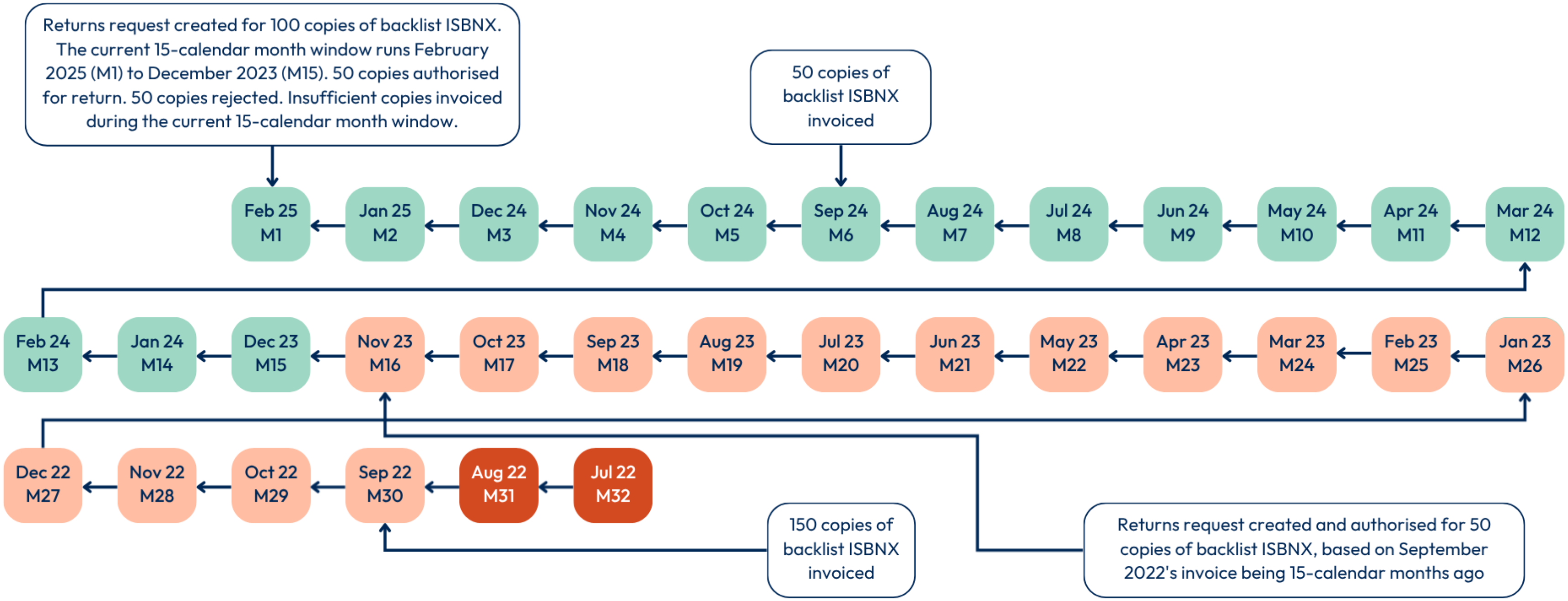
IRI Worked Example 3 | Return Extending Up To 30-Calendar Months with Authorisation | Book Industry Communication



Notes

1. When ISBNX was originally invoiced in September 2022, the current window for returns ended in November 2023.
2. The first returns request in November 2023 was authorised. The request was just within the 15-calendar month window.
3. Returns are permitted within 15-calendar months of the last (most recent) invoice, assuming that there have been sales of the ISBN in the current 15-calendar month sales window.
4. A further 50 copies of ISBNX were invoiced in July 2024.
5. When a further returns request was created in February 2025 for 10 copies of ISBNX, the current returns window runs from February 2025 to December 2023.
6. The original invoice for 150 copies has aged and is now outside the current 15-calendar month window.
7. For purposes of the returns calculation, in the period February 2025 to December 2023, 50 copies have been invoiced and 10 copies have been returned, so there is currently a 40 copy returns allowance remaining. Further invoices, returns requests and ageing will all affect the returns allowance at any point in time.

IRI Worked Example 3a	Return Extending Up To 30-Calendar Months With Partial Authorisation and Rejection	Book Industry Communication



Notes

1. When ISBNX was originally invoiced in September 2022, the current window for returns ended in November 2023.
2. The first returns request in November 2023 was authorised. The request was just within the 15-calendar month window.
3. Returns are permitted within 15-calendar months of the last (most recent) invoice, assuming that there have been sales of the ISBN in the current 15-calendar month sales window.
4. A further 50 copies of ISBNX were invoiced in September 2024.
5. When a further returns request was created in February 2025 for 100 copies of ISBNX, the current returns window ran from February 2025 to December 2023.
6. The original invoice for 150 copies has aged and is now outside the current 15-calendar month window.
7. For purposes of the returns calculation, in the period February 2025 to December 2023, 50 copies have been invoiced, so there is no returns allowance to return all 100 copies.
8. 50 copies will be authorised and the remaining 50 copies will be rejected.
9. However, if the partial returns rejection is appealed, the ageing of invoices should be taken into account by going back and reviewing invoice transactions beyond the current 15-calendar month window, but no further back than 30-calendar months under IRI rules.
10. In this example, looking for the oldest available invoice in the extended window that may permit a further returns authorisation. In this case, it would be calendar month 30.
11. Note that reviewing older, aged invoices will not automically result in the appeal being granted and additional returns authorised. If there are still insufficient sales in the extended window (and/ or additional returns transactions), the appeal may still be rejected.