



**NEW ZEALAND BOOK
PUBLISHING:
INDUSTRY DEVELOPMENT
ISSUES**

A REPORT TO NEW ZEALAND TRADE AND ENTERPRISE



Research • Planning • Management • Communications • Evaluation
Auckland and Wellington, Aotearoa ~ New Zealand

NEW ZEALAND BOOK PUBLISHING INDUSTRY: DEVELOPMENT ISSUES

**Prepared for the
New Zealand Trade and Enterprise
December 2003**

ABSTRACT

This national study of the New Zealand book publishing was undertaken in conjunction with a study of the export of New Zealand published books for the Ministry for Culture and Heritage. The overall study was designed to gather both quantitative and qualitative information to assist in developing strategies for industry development, with specific reference to exports. It was undertaken in three stages, the first two by postal questionnaire and the third by face-to-face interview. The study was structured to establish a baseline of New Zealand industry data and to create a database of active publishers.

The focus of the work for New Zealand Trade and Enterprise was on New Zealand educational and trade book publishers, exploring a range of developmental issues. Central among those identified in the study are the structure of the industry - it is dominated numerically by micro-businesses, and (with a few notable exceptions) the considerable room for development in terms of marketing expertise.

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1 INTRODUCTION

Book publishing in New Zealand is a significant economic activity with an estimated turnover in 2002 of \$204 million, with some \$117 million of this (57%) generated by exports. This study was undertaken in conjunction with an investigation of the export of published books from New Zealand for the Ministry for Culture and Heritage.¹ It built on that work by exploring a range of issues around the theme of industry development for the educational and trade book publishing industries.

1.1 Study brief

The study brief from Industry New Zealand (prior to its incorporation into New Zealand Trade and Enterprise (NZTE)) comprised eight major subjects, some of which included a number of elements, adding up to a total of 16 topics:

- provide an accurate database of the educational and trade publishing industries, listing company profiles, company size by turnover and number of employees, New Zealand/foreign ownership, exports as percentage turnover. This database should delineate the different sectors of the industry;
- Identify factors critical to the development of New Zealand-owned publishing companies in both the trade and educational publishing sectors with case studies of the key stages of the business lifecycle (start-up, local sales, export sales);
- examine industry needs and limitations;
- determine success factors for leading publishing houses;
- describe the business lifecycle and critical stages of development for both the trade (local not multinational) and educational sectors of the industry;
- assess potential for improvement of individual companies and clusters;
- examine issues of building industry capacity, industry representation and relationships with government;
- undertake an analysis of the business support needs of the industry and the appropriateness of Industry New Zealand's programmes² in meeting these needs;
- comment on the role of the Frankfurt Book Fair for the trade and educational sectors of the industry (Include AUMA statistics);
- examine issues associated with book publishers relationships with printers and distributors;
- examine the New Zealand domestic market share in consumer (trade), educational and professional books;
- examine the extent to which companies producing educational and professional books are providing electronic learning programmes in both NZ and offshore;

¹ Dialogue Consultants Ltd., (2003), *Exports of New Zealand Published Books*, Ministry for Culture and Heritage, Wellington, 34pp.

² The study was commissioned before Industry New Zealand was incorporated into NZTE.

- provide information on which markets New Zealand companies are marketing to, and their level of export engagement;
- Examine education and skill requirements, including up-skilling existing personnel with new and innovative digital tools;
- Discuss the role of tertiary institutions for meeting the needs of the industry; and
- Comment on the Demand for interactive content, which is added to the cost of publications (i.e. the buyer is becoming more sophisticated and therefore demanding more content e.g. the magazine/book plus the CD-Rom with a DVD of the film, online links to the fan-base, author, other titles etc.).

The two studies were essentially run in parallel with an expansion of the material included in the survey questionnaires, and a number of supplementary interviews undertaken for the present study to explore some matters in more depth.

1.2 Study design

The combined study was undertaken in 15 steps which were undertaken generally in sequence but with a measure of overlap:

- inception review of proposed methodology, milestones and content with the Ministry for Culture and Heritage (MCH) and BPANZ;
- establishing a comprehensive list of New Zealand book publishers, whether exporting or not, with the assistance of BPANZ and TradeNZ;
- clarification of definitions, including fundamental terms such as a “book” and “published intellectual property” to ensure that the outcomes of the project met the requirements of the stakeholders;
- a initial postal survey of every known publisher to:
 - obtain an overall characterisation of the industry, and of each participant in it; and
 - provide a sampling frame for subsequent stages
- use of the outcomes from the first stage survey to stratify the industry by size and genre;
- extraction of information from existing sources, both official statistics and from within the industry;
- follow-up letters and telephone requests as part of a specific non-respondents strategy to maximise the number of returns. This was undertaken for both surveys and was particularly important in the first survey in terms of identifying active publishers;
- milestone 1 report to stakeholders after a preliminary analysis of the results of the first postal survey;
- a second postal survey sent to a sample of publishers to obtain the required financial, staffing and other information;
- evaluation of the second survey outcome, and identification of critical gaps in responses. Further follow-up of critical publishers, or substitution of other publishers for refusals and persons out of the country;

sales by market (divided according to published market data) and by type of revenue divided between:

- printed books;
- rights and royalties;
- e-books - education;
- e-books - all other genre; and
- other.

The image shows a screenshot of a website titled "EXPORTS OF NEW ZEALAND PUBLISHED BOOKS". Below the title is a table with columns for "Year", "Market", and "Revenue". The table appears to be a data visualization tool where users can filter or search for specific data points. The table is currently empty, indicating that no data has been displayed for the selected criteria.

One of the prime objectives of the **personal interviews** was to build up a picture of the publishing industry development issues, particularly in relation to exporting:

- strategies and tactics for success and failure;
- dynamics of particular markets (both geographic and book type); and
- (perceived) impediments to exporting.

Exporting was explored using the following checklist:

- when did you start exporting?
- how did you start? (choice of markets, niches?, relationships?)
- what do you do differently now and why?
- what have proven to be successful strategies and tactics?
- what are the most frustrating problems your company has experienced in attempts to expand exports revenues?
- what opportunities exist to develop in which markets?
- what initiatives do you have underway?
- what are the key issues for the industry as a whole in boosting exports?

If government assistance was raised a set of follow-up questions was triggered:

- name/describe any support programmes aware of from INZ;
- awareness of any support from government for the publishing industry;
- relevance of these initiatives;
- grants, if any, received in relation to export activities over the last five years and source; and
- specific assistance of any other kind from a government organisation over the last five years, type and source.

In relation to Frankfurt Book Fair respondents were asked about:

- the significance of the Fair to the industry's exports; and
- whether there is a consistent difference between New Zealand and multinational companies in the use of, and significance of the Fair.

The discussion was rounded off by exploring whether there are any issues or deficiencies in the industry's relationships with government, or with the industry's representatives dealing with the government.

2 DATABASE AND INDUSTRY PROFILE

The study built up a profile of the book publishing industry in Aotearoa-New Zealand. This report focuses on New Zealand publishers. These differ in some significant respects from their wholly overseas-owned peers.

2.1 Staffing

A feature of the employment structure of the industry is the 7% of the companies that employ more than 10 staff have 73% of the total employment. This reflects a large number of one man/woman operations. Wholly overseas-owned firms show a reverse distribution to their New Zealand counterparts, with more than half having more than ten staff, Table 1.

Table 1 Distribution of staff

Number of staff	% of NZ owned publishers	% of wholly overseas owned publishers
0-1	66%	18%
2-10	30%	29%
More than 10	5%	53%

Variations also exist in the occupations of their staff. The New Zealand-owned firms have a larger portion engaged in production (48% vs. 29%), and only half the share engaged in sales of the overseas-owned firms (17% vs. 32%).

Table 2 Distribution of staff

Occupations of staff	% of NZ owned publishers	% of wholly overseas owned publishers
Editing	30%	21%
Layout/illustration	18%	8%
Sales	17%	32%
Admin	35%	39%

2.2 Founding Date

More than half of the firms responding to the survey were founded since 1990. The distribution between locally and overseas owned companies varies markedly with half of the overseas firms founded by 1980 compared with 18% of the New Zealand-owned businesses, Table 3.

Table 3: Date of founding of business

Year	% of NZ owned publishers	% of wholly overseas owned publishers
Up to 1950	5%	28%
1951-80	13%	22%
1981-90	20%	6%
1991-95	16%	11%
1996-2003	29%	23%
Missing	17%	11%

2.3 Publications

It is estimated that there were over 3600 titles published in 2002 of which nearly 2100 were exported. The concentration on educational titles is the most striking feature, with this genre making up 56% of all titles published; and 66% of exported titles.

This concentration is not new. The New Zealand Electronic Text Centre notes that *“In Price (1992) about 2,500 titles are identified. Many went through edition after edition ... so that the total number of books printed was ...about 60 million (to 1960). Since that date we can perhaps add another half as many again. Sixty million is more that the total of print runs of all the books listed in Bagnall's bibliography—the recognised output of New Zealand's book publishers—so ... most books published in New Zealand were educational books.. This promotes them to the mainstream of New Zealand publishing, printing and book reading, and an economic base for New Zealand book publishing.*

Nearly all the school books published in New Zealand before 1950 came from the Christchurch office of Whitcombe & Tombs Ltd They began publishing in the 1880s and by the turn of the century could take a full-page advertisement in an educational journal, offering a range of books for every subject in the primary school curriculum....It was a winning formula, with two extra ingredients. One was the nearby Australian market, which was reached by Whitcombe & Tombs's bookshops in the main Australian cities, who were both wholesalers and retailers of school books to local schools. In fact, Whitcombe & Tombs published many school books for Australia (and some in Australia). For example, their 1946 catalogue shows many more arithmetic books for Australian schools than it does for New Zealand schools, and many more Australian history books than New Zealand history books. Each of the Progressive Readers (Primers) was published in both New Zealand and Australian editions, and there were specially adapted editions for particular Australian states. On the other hand, there was only a very small flow of Australian-produced school books to New Zealand.

The other special ingredient was the publishing skill and flair of the management of Whitcombe & Tombs. As an example: they pushed ahead the astonishing series of school library books, Whitcombe's Story Books (1904-56) which, in its day, with about 450 titles, was the biggest series of children's books in the world.

Another educational publisher was the New Zealand Department of Education. It issued the New Zealand School Journal from 1907, and gave one Journal a month to every school child, so, for example, three million Journals in 1953.... After 1950 Reeds became active educational publishers. Ten years later educational publishing in New Zealand changed profoundly as several big overseas publishers set up publishing offices in New Zealand: Oxford, Collins, Heinemann Educational, Hodder, Scholastic and Penguin among them. These active publishers proved too much for Whitcoulls, which struggled on, but finally closed its publishing office in 1995. Overseas-based publishers grouped in Auckland and had their printing done overseas.

The fine reputation of New Zealand teachers for teaching beginners to read has helped several specialised publishers—notably Wendy Pye, Shortland, Price Milburn (now Nelson Price Milburn) and Lands End—to sell junior reading books around the world, building on the export successes of Whitcombe & Tombs in the 1930s and before.”⁴

Beyond the educational sector the most successful exporters are those with branded product like Photogenic with its Anne Geddes books and PQ Publishers with its MILK series.⁵

The comparative outputs of wholly overseas-owned and New Zealand-owned publishers is striking, Table 4. The 18 wholly-overseas owned firms in the survey averaged 64 titles published per firm and 35 exported. This compares with averages of 6 and 4 respectively for the New Zealand-owned publishers.

Table 4 Ownership, titles and exports

Ownership	Titles	Exported titles
Wholly New Zealand owned	2406	1444
Part New Zealand owned	7	6
Wholly overseas owned	1155	634
No response	14	3
Missing	35	0
	3617	2087

⁴ Price, *School Books Published in New Zealand to 1960* (1992).

Source: http://www.nzetc.org/etexts/GriBook/_div3-N121BE.html

⁵ There is perceived to be some tension between the market realities of export success and the perceived desire of the Ministry for Culture and Heritage and the Government to sell “high-end stuff” to the “intelligentsia”. One interviewee suggested that “They don’t see this as New Zealand creative because it’s not a novel and it’s not a literary novel” but this is what actually sells.”

Only 5% of the New Zealand-owned publishers in the second survey sold over 100,000 copies of all titles combined, whereas all of the overseas-owned firms did. Overseas publishers averaged 15 times more books sold in 2002 (all titles combined) than the New Zealand-owned publishers. Interestingly, in the domestic market the results suggest a slightly higher average revenue per book for domestic publishers (by about 32%) than the wholly overseas-owned firms.

2.4 Turnover

The total turnover of the book publishing industry in 2002 is estimated at \$204 million with \$117 million of this (57%) generated by exports.

This income was largely generated by a few businesses – the top 5% of publishers produced nearly 90% of the total turnover, while 74% of the publishers together produced 2% of the turnover.

The wholly overseas-owned firms dominate the industry in terms of turnover, with more than half earning more than \$1 million in 2002, compared with only 4% of the New Zealand firms, Table 5.

Table 5 Ownership of publishers and turnover

Turnover	% of New Zealand owned publishers	% of wholly overseas owned publishers
Under \$100,000	82%	27%
\$100,000 - \$999,999	14%	20%
\$1 million or more	4%	53%

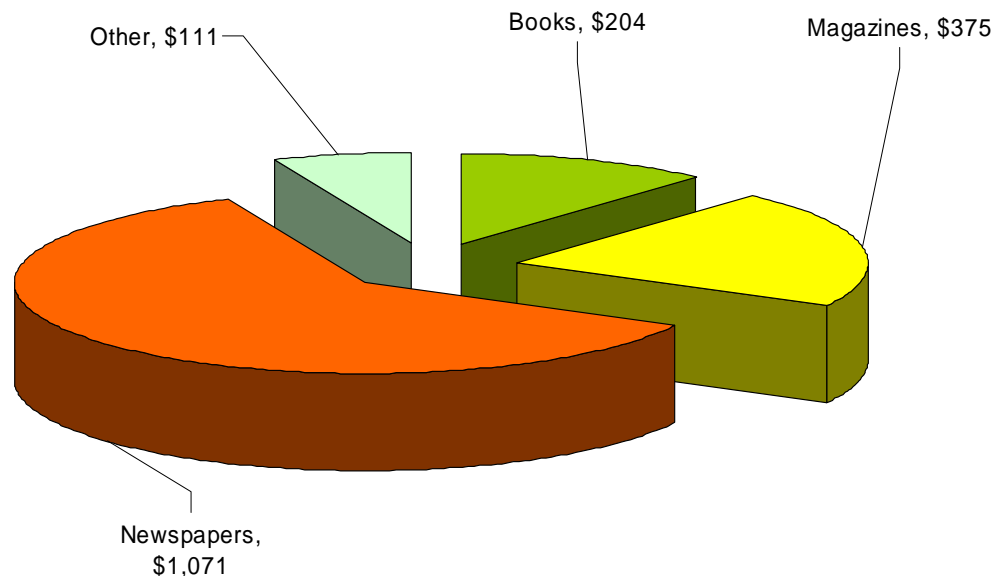
This places book publishing rather below both newspapers and periodicals in terms of economic scale. In 2001 the total turnover of newspaper publishing was \$1,071 million, and that of periodicals was \$375 million⁶.

The structure of these industries is also very different. By 2002 almost all of the country's newspaper and magazine publishing businesses were owned by only two wholly overseas-owned companies, APN and Fairfax. Statistics New Zealand is no longer able to publish any information for these industries on confidentiality grounds.

⁶ Annual Enterprise Survey, Statistics New Zealand

The overall structure of the publishing industry is shown in Figure 1. It is apparent that the newspaper industry is larger all the others combined (the residual category "Other" includes a wide range of material from brochures and catalogues to Xmas cards).

Figure 1: Overall composition of publishing industry (\$millions)



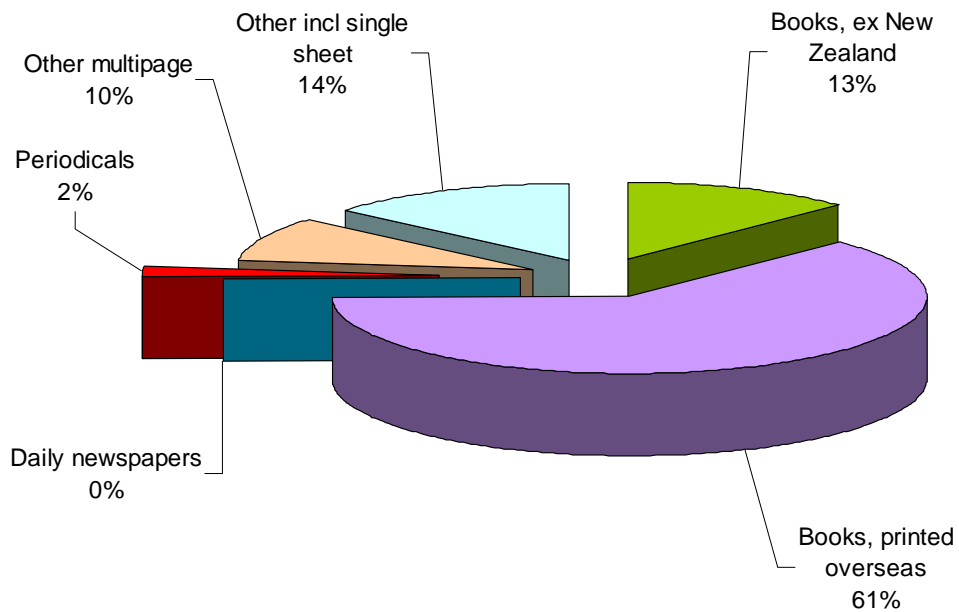
There is now only one New Zealand-owned company that owns more than one daily newspaper title. This is Allied Press Ltd, which publishes the Otago Daily Times and the Greymouth Evening Star, and a number of local give-aways. There are five other publishers of single titles in regional towns from Whakatane to Ashburton.

By contrast, Fairfax, which only entered New Zealand by taking over the publishing businesses of INL in July 2003, now considers itself to be "New Zealand's largest media company". It not only owns a raft of daily and Sunday newspapers including the metropolitan papers in Christchurch and Wellington, but also more than 60 community newspapers throughout the country, and a stable of magazines. It also owns Gordon and Gotch (NZ), New Zealand's major magazine distribution business.

APN owns the New Zealand Herald, together with its own raft of smaller daily and community newspapers and mass market magazines.

The structure of exporting is very different from that of turnover. Exports of newspapers and magazines are minimal compared to books, as shown in Figure 2.

Figure 2: Exports by the publishing industry



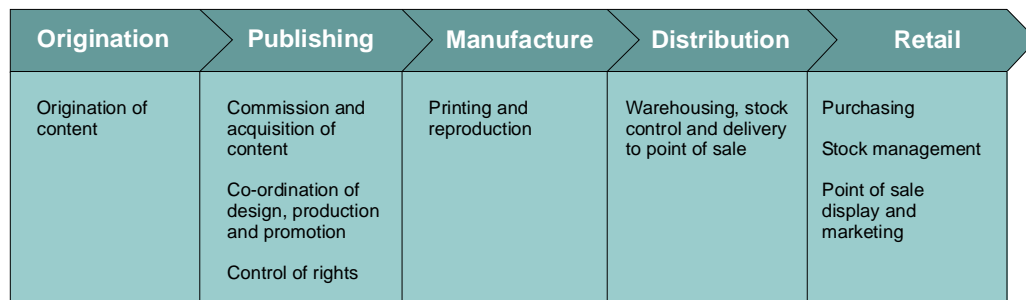
The insignificance of the newspapers and magazines is clear – they are trivial even compared to exports of a miscellany of print material such as cards. Most (91%) of what magazine exports there are, are to Australia. Books comprise 75% of the industry total, most of them printed outside New Zealand.

3 FINDINGS

3.1 Industry Structure

The publishing industry can be represented as a value chain comprising a series of operations, Figure 3.

Figure 3 Print publishing value chain



In the past companies have tended to focus in one particular step in the chain. This pattern is now changing. Various factors, including a desire to harvest value all along the chain, have been driving vertical integration. The Internet is also changing the relationship between supplier and user with consumers now being able to order on-line from global retailers and direct from publishers. Technology change is also facilitating the growth of micro-companies and self-publishing in electronic media.

3.2 Factors critical to the development of New Zealand-owned publishing companies

The potential for the development of New Zealand-owned publishing businesses is set by the relatively high literacy levels in the country, the history of book buying, the relatively modest technical resources that are required (when printing is excluded, given the ready availability of printing capacity overseas), and the significant global demand for published books.

There are a range of structural and process factors that are critical to the development of New Zealand-owned companies in realising this potential ranging from the very size of most of the businesses themselves to an apparently widespread lack of understanding of how distribution works in the international marketplace.⁷

3.2.1 Size of the businesses

A striking feature of the profile of the industry revealed in the surveys is the high proportion of sole operators and micro-businesses (many struggle to qualify in the “small” category of SME). This is evident in the distribution of staff, Table 6, with 66% of the publishers having nil to one person on the staff.

⁷ This is not an uncommon phenomenon in business in Aotearoa-New Zealand as there are direct parallels in the tourism industry

Table 6 Distribution of staff in New Zealand-owned publishers

Number of staff	% of publishers	% of staff
0-1	66%	11%
2-10	30%	32%
More than 10	5%	57%

It is also apparent in Table 7 in the distribution of turnover, which shows that 4% of the publishers had 85% of the turnover.

Table 7 Distribution of turnover of New Zealand-owned publishers

Turnover	% of publishers	% of Turnover
Under \$100,000	82%	3%
\$100,000 - \$999,999	14%	13%
\$1 million or more	4%	85%

A study for the Ministry of Economic Development has investigated the business practices and performance of a cross-sectoral sample of 3,378 businesses with six or more equivalent full-time employees.⁸ It concluded that “size matters”, even with a sample in which the threshold in terms of staff numbers eliminates about 90% of the country’s publishers.

One way in which size is suggested to matter is that the smaller New Zealand businesses scored, on average, relatively poorly across all the business practices, compared to medium and large firms. The predominance of small firms (96% with less than 20 FTE employees) was considered to be a contributing factor in the classification of nearly half (45%) as **“lacking the necessary practice and performance to be effective in international competition”**.⁹ While acknowledging differences in method of international studies, the report states that *“other countries have a much smaller proportion of these ‘vulnerable’ firms – typically no more than a third of all firms, and often considerably less.”*

It is suggested that *“the predominance of very small firms may limit our ability to take advantage of scale economies and to generate the resources needed to upgrade business practices. Factors such as transaction costs - in terms of time and financial resources - become more significant for small New Zealand firms”*.

⁸ Knuckey, S., Johnston, H., Campbell-Hunt, C., Carlaw, K, Corbett, L., & Massey, C., (2002), *Firm Foundations 2002: A Study of New Zealand Practices and Performance*, Ministry of Economic Development, Wellington, 248pp. The survey was undertaken by Statistics New Zealand. It was approved by the Minister of Statistics and the return of the questionnaires duly filled in and signed was compulsory under the Statistics Act 1975. The survey achieved an 82% response rate.

⁹ Knuckey, S, *op.cit.*, p. 199

There is clearly a strong congruence in these results from a more broadly based study with the findings of the in-depth interviews with publishers in terms of the barriers to exporting in terms of lack of resources.

This was commonly expressed in terms of lack of **time** to undertake a range of tasks, such as relationship management, but the same pressure can be felt across the full spectrum of activities in a micro-business or small business. In terms of export-related activities, in the micro-firms that dominate New Zealand publishing there is often no-one to whom the principal can delegate the key commercial task of relationship management. As a result, in the one-man-band and small company there is not enough time for visits, for follow-up, to go through the cards gathered at the trade fair and systematically email everybody to stay in contact – all key tasks in building the relationships that are essential to successful exporting (particularly in terms of the sale of overseas rights).

A second finding of the present study that has a parallel in the “Firm Foundations 2002” work is that of lack of **motivation**. Knuckey et al. found that *“Many of these small businesses do not wish to grow and expand their business (emphasis added), and hence will not look to make major investments in business improvement. Hence, the challenge facing a large number of New Zealand businesses is an inability to deploy more than a limited amount of resources, and moving beyond creating only immediate and short-term advantage.”* In the current study, a number of interviewees expressed disinterest in exporting because they could not see enough return on the investment of time, money, etc., to actually bother to make the effort.

Underpinning this lack of motivation is a set of uncertainties about working in foreign countries, typically in terms of:

- copyright issues, piracy or simply Internet copying of New Zealand intellectual product so that no income is derived from exporting; and
- getting paid, due to legally dubious “hard-ball” tactics adopted by the foreign buyer, exploiting the weak negotiating and information position of the New Zealand exporter, or simply through the unfamiliarity dealing with overseas institutions etc., in particular, in China and the rest of Asia.

The responses to the survey suggest that the prospects for raising the level of exports are reasonably positive in terms of the number of publishers indicating that they will definitely export or may possibly export in 2003-5, Table 8. This compares with 45% who reported exporting in 2002.

Table 8: Exporting intentions of New Zealand publishers

Intent	Number	Proportion
Definitely will export in 2003-2005	131	34%
Possibly will export in 2003-2005	115	30%
Definitely will not export in 2003-2005	97	26%
No response	38	10%
Total	381	

3.2.2 Process related factors

Book publishing is a highly competitive industry which over the years has seen a decline in importance of the back catalogue and growing emphasis on new books in search of a “hit” which may launch a series or an author. While the individual success may be unpredictable, a series of basic criteria can be identified which are typically necessary to demonstrate a book’s potential for export (although these are not sufficient to ensure it will sell).

Having the “right product” typically means that it is:

- (1) successful in the domestic market;
- (2) appropriate for the specifics of the target country user requirements;
- (3) sufficiently free of New Zealand focus in order to be marketable overseas;
- (4) not obviously easy to steal or clone; and
- (5) appropriately packaged for the market.

(1) Domestic success

Success in the domestic market is a practical way in which a publisher can demonstrate that a book will sell. New Zealand publishers face an inherent problem in that the domestic market is swamped by imports. Just in terms of sheer volume and the exposure that domestic product gets in bookshops, it is always in a minority and can have problems achieving visibility.

There are three local issues that New Zealand publishers identify in the domestic market:

- copyright and photocopying in schools;
- market dominance of one retail company; and
- perceived dumping of children’s books.

Copyright and photocopying in schools is perceived to be an issue for New Zealand educational publishers. It is attributed in part to “under-funding” of schools which means that there is not enough money to buy multiple copies of resources and so teachers and students photocopy what they want or need. The situation is compounded by copyright legislation which means that there are no consequences for their copying. Schools are increasingly paying lump sum copyright licences, but the perceived liberal provisions of “fair” copy are considered detrimental to authors and publishers alike..

The market dominance of one retail company (Whitcoulls) with 40-45% of the market is perceived by some to be problematic because of the manner in which it can “send out pages of instructions on what’s acceptable and not acceptable and what they will take and not take”. It is reported that it is not unusual for a large publisher to approach Whitcoulls and check with them whether Whitcoulls will take the book or not. *If they say yes, then the publisher will go ahead, but if Whitcoulls says “No we’re not interested in that, then it means that the book does not get published.* Whitcoulls is also perceived to have limited their range of books, according to some publishers (presented as a “down-market, best-seller focus”), which it is asserted “means that New Zealand literature or any serious books only can find outlets in independent bookshops.”

New Zealand publishers of children's books have a particular issue about perceived dumping of children's books, i.e. children's books that had failed to sell in their own markets then being dumped in an overseas market. They may be sold cheap in India or some third-world market, but from which they are then re-exported to Aotearoa-New Zealand. With discount stores and big warehouses sourcing their children's books inexpensively overseas, there is strong price competition for publishing New Zealand children's books.¹⁰

(2) Appropriate to target country

The most obvious form of ensuring "fit" with the target market is translation for non-English speaking countries. This can be an issue if selling books, but less so if selling rights because the overseas publisher buying the intellectual property will normally manage the translation. However the resulting need to effectively re-author and republish the title means that returns to the New Zealand publisher can be very low.

Adaptation of material can be an expensive but necessary task. This is particularly the case in the education market because it is not sufficient to assume that the material that was written to reflect conditions appropriate to teaching New Zealand children will fit the UK, Canadian or American markets. Furthermore, thinking in terms of national aggregates is not sufficient given the autonomy of local and regional education boards. Maintaining relevance to the market is also an on-going task, as curricula change.

(3) New Zealand focus

In the case of books that have a general subject, then typically these need to have a modest/minimal New Zealand focus if they are to be marketable overseas. A DIY book which focuses on local materials and building systems in metric units, for instance would have little relevance in the US. Essentially it becomes an issue of the cost of re-working the book. This cost may be avoided by selling rights rather than books, as the re-working becomes the responsibility of the publisher that is buying the product, but the book must have particular value to make this worthwhile in the face of domestically-produced books in the overseas market.

(4) Security

The rise of the Internet, the recording of creative production (written, visual and audio) is a challenge to traditional production and copyright. While music and DVD file swapping has attracted much attention, publishing has been similarly affected. There is a recent example of a purported Jamie Oliver cookbook

¹⁰

A comparable issue for the multi-nationals is "parallel importing". They contend that their New Zealand publishing is sustained because of the platform provided by their main business. Parallel importing can undermine this. The threat, explicit or implicit, is that a multi-national may decide that the New Zealand branch is not worth maintaining and just service the New Zealand market out of Australia with consequent reduced access by New Zealand authors to those publishers. A cautionary note is sounded by one of the visions for the future expressed by an interview from a multi-national that New Zealand would be better off if the New Zealand and Australian market was treated as one market - a future which, if it were realised, could well induce this rationalisation anyway.

which went around the world on the Web.¹¹ Even an elaborate hoax of this type can reduce the anticipated income to the publisher (and author) from book and rights sales by people having free access to a document via the Internet.

(5) Appropriate packaging

As markets become more sophisticated and adding value to products becomes more prevalent it is important to ensure appropriate packaging for development of the product to suit the overseas market. If a publisher is selling rights and not books then the potential to exploit those rights in different media may provide useful leverage in some markets.

Central to each of these five issues is a general theme of an apparent widespread **lack of marketing expertise**. It was apparent in the interviews that even some of the more substantial publishers do not have the necessary knowledge about countries they target for sales. This can mean that effort put into overseas marketing may be partly/completely wasted because the effort is not targeted to the right people in terms of who actually can make the decision to buy the New Zealand intellectual property or books.¹² This theme is sufficiently significant as to constitute the most important of the industry needs identified in this study.

3.2.3 Industry needs and limitations

The export of published books (as rights, editions and books) represents the major development opportunity for the industry. Realising this opportunity needs effective operation on the various routes to market illustrated in Figure 4. Lack of the expertise to do so may well be the most significant limitation faced by the New Zealand-owned publishers, with some notable exceptions.

There are some common themes in successful export strategies for large multi-nationals and one-man bands alike. In large measure these revolve around developing and sustaining relationships that build and maintain credibility. A generic pattern for this relationship development is seen in Figure 5.

The relative capacity of the large multi-national and the typical small New Zealand owned publisher to sustain these relationships, however, varies markedly. Larger firms are able to dedicate staff members full-time to marketing while for the micro-firms which predominate amongst the New Zealand owned publishers it is just one amongst many of the tasks of the “manager”/general factotum. Local firms that are arms of multi-nationals also have the key attribute of credibility with the other companies in their organisation (even though this does not necessarily assure that their overseas affiliates will take their product – credibility is necessary but not sufficient, it opens doors but the product still has to be right).

¹¹ See the discussion at: <http://www.planetpdf.com/mainpage.asp?webpageid=2962>.

¹² From an author’s point of view it is essential that the product is controlled by a publisher with significant marketing skills. If the publisher is too small to have the cashflow to afford the investment in marketing (and cannot substitute cash with process and networks), then the product can fail because it is not with someone who can develop it.

Figure 4 Routes to market

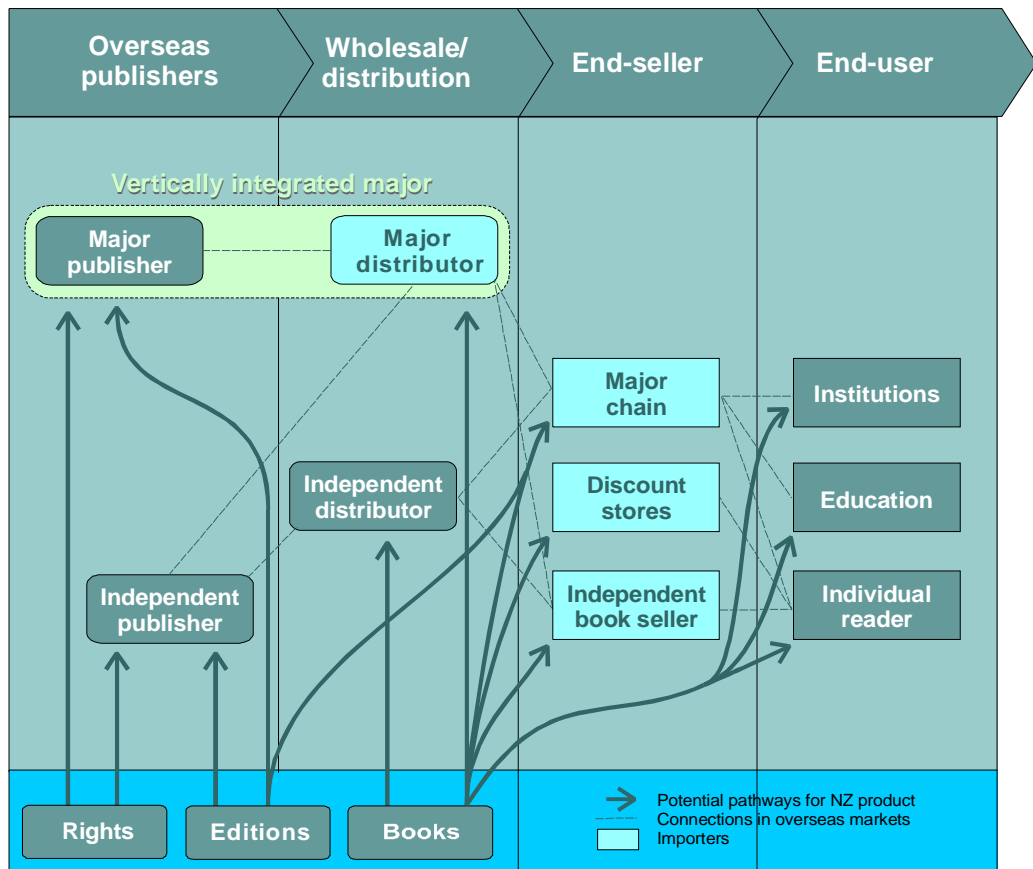
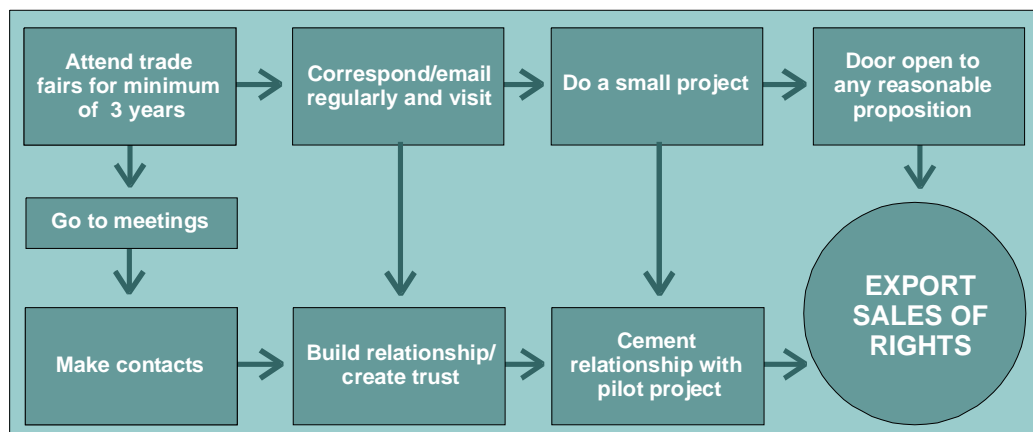


Figure 5 Generic relationship development



3.2.4 Success factors for leading publishing houses

A range of factors contribute to the success of any business, not all of which are necessarily in the “textbook”. Some of these revolve around the actions of

individual entrepreneurs, while others reflect specific combinations of market conditions and circumstances that cannot be reproduced by any formula.

In some respects, the more focussed the market, the easier it is to define some key success factors beyond the generic. Successful exporting in the education market, for example, requires:

- **market intelligence:** particularly in the form of quick/early or better still pre-access to each country's /state's curriculum as yearly updates come out: this enables offerings to be attuned to the detail of the latest additions and changes in accreditation, and the distribution or purchase of educational material;
- **tuning offerings to the needs of teachers:** the needs generally focus on *fast access to useful resources*, i.e. those that are related to the stated learning outcomes in the curriculum. The agenda here is to save teachers' time and to raise students' pass rates. If the teachers want these resources, then the teachers will advocate for them to the influencers, i.e. they can be "enlisted" into selling the resources to students or parents or to school boards, whoever does the purchasing;
- **sell outcomes and not books:** from this perspective, the book is the medium for selling outcome focussed benefits, whether it is, for example, reading, activities, or assessment;
- **sell consumables:** books that the pupils write in (work books) can only be used by one student and the next student needs to buy another one. This is another take on the notion that there is a lot of repeat business: *if you do a course book for year nine then every year there is a new bunch of year nine students who will need a course book*;
- **provide added value to the teachers:** one strategy is to link the resources sold for student use to teacher resources that are made freely available on the web-site, so that the teacher does not have to buy extra material but he/she can update it;
- **build "assemblies":** these are another way of delivering added value to the teacher. Just as some publishers sell reading and not books, the assembly might be a *reading programme* that has been credibly evaluated and includes documentation that provides the teacher and purchaser with proof-of-outcomes a an integral part of the assembly .

Other variants on this theme include packages focussed on assessment processes and "collections". The latter are essentially re-packaged materials that combine all the elements required to meet the full needs of a buyer for "accountable" purchasing, with the assurance that all the elements in the assembly are tailor-made to fit well together.

3.2.5 Business lifecycle and critical stages of development

Considering the development of educational and trade publishers, a model from the educational sector illustrates how a business can grow from the grass roots. An observed pattern has the following sequence:

- (1) **do-it-yourself:** a New Zealand teacher who is making resources for his /her own class;

- (2) **resource sharing:** other teachers take an interest and he /she shares these resources and starts copying them and spreading them around;
- (3) **self publishing:** with a lot of interest this turns into duplicating and selling these teachers' resources to other teachers, maybe initially at cost. This transforms this writing teacher into a self-publisher;
- (4) **sole-operator:** if this turns out to make some money then the next step is when the teacher quits teaching and starts taking the publishing role as the main role. This often means that he/she takes on other publishing too, often small local jobs servicing the publishing needs of the local community with small runs of often family or history-related or safety matters for local organisations and so on;
- (5) **expansion:** the next step is to take on more staff with a designer a common early position;
- (6) **consolidation:** business is established, systems bedded down, and markets growing
- (7) **exporting:** a considered move offshore, generally first into Australia, then into the UK and into the US following creation of new product or re-writing of existing product for each market because it needs to include the appropriate references to curriculum detail – exams, etc.;
- (8) **seek investment capital for further expansion:** business has some critical mass but needs further investment to reach next stage. If this investment comes from overseas then the company is merged into a multi-national. This means that the international sales can now work through the internal network of these multi-nationals who, from their point-of-view, are opening a branch in New Zealand by buying this company.

An interesting facet of this development cycle is the gradual transition from:

- an initial set of non-market transactions;
- to increasing participation in an open market, first on the basis of little information, then later using increasingly sophisticated marketing strategies, etc.;
- to a measure of disconnection from the final market if the business is bought by an overseas publisher. While multi-nationals can operate an internal market for books and rights for distribution or publishing by other members of the group, and individual companies compete on the open market, it is also possible to manage the operations and the realisation of profit to minimise tax with little direct connection between the production site and the final market.

While some businesses go through a progressive development, others take different paths. One route is for a person to build up experience and expertise while an employee and then to use this track record to obtain investment capital to establish their own fully-fledged company.

3.2.6 Potential for improvement of individual companies and clusters

A rigorous assessment of the potential for improvement of individual companies was beyond the scope of this project although there is enough evidence from the interviews and from relevant research to indicate that there is plenty of

scope. The challenge is to find the appropriate vehicles to address the various generic and specific issues.

One opportunity could be to build on the experience developed through the export group that has been operating for the last six or seven years with support from TradeNZ. Its main objective has been to have a co-operative New Zealand stand at the Frankfurt Book Fair which is perceived as the trigger for most international sales.

There are a number of initiatives taken by other countries which New Zealand could emulate. These include the catalogue of Canadian books produced by the Canadian publishers group. It would also be useful to build up a database of target publishers from all around the world that New Zealand publishers contact which could then be used to distribute the catalogue prior to the book fair.¹³

Education – allowing more publishers to see what the potential of exporting is – has been identified as an important tool in fostering improvement. One informant suggested that over the years his attitude towards his product had changed – *“we started out publishing, saying “New Zealand is our market, in order to publish a book we have to sell 3,500 copies or whatever, if we can’t sell 3,500 copies in New Zealand we can’t publish it”. Full Stop. Therefore we were publishing books for a New Zealand audience. After 13 years of Frankfurt I’ve found my philosophy of publishing has changed enormously. We have a couple of books here, specialist looking titles..... I’m quite happy with the fact that we’ll only sell 2,000 copies of that here, but I’m taking that book to Frankfurt next month and I fully expect to be able to come back with an American and a UK edition, and maybe some translations.”*

It has been suggested that instead of cash grants being given exclusively to individual publishers, it would be better to give monetary support to the Publishers Association or directly to the Export Group to upgrade their administrative capacity. One way this might be done is to support a part-time administrator to facilitate participation in the Frankfurt Book Fair and perhaps the London Book Fair. Related activities (in the manner of the British Publishers Association¹⁴) could include market briefings, training, and mentoring.

One interview noted the value of marketing workshops. *“One thing that TradeNZ did that was effective was a small seminar about how to sell. This is the type of thing that they could usefully do more of. There was (may still is?) a joint action group (JAG) that ran a seminar about five years ago by Bob Ross that was very good.”*

¹³ Canada supports the export of Canadian books through the Book Publishing Industry Development Program. This includes financial support for a range of marketing costs. Refer: *Publishing Programs: Book Publishing Industry Development Program (BPIDP), Applicant’s Guide 2001-2002*, Canadian Heritage: Patrimoine canadien, Ottawa, 18pp

¹⁴ The Publishers Association, for example, runs market familiarisation seminars such as that held in March 2003 on the US market held in conjunction with the London Book Fair, see <http://www.publishers.org.uk/paweb/paweb.nsf/pubframe>.

3.3 Development assistance

3.3.1 Business support needs of the industry and the appropriateness of Industry New Zealand's programmes in meeting these needs

The "Firm Foundations 2002" study concluded that "if small business owner/managers want to grow their businesses in terms of employees, sales and profits, and to begin exporting, they face a number of hurdles. They are likely to need to invest time and resources in more systematic practices, structures and strategies, rather than relying on ad hoc and reactive processes."

The study shows the progressive adoption of business practices as firm size increases from small to medium to large which requires an on-going investment in business improvement. A key aspect of this is seen to be the need to address awareness and skills in management capability and business improvement in even the smallest businesses.

While it was outside the scope of this study to undertake a formal performance or training needs or business fitness assessment, it seems inevitable that there many candidates amongst the pool of publishers for NZTE's enterprise training programmes. Currently publishers appear to provide a very modest level of staff training and those that do, report limited use of the Industry New Zealand "Biz" services, Table 9.

Table 9: Training providers in 2002

Training provider	Proportion
Private training provider	10%
Polytechnic/university	4%
"BIZ" provider	2%
Other training provider	0%

While none of the wholly overseas-owned publishers in the second sample used the Biz services, overall 67% provided formal training for their staff in 2002 compared with only 17% of the New Zealand-owned firms.

3.3.2 Role of the Frankfurt Book Fair

Opinion varies on the value of the Frankfurt Book Fair (although there is general agreement that it is expensive¹⁵). Most of the interviewees who had been to the Fair (and that was many of them) said it was crucial – and indeed the model for

¹⁵ It was recently mentioned in this context by an article in the Economist. "The Big Squeeze: Trade fairs offer a tremendous opportunity to get ripped off by locals", 16th October 2003, which noted the practice of hoteliers of requiring a minimum booking of six days which was commented upon in the interviews.

selling rights overseas was to attend Frankfurt, for at least three years, in order to build face-to-face relationships with overseas publishers.¹⁶

Positive opinions were expressed by New Zealand-owned publishers and multi-national companies alike. For the latter it provided an additional benefit because they are able, while there, to liaise with members of their sister companies from other parts of the world. That is relevant as a significant portion of export sales of the multi-nationals can be within their own group.

Detractors identify a range of significant shortcomings about the Fair suggesting

- bad design of the stand so that people did not enter (way-in blocked by seated publishers);
- too much furniture in available space;
- ineffective use of fair website; and
- poor presentation/branding.

It was suggested that each publisher having their own display within the stand was problematic. Besides bad co-ordination, it was suggested that there were far too many titles being displayed (at least 200), many of which it was contended, by their nature, had no chance of a royalty sale. It was argued that the stand should promote New Zealand and its books more generally. It was also contended that the fact that most of the publishers at the stand were being subsidised meant that they were reluctant to criticise it. The “do not rock the boat” syndrome. Getting publishers to the Fair is helpful, but more could be made of the opportunity.

In practice, while Frankfurt is clearly important it is not a panacea and some publishers may be better off attending other trade fairs, such as London or Bologna. Some educational publishers, for instance, have used science education conferences both in New Zealand and in the US. They have run workshops for teachers and given out free samples to build interest so that teachers can then advocate for them to their purchaser.

Other publishers eschew trade fairs altogether contending that they do not have the right product for such an environment.¹⁷ One interviewee was reluctant to place their books with overseas distributors, preferring to promote their product themselves. Whilst acknowledging the slower build-up this way, the interviewee reported 10,000 visitors to their web-site in the week of the interview (a site that has been established for five years).

¹⁶ One publisher noted the importance of continuity in support from TradeNZ. *“We’ve always had this problem with getting government departments to understand it. They say “we funded you for Frankfurt for three years, you should be established”. But we’re not doing widgets. We do not actually make a sale and have a carry-on sale. We’re constantly selling something new.”*

¹⁷ They consider that their New Zealand focussed material will not sell in this setting compared to books with low New Zealand content or of world-wide interest such as cookery books, child-rearing, and other life-cycle related books

3.3.3 Issues associated with book publishers' relationships with printers and distributors.

The printing industry is highly competitive and few publishers reported any difficulties in obtaining high quality printing either in New Zealand or overseas. Most considered the quality of their printed books to be excellent. Difficulties seem to be restricted to small publishers requesting short print runs. There may be a degree of unrealism in the level of attention to detail that can be expected in undertaking a small print job.

Relationships with distributors are an entirely different matter. Finding and developing successful working relationships with effective, reliable and honest distributors in foreign markets is a major headache for the majority of New Zealand owned publishers wishing to export. It is vital ingredient in making the grade into larger scale operations. Nevertheless, for small to medium sized publishers the problem is almost insuperable. For them, the usual choice is between attempting to distribute within the foreign market from New Zealand, or selling only rights. The former is very hard work for the low volumes that can usually be sold in this way, unless the publisher has a uniquely attractive product. The latter usually results in low, or even zero returns. The publisher's bargaining position is poor, and ability to check on the accuracy of statements of copies sold is almost non-existent.

Only the largest New Zealand owned publishers can invest in a distributor as a joint venture partner, thereby obtaining sufficient management control, and access to information, to be able to make the distributor effective and obtain full and timely payments.

For a New Zealand publisher with a product they wish to export, the attraction of selling to **major overseas publisher/distributor** is that this potentially offers instant access to a large market. There are, however, a number of difficulties:

- it means competing against their own insiders i.e. when a vertically integrated major looks for product to either import as books or to buy as rights to publish, the first source of product would be sister companies and subsidiaries in other countries. In the absence of an exceptional product then the only way to compete in this situation is by selling at a low price; and
- there is the risk that your product would be swamped in a large catalogue of a major publisher/distributor. They will almost always be interested in selling their own books before somebody else's and therefore will give an independent's books lower priority in terms of sales effort. This problem of prioritisation is lessened with the sale of rights but that still leaves the risk of being swamped by many, many items in the catalogue.

An easier and potentially more successful strategy for the New Zealand independent would be to sell rights to **independent publishers** in the target overseas markets. The key issue here is identifying successful independent publishers i.e. those that have developed an effective distribution system. This requires up-to-date market information to which smaller New Zealand publishers will typically not have access.

The same issue is faced if seeking to deal through an **independent distributor**. The sheer numbers make it difficult to relate to them in another country and to identify who to target to get reasonable coverage of the country. There is also the reported risk with using independent distributors that they will not pay for the product. One reported practice is they will “buy” your “hit” product, but they will pay only when you have another one that they want.

At the retail level there are three main sales channels. The **major retail chains** are characterised by a mass market, “low end” focus, and volume sales. Working with modest margins, they are typically very selective about what they will buy (some have eight pages of criteria!). Meeting such criteria may require substantial reworking of books, which can be uneconomic. The **discount stores** are typically parallel importers of down-market product. The key issue for the New Zealand independent publisher is the price at which these operations will purchase, a benchmark for which is set by “remaindered” books. The **independent book retailers** tend to focus on the higher end of the market. Their typically low volumes of sales rather precludes them as a focus of a volume growth strategy.

The key issue in targeting **end users**, be they institutions (of which education is a particular focus for New Zealand publishers) or individual readers, is simply their numbers and the effort of attracting and retaining their attention in the face of an avalanche of competing messages.

Potential preferred pathways

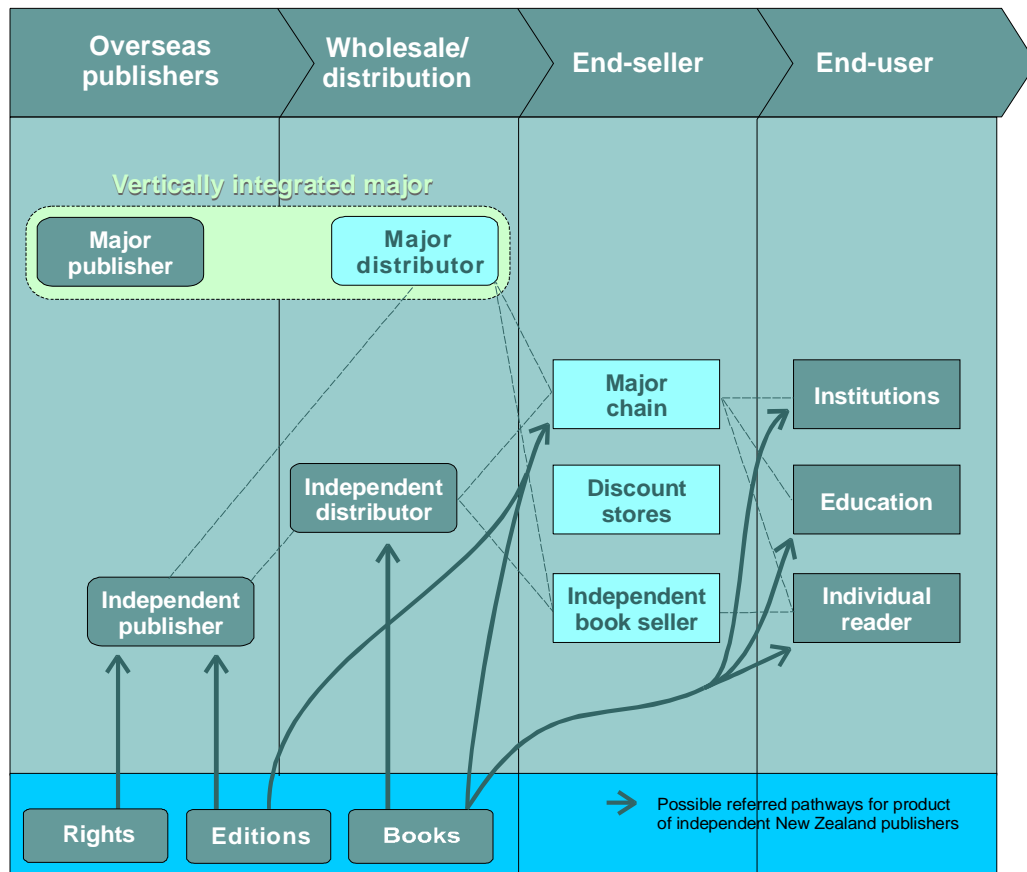
In the face of these issues, there may be a number of preferred pathways for independent New Zealand publishers to get their product to market (their multi-national colleagues having the wider pool of their affiliates and typically having more resources to apply to marketing). Figure 4 has been redrawn below in Figure 6 to show only the pathways that might be preferred.

In large measure, the opportunities for small New Zealand publishers to deal with the vertically integrated majors are insignificant, not just because of the scale difficulties and the multitude of opportunities open to the major but in part because as multi-nationals they have their own access to New Zealand authors.

Given the issues involved, dealing with independent publishers and distributors is not an optimal strategy but it is one that can be made to work with the right connections. It may be preferable ultimately for books and editions to bypass the middle-men in the distribution system and go straight for book sellers. Of the retailers the major chains may prove to be the best target market for books and editions if for no other reason than the fact that there are fewer to understand in terms of their purchase decision-making and the volume of sales is potentially higher.

There are a number of significant New Zealand precedents of selling direct to end users, particularly in the education market, where an individual purchaser may buy a substantial number of books and associated material. Here the keys include defining a specific market niche, and very effective marketing.

Figure 6 Possible preferred pathways for independent New Zealand publishers



3.4 NZ domestic market share in consumer (trade), educational and professional books.

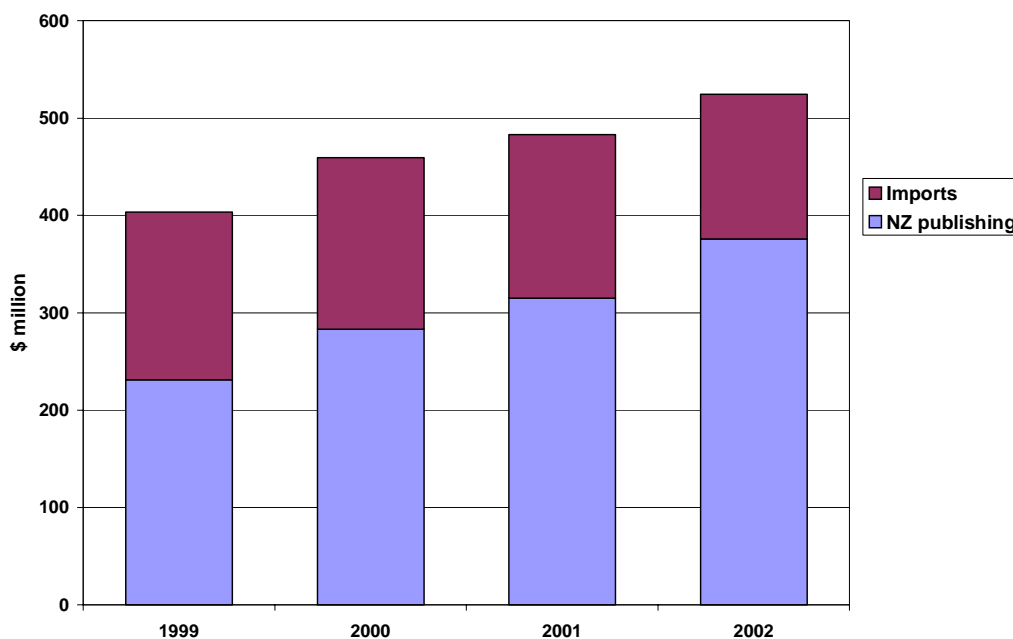
The New Zealand market for books in 2002 was supplied by imports valued at \$148.5 million¹⁸, and by books published in New Zealand valued at \$87 million. There is, unfortunately, some overlap between these numbers since books published in NZ but printed overseas and then brought into New Zealand are included in both. The prevalence of this was not addressed in the survey so it is not possible to make a quantitative estimate. It does not help that, unlike practice in earlier times, the printer's name is no longer always included on the title page of a book. It is clear that, generally speaking, short runs and books intended solely for the domestic market are usually printed in New Zealand, but even then some, such as the so-called "coffee table" books, are likely to be printed in Asia.

¹⁸ Overseas Trade Imports - Trade, Merchandise, Statistics New Zealand.

If the proportion of New Zealand published books that are supplied to the domestic market but printed overseas is taken to be 40%, the total domestic market is \$200 million. The New Zealand publishers' share of the domestic market is estimated to be 43%.

Some, slightly indirect, evidence strongly suggests that this proportion has been rising. Over the last four years the value of imported books has fallen from \$172.4 million to \$148.5 million, while the total sales of the "Book and Other Publishing" industry (ANZSIC = Class C242300)¹⁹ has risen from \$231 million to \$376 million. The number of FTE employees has risen from 1,540 to 1,820. It should be noted that this industry includes the publication of more than just books (but excludes newspapers and periodicals). The sales estimates are derived from sample surveys and "sample error" is not controlled for. Year on year data movements should be interpreted in the context of possible changing sample sizes.²⁰ The trends are illustrated in Figure 7.

Figure 7: Pattern of total supply



It must be recognised that the total of these two items is definitely not the value of the domestic market. It includes exports as well as the overlap noted above. The results of the interviews strongly suggest that exports of New Zealand published books have been rising over this period. Nevertheless, the overall picture is of a rising market share by New Zealand book publishers.

An alternative indicator of the market is the Household Economic Survey. This also has limitations in that the short period of the sample (two weeks):

- does not accurately capture an expenditure as sporadic as book buying;

¹⁹ Annual Enterprise Survey, Statistics New Zealand.

²⁰ Caveat by Statistics New Zealand.

does not incorporate and allow for its significant seasonality;
 does not include purchases by businesses;
 does not separate books from some other publications, although these will be minor since newspapers and periodicals are separated;
 most “other” publications, such as catalogues, are not usually bought by households; and
 the expenditure is at the prices paid by households, and therefore includes distributor and retailer margins.

In spite of this list of caveats, it is of interest that the estimated total spend on books was \$244 million in 2000/2001²¹. This has been slowly increasing since 1990, to an extent that seems to exceed the increase in prices (although there is no separate price index for books), and suggests that real per capita expenditure on books is not changing much. Taken together with the decline in books imports, this suggests that New Zealand publishers are capturing a slowly growing share of a slowly growing market. It is possible that the apparent trend is partially due to New Zealand printers capturing a growing share of the work of printing New Zealand published books, but little evidence of this has been identified during the course of this study.

3.5 The provision of electronic learning programmes in both New Zealand and offshore markets by companies producing educational and professional books

It was clear from the study that very few book publishers have made a success of providing electronic learning programmes. There are some major suppliers of such programmes, but most are based on educational institutions, such as universities, rather than book publishers. There are a few exceptions, of which Wendy Pye’s “Galaxy Kids” Internet-based programmes are the most notable.

Other publishers produce programmes on CD-ROM, usually combined with other supporting materials. Learning Media’s Electronic Storybooks are a good example of these. A few other publishers have produced and sold electronic learning programmes on a smaller scale.

An issue for book publishers entering this market is to secure a competitive advantage over dedicated Internet-based operations. While there may be some economies in origination if the material can be published electronically as well as in print, these may not figure largely in the overall final costs, especially if material has to be substantially rewritten for the electronic medium.

There are already a number of sites from which teachers and students can obtain free as well as priced resources. This trend can be seen as part of a much larger challenge posed by the Internet to copyright holders. Relatively few are in the privileged position of the BBC which recently announced that it intends to make at least part of its back catalogue of radio programmes available free over the Net (as their issue has traditionally been one of

²¹ Household Economic Survey, Statistics New Zealand

distribution costs given that programme generation has been funded by the licence fee.

3.6 Markets for New Zealand educational and trade publishing and their level of export engagement

The educational publishers have a very high level of engagement in exporting, and include New Zealand's most successful book exporters. Trade publishing has a lower level of overall success in exporting, with a high dependence on occasional runaway best-sellers to subsidise all the others.

Educational publishing dominates the local market, and to an even greater extent the export market. As noted in section 2.3 above, this is not a new feature of New Zealand publishing, but has a history nearly a century old. Educational publishing not only accounts for most of the exported titles, but an even higher proportion of volumes, and most of the interactive non-printed material. Furthermore, nearly all educational books are sold in printed form rather than as rights. Consequently educational materials may well account for over 75% of the value of exports by New Zealand book publishers.

Trade publishing, i.e. literature and other general non-fiction, are the poor relation to education. The number of titles is substantial, but competition in the New Zealand market from imported books is fierce. Consequently margins are low, print runs are short and rapid remaindering is endemic. The reliable sellers are in areas such as the coffee table books of landscape photos and books on rugby, where there is no direct foreign competition.

The situation is no better in export markets. Many of the exported titles are sold in very small numbers, even single figures. Sales of rights may result in little or even no revenue, regardless of the numbers of copies eventually sold. A small number of publishers with a well established distribution channel account for the bulk of the volume.

3.7 Education and skill requirements, including up-skilling existing personnel with new and innovative digital tools

Publishing is a skill-based industry, with a very low incidence of routine work and a rapidly changing technology. This is partly driven by the fact that every publication is different, combined with the fact that publishing is about an intangible substance – information – that is highly susceptible to the application of IT.

Notwithstanding the high education levels expected of recruits, publishing staff need to acquire additional specialised skills and be constantly updating and expanding them. This is well appreciated by the larger publishers, most of whom are constantly investing in their staff. Small, and even medium publishers are much less involved with upgrading staff skills. A result is an undue dependence on the publishing skills of a senior manager, usually the owner. This acts as a critical brake on the capacity of the business to grow, as the manager becomes grossly overworked, but cannot delegate.

A high degree of fragmentation and many small businesses is characteristic of the trade book publishing industry worldwide. Even the large firms are small by the standards of other industries. Random House, which considers itself the world's largest general interest book publisher, has a total of only 5,372 employees world-wide, spread over 16 countries²².

In publishing houses of all sizes staff learn on-the-job, rather than through courses. This can be successful with staff who are naturally adaptable, and can give an appearance of low cost. However the apparent cheapness can be illusionary when it results in an inadequate level of skill being developed slowly. On-the-job training can fail completely at lifting staff to a new level of expertise that could relieve the business' constraints. This is most likely to be the case if the needed skills are already in short supply in the business. Notable in this area is marketing, where the owners are often out of their depth. External training is then the only way to instil staff with the (badly needed) expertise.

3.8 The role of tertiary institutions for meeting the needs of the industry

The publishing industry in the UK was found to be employing an exceptionally high proportion of staff who are university graduates. The nature of the qualifications of existing staff in New Zealand publishing houses was not specifically investigated in the quantitative part of our survey, but from the qualitative investigation it was clear that the situation in New Zealand was at least comparable, if the proportion is not even higher. However, this is not reflected in any substantial degree of association between publishers and universities, other than the publishing businesses operated by the universities themselves. This may be partly because the university presses place the universities in competition with the privately-owned publishers.

None of the publishers demonstrated any hostility to the university presses. They have existed from before the majority of private publishers were founded. That they mainly publish literary works with a restricted and commercially high-risk market is appreciated, and they have precedents in other countries. Consequently they are accepted as part of the industry. Nevertheless, their existence colours the relationship between publishers and universities.

The university qualifications of the publishing staff are highly varied and usually not specific to publishing, although there is a natural concentration on English. Professional skills in the other aspects of publishing, notably marketing, are in sadly short supply. As a result most publishers are focussed on what they have to sell, rather than on who their prospective customers could be and what they are interested to buy.

None of the universities offer courses that are specifically focussed on publishing. The only publishing courses are the Diploma in Publishing at the Whitireia Polytechnic (apart from commercial courses in desktop publishing).

²² http://www.bertelsmann.com/divisions/random_house/profile/profile.cfm

A number of publishers recognised the value of the Whitireia Polytechnic course in publishing, but some considered that it to be unduly focussed on training English literature graduates to be editors and to deal with layout, and did not adequately cover the commercial aspects of publishing.

3.9 The demand for interactive content

To date most New Zealand book publishers report little demand for interactive content, in the sense of customers willing to pay for this content. Web-based offerings have been created and marketed by some, only to find that the resulting revenue could not sustain the costs involved.

One of the basic difficulties has been the low unit prices required for web-based products, and the consequent high cost of revenue collection. This has encouraged most publishers to use the Internet distribution only as a means to distribute free-of-charge material. The marginal cost of supply is then very low. Statistics New Zealand is now using this to distribute virtually all its publications, without charge, and is progressively abandoning the printing of books.

The basic escape from the trap of low prices is to sell subscriptions, rather than single items. This, of course, depends on having products such that a subscription is an attractive proposition. At a minimum, this means either a large number of products, or a comprehensive set of products that can be absorbed as a course over an extended period. Both require very substantial resources, so that the subscription option is available only to the large and well-financed publishers. Together with the technical resources necessary to make an interactive site function attractively on a wide range of user platforms, the demands make subscription sales beyond the capacity of virtually all small-to-medium sized publishers.

Web-based and digital disk based sales are also subject to additional problems if they are highly successful, in that this attracts pirates. Piracy can also be an issue with print products, but the costs of reproduction and distribution are a significant disincentive, given the lower prices that can be charged for a pirated product. This tends to restrict print-based piracy to block-buster books. Digital, and especially web-based, products can be copied, reproduced, and distributed at much lower costs. Consequently, piracy is a much more severe issue for these. There are partial solutions to this problem, but these come at additional cost, and often adversely impact the users' experience.

The most notable example of a New Zealand publisher selling subscriptions for an Internet product is Sunshine Multimedia's "Galaxy Kids". This was launched five years ago and appears successful, although no financial results are released. An indicator of its success is that Galaxy Kids is being translated into Asian languages and distributed through in-country portals in which Sunshine has an interest. However a proposed extension to older children does not seem to have proceeded.

Interactive content that is used as a marketing tool, or as a component of a package that is based on books and is not sold separately, is far more common, but usually very basic. Most, but not all, significant publishers have web sites

displaying their books. However only a few of these are virtual shops, or provide more than a basic set of links to other sites. Most publishers are promoting too many books at once to do much to promote specific books, other than by featuring a few near the top of their site. Few do anything to promote their authors (Reed is a notable exception).

Interactive content that is included within the sold package is common in educational packages, but otherwise still rare. Educational publishers focus on selling complete classroom kits covering a set of lessons, or even a complete course. These almost always incorporate some non-printed material, although this may be only an audio tape. New Zealand's educational publishers are highly concentrated on junior classes, and especially reading. This subject area is not amenable to computer-based lessons. However publishers aiming at older age-groups have been making extensive use of computer based learning methods on CD's for several years.

Outside the educational area the use of interactive content is limited to small numbers of specialty products. The vast majority of books are still simply books.

4 CONCLUSIONS

The study has identified a range of development issues for New Zealand-owned publishers of educational and trade books. There are five themes that stand out amongst these:

- proliferation of micro-businesses;
- lack of marketing capability the prime block to growth;
- specialisation succeeds;
- “low-brow” is what sells; and
- build on existing strengths.

4.1 Proliferation of micro businesses

The New Zealand book publishing industry is characterised by a large number of micro businesses. There is no point in attempting to assist the growth of the majority of these, as they have no serious growth prospects. In many cases their proprietors have no real interest in growth. A small proportion of them, however, are the seeds of potentially much more substantial businesses.

Attempts to select candidates for targeted assistance would be mistaken as there is no clear basis for determining the likelihood of future success. More effective would be to allow them to self-select by providing opportunities for participation in development initiatives (such as marketing workshops). Those unable to benefit from assistance will soon drop out, provided the assistance is in kind, not cash.

4.2 Lack of marketing capability the prime block to growth

The topic, above all, where assistance is needed is marketing, especially for export. For most smaller publishers a lack of marketing capability is the prime deficiency blocking their ability to export and at least give their products a chance of commercial success (recognising that marketing is much more than just selling).

Overcoming this problem requires a two-prong approach that combines practical assistance in market intelligence with training in export marketing. The training process needs to recognise that the only person in the business able to benefit from the training is likely to be the owner/manager. These people are usually under severe pressure of time and energy. Consequently the training needs to be compact and with a strong practical orientation.

As far as possible it should be provided by people with successful experience in exporting, and not by academics. One possible channel is through a series of seminars/workshops held at relatively well-spaced intervals, with a strong practical orientation. The potential for the development of targeted internet-based resources should also be considered (more general marketing education courses already exist but publishers do not attend them as those with growth prospects are too busy).

4.3 Specialisation succeeds

The New Zealand publishers who have commercially succeeded in export markets have all broken through with a narrowly focused product range. The generalists, and especially the publishers of literature, struggle to survive unless they have support from either a large institution, such as a university, or a large company with most of its income coming from another operation, such as distributing imported books.

4.4 “Low-brow” is what sells

Commercial success depends on volume, not quality. The two are not inherently antithetical, but volume is a lot easier to achieve with products aimed at a mass-market.

4.5 Build on existing strengths

New Zealand’s one runaway publishing success story is in children’s literacy. This is grounded on 100 years of world-class success in this field. Ironically, the New Zealand publisher which created this success is no longer either New Zealand-owned or a publisher. Attempts by several publishers to generalise this success into older age groups and other subject areas have made only limited headway as yet, but seem worth persisting with and supporting. Even larger publishers are struggling to make a success of expanding their range in this way.

The experience of children’s literacy is an example of a general rule: success needs to be demonstrated in the home market before attempting to export. On occasion it is possible to export on the basis of the prior success at home of others, as Sunshine Books has done. Publishers in almost any other subject area need to demonstrate success the hard way – doing it themselves.

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