

EXPORTS OF NEW ZEALAND PUBLISHED BOOKS

A report to the Ministry for Culture and Heritage
prepared by Dialogue Consultants Ltd.



Research • Planning • Management • Communications • Evaluation

Auckland and Wellington, Aotearoa ~ New Zealand

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**Prepared for the
Ministry of Culture and Heritage**

by
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October 2003



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17 October 2003

Jeremy Winter
Policy Group
Ministry for Culture and Heritage
PO Box 5364
WELLINGTON

Dear Jeremy

EXPORTS OF NEW ZEALAND PUBLISHED BOOKS

I am pleased to submit our final report on the export of New Zealand published books. Co-operation from publishers around the country has been enormously helpful (with one or two exceptions) and we now have a much clearer picture of the industry.

Based on this research we estimate that the turnover of the book publishing industry in 2002 was \$204 million, with \$117 million of this (57%) generated by exports. A striking feature of the results is that this revenue and the associated production of over 3600 titles is concentrated in a relatively few firms. The industry is dominated numerically by micro-businesses but almost three quarters of the firms together generate just 2% of the revenue.

Analysis of the personal interviews produced some very interesting insights that can be used as an input into strategy development. Overall, the industry has a positive approach to exporting with a significant proportion of titles sold overseas as books or rights, although some of the publishers would benefit from better understanding of overseas marketing.

A range of impediments to exporting have been identified along with some potential remedies. The report also includes some observations on strategies adopted in the UK and Canada which could help inform steps to increase New Zealand's exports of published books.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Murray Ellis', written in a cursive style.

Murray Ellis
Director



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1 INTRODUCTION

On 23 May 2002 the Rt. Hon Helen Clark announced that the government was to make an extra \$1 million per annum available to support authors and literature in New Zealand. The mandate of the working party set up to consider the allocation of these funds included possible initiatives to extend the market for New Zealand literature nationally and internationally.¹

This research was commissioned to assist in the process of strategy development by:

- conducting a census survey of relevant book publishers;
- establishing a baseline of New Zealand industry data relating to book publishing;
- providing quantitative information to determine the current level of activity in overseas markets; and
- providing qualitative information to identify current export strategies, international sales aspirations and perceived impediments to export growth.

The first phase of this study involved a postal survey of firms identified in various sources as publishers. This proved to be a considerably larger task than was expected. Whereas the contract had anticipated that there might be about 200 publishers, the extensive search process identified over 1000 candidates. This was eventually reduced to a survey population of 645 as non-publishers and others were eliminated.

The first survey provided a range of data on the book publishing industry and was also used as a sampling frame for a second postal survey which collected financial and market information. Both surveys were well supported by the industry (with some notable exceptions) with response rates of 63% and 72%. The final stage of the project involved a series of face-to-face interviews to explore the qualitative aspects of the brief.

On the basis of these surveys it is estimated that the turnover of the book publishing industry in 2002 was \$204 million with \$117 million of this (57%) generated by exports. A striking feature of the results is that this revenue and the associated production of over 3600 titles is concentrated in a relatively few firms. The industry is dominated by micro-businesses, two thirds have either nil or one employees (many being just a sole operator). Almost three quarters of

¹ There has been some official support for overseas marketing. Trade New Zealand, for instance, supported participation in the Frankfurt Book Fair



the firms together generate just 2% of the revenue. Local arms of multinational publishers dominate amongst the larger operations.

The analysis of exporting strategies clearly identifies the importance of relationships in the markets and the various impediments that many New Zealand publishers face. It also identifies potentially preferred paths to markets given the issues associated with various stages and operators in the publishing industry value chain. Reference is also made to precedents from the UK and Canada of strategies to assist their own publishing industries.

While there are some structural and institutional issues (including those related to scale) which are particular to New Zealand, many of the issues which need to be addressed in strategy developed are common to other peripheral producers. One is simply the apparent limited understanding of marketing and distribution channels of some publishers. Many are apparently unfamiliar with how overseas markets operate (including how to collect revenue of books “sold”).

In countries with much larger and robust industries, like the UK, efforts are made by industry organisations and government to ensure that publishers have access to necessary market information. This, and other themes identified in Section 5 of this report would be useful building blocks in strategy development.

Careful consideration should also be given to the parallels between the issues faced in the music industry and those with which the book publishing industry has to contend, particularly in terms of revenue collection (and notably for sellers of rights). The publishing industry has a partial equivalent to the Australasian Performing Rights Association (APRA) and the international network to which it is affiliated, in Copyright Licensing Ltd (CCL). However CCL has affiliates in only a limited range of countries, and undertakes a much narrower range of functions than APRA and its affiliates.



2 METHODS

The project was designed to collect three types of information to help build a basis for a strategy to improve the viability of the New Zealand book publishing industry through increased foreign exchange earnings. This quantitative and qualitative information covered:

- mapping existing New Zealand publishing businesses;
- aggregated financial information; and
- qualitative, attitudinal and aspirational information

The study was prompted in part by the inadequacy for this purpose of currently available official information. The absence, unlike some other leading major book exporters, of appropriate official statistics presented some methodological issues in seeking to ensure that the results were fit for purpose. In particular, studies designed to collect similar market information (particularly that related to sales) in other sectors by mass mailing of mail questionnaires have suffered in terms of validity from low response rates.²

The approach adopted here addressed these issues separating the collection of the three different types of the information required relating to the character of the business; accounting data; and forward-looking qualitative information. This separation avoided potential problems that:

- a comprehensive questionnaire arriving at a company will typically be given to one person to answer. In practice, for most firms, the different types of information will need to be provided by different people; and
- the total quantity of information sought was large so that response rates to a large survey would be likely to be low, even with BPANZ support.

It also had the advantages that:

- different publishers could be approached for various types of data; and
- the different components could be done in a sequence, so that information from one could inform the content and targeting of the next.

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

- (1) inception review of proposed methodology, milestones and content with the Ministry and BPANZ;
- (2) establishing a comprehensive list of New Zealand book publishers, whether exporting or not, with the assistance of BPANZ and TradeNZ;
- (3) clarification of definitions, including fundamental terms such as a “book” and “published intellectual property”³ to ensure that the outcomes of the project met the requirements of the stakeholders;
- (4) a initial brief postal survey of every publisher to:

² see, for example, PriceWaterhouseCoopers, (2000), *Visitor Industry Businesses Research Outcomes*, prepared for Destination Northland, with a response rate of 16%.

³ RFP page 10, section 10, third bullet point



- obtain an overall characterisation of the industry, and of each participant in it; and
 - provide a sampling frame for subsequent stages
- (5) use of the outcomes from the first stage survey to stratify the industry by size and genre;
 - (6) extraction of information from existing sources, both official statistics and from within the industry;
 - (7) 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 publishers;
 - (8) milestone 1 report to stakeholders after a preliminary analysis of the results of the first postal survey;
 - (9) a second postal survey sent to a sample of publishers to obtain the required financial information;
 - (10) 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;
 - (11) selection of a sample of publishers for the qualitative interview survey;
 - (12) design of an interview protocol for the qualitative survey to ensure coverage and consistency between interviews;
 - (13) interview campaign of selected publishers;
 - (14) final analysis of the surveys and interviews; and
 - (15) reporting on overall project results.

2.1 Identification of Publishers

A key step in the research was the identification of the publishers. A number of sources were used, primarily:

- a list supplied by Jeremy Winter of the Ministry of Culture and Heritage;
- the members of the Book Publishers' Association of New Zealand listed in the BPANZ Directory 2002;
- PIPERS Virtual Intellectual Property Library on <http://www.piperpat.co.nz/>;
- Publishers listed by Northern Lights Internet Solutions Ltd in <http://www.lights.com/publisher/>;
- the Telecom Yellow Pages;
- participants in the Frankfurt Book Fair, listed on www.buchmesse.de/en;
- listings in "New Zealand Books in Print".

When it was realised that the numbers of publishers being discovered through this process was greatly exceeding that anticipated some consideration was given to weeding out those less likely to be significant. It was appreciated that a high proportion would be part-time publishers with very few titles, and in many cases they would have no new titles in 2002.



A reliable means of identifying the non-commercial publishers was somewhat problematical since many of them appeared to give themselves sophisticated sounding business titles. It was decided to suspend prior judgement and survey all identified publishers. It was recognised that, to a degree, this just deferred the problem, which was faced in seeking responses and in analysing the results. At this stage a significant number of these nominal “publishers” were culled from the list.

2.2 Questionnaires

The **first postal questionnaire** was designed to provide an initial characterisation of the book publishing industry and a sampling frame for the subsequent stages. It was written to comply with all known official requirements (which did not prove in any way obstructive) and was approved after consultation with the Ministry of Culture and Heritage, BPANZ, and Booksellers New Zealand.

Letters of support for the questionnaire, to encourage publishers to respond were provided by MCH and jointly by BPANZ and Booksellers New Zealand.

The first page covered all the data required with explanations and definitions on the reverse. Copies of the form and letters are attached as Appendix A.

The **second mail questionnaire** was designed to collect financial information about book production and exports, and related information about the businesses.

It included a table which sought data on volume (units) and value (\$) of 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;
- other.

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CONFIDENTIALITY
No individual data collected in this survey will be published. Following Department of Statistics' practice, no tables will be published in which the number of entries in a cell is so small that the data for individual businesses can be identified or calculated.

1 Write in the total number of New Zealand book titles published and the number of those which were exported (including sales of rights and for which royalties were received) in the calendar year 2002 in each genre (if none, please write in "nil")

	Total	Exported
Biography		
Children's fiction books		
Drama		
Educational		
Fiction		
General non-fiction		
History		
Poetry		
Reference and trade		
Professional/Technical		

2 Write in your total turnover from NZ book publishing (including sales of rights and royalties) in your financial year ending in 2002 to the nearest \$10,000

\$ _____ (see over)

3 Write in the approximate percentage of this income that was derived as foreign exchange earnings from book exports, sales of rights and royalties: %

4 Write in the total number of staff in New Zealand in full time equivalent:

5 Tick one of the following that best describes your firm

Wholly New Zealand owned
Part New Zealand owned
Wholly overseas owned

6 Write in the year your company was founded in NZ.

7 Tick any of the following that your company has done in the last 12 months for NZ books:

Made an overseas sales trip
Sold books overseas via the Internet
Sold e-books overseas via the Internet
Sold rights overseas
Received royalties from overseas
Represented at/attended overseas book fair ...

8 Tick one of the following

Definitely will export in 2003-2005
Possibly will export in 2003-2005
Definitely will not export in 2003-2005

9 Please complete the following about yourself:

First Name: _____
Surname: _____
Position: _____
Phone: _____
e-mail: _____

Any questions? - See over for help

Definitions
Book: a document with an ISBN. It includes electronic publication if the document has an ISBN.
Publisher: a publisher, other than the author, is making sale or income from the book, or the author is obtaining an income from a book after undertaking significant publishing activities beyond authorship.
Full-time equivalent: portion of time of full-time worker looked by partner e.g. half time = 0.5FTE. Add up all partners.

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No individual data collected in this survey will be published. Following Department of Statistics' practice, no tables will be published in which the number of entries in a cell is so small that the data for individual businesses can be identified or calculated.

1 Please write in the total number of units sold and the value of those sales for each market in the calendar year 2002

	New Zealand		USA	United States	Canada	Britain	Rest of Europe	Australia	SE Asia	East Asia	Other
	Volume	Value									
Printed books											
Rights/royalties											
E-books: education											
Other e-books											
Other											

2 How much did your company spend on overseas promotion in 2002 in \$1000s?

Revenue to non-New Zealand authors \$ _____
Royalties to non-New Zealand authors \$ _____
Other \$ _____

3 In 2002 what level of spending? Increase No variation Reduce

4 How many staff do you employ in...?
Editing _____
Sales _____
Marketing/Promotion _____
Admin _____

5 Did any of your employees receive formal training in 2002?
Yes No

If "Yes" what was the main reason?
not relevant - staff redundancy solved
Downtime associated with training
Can't hire all the skilled people required
Other

6 "Yes" how many received training?

7 What was the main focus of the training?
In-house on site
Polytechnic/university
Self-learner
Power training provider
Other

8 In what year did you last significantly upgrade your computer software? _____



When designing both questionnaires considerable effort was made to get all questions onto a single page. It was essential to minimise potential adverse first reaction to the form (which would have been worse if there was a multi-page form to complete). As it was, the second questionnaire was fairly daunting with its substantial table of blank spaces to be filled in. Attempting to go beyond this and also obtain a breakdown of genre by export market would have made the questionnaire excessively demanding, and severely cut the response rate.

The intent of the **personal interviews** was to build up a picture of the opportunities and pitfalls in exporting books from Aotearoa-New Zealand and the perceived barriers (with a view to identifying real and imagined impediments) defining:

- strategies and tactics for success and failure;
- dynamics of particular markets (both geographic and book type); and
- (perceived) impediments to exporting (elements of don't know how to – rather than don't want to).

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 (both type and geographic)?
- 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.



2.3 Response

The extensive search process identified a total of 1027 possible publishers, a significantly higher number than the 200 initially anticipated. Each of these candidates was sent the first questionnaire.

The final survey population was defined by a process of deduction, Table 1:

Table 1: Defining the survey population/identifying current publishers

Response group	Number
First questionnaire sample	1027
Less	
Not publishers (authors, book sellers, etc.)	180
Undelivered (gone no address)	41
Not publishing at moment so not returning form	2
No identifiable and operating phone number	136
Didn't answer their phone, repeated rings	23
Identified publishers	645
Returned original copy of first return	197
Returned first reminder	166
Returned second reminder form	31
Returned third reminder form	1
Gave info over phone	11
Valid responses	406
Explicitly refused	18
Took messages (secretary/ answerphone) but didn't ring back	14
Requested another copy of the form, but did not return it	35
Said they had returned it, but not received	2
Undefined	170
Non response	239

The 406 responses to the first survey represent 63% of the final survey population. A sample of 79 was selected from this group for the second survey (initially it was 80 but one was dropped when its publications did not have ISBNs – one of the tests of a “book”). Replies were received from 57 (72%).

Concern for the potential impact of non-refusals and non-respondents led to a detailed analysis of the members of these groups. It was determined that the survey had achieved good coverage of the known larger companies with two exceptions. One of the outright refusals, despite repeated requests was one of the New Zealand companies noted for its export activities while one significant multinational company was among the non-respondents. In both cases, it was necessary to make assumptions from other data sources to arrive at estimates that could be included in the overall assessment of the industry’s turnover, exports, and resources.

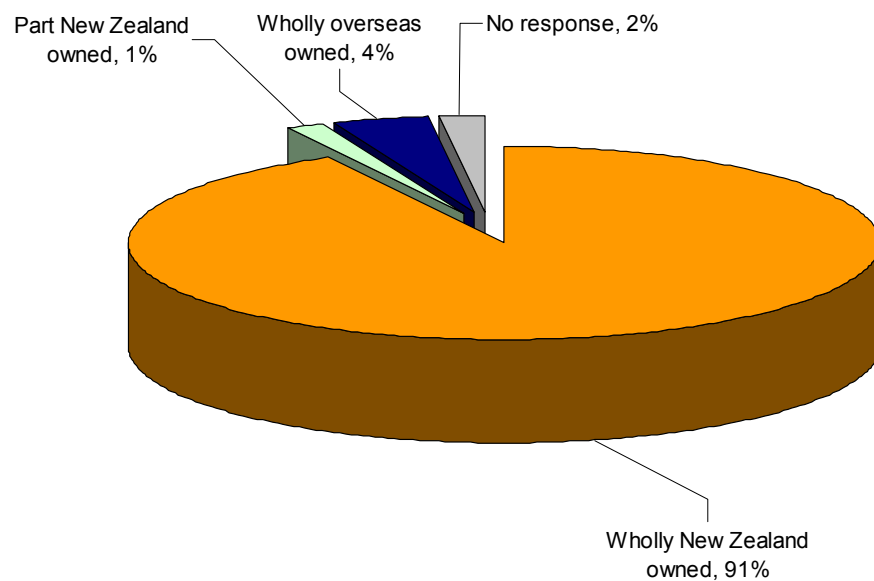


3 INDUSTRY PROFILE

3.1 Ownership

The industry is dominated numerically by New Zealand-owned firms with only 18 wholly overseas-owned firms in the survey respondents, (4.5%), Figure 1.

Figure 1 Ownership



3.2 Staffing

It is estimated on the basis of the survey that the book publishing industry employs some 1870 people. The distribution of the staff is highly skewed the 7% of the companies that employ 10 or more staff having 73% of the total employment, Table 2. This reflects the large number of one man/woman operations. However, there is a solid core of middle-sized publishers, even if this is fairly small by the standards of some other sectors.

Table 2 Distribution of staff

Number of staff	% of publishers	% of staff
0-1	64%	6%
2-10	29%	20%
11 or more	7%	73%

3.3 Founding Date

A high proportion of publishers have only been in existence for a short period, with over half as shown in Table 3, and Figure 2 (which include values for non-respondents for whom this data is known from other sources).

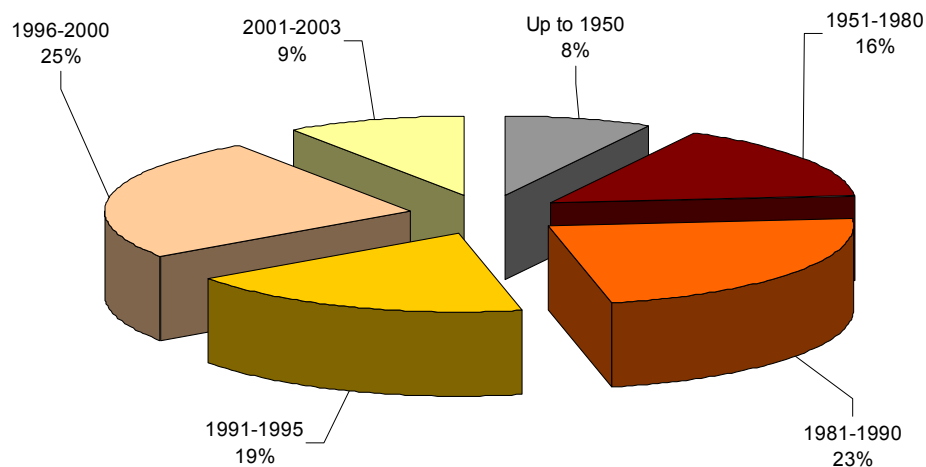


Table 3: Date of founding of business

Year	Number	Proportion
Up to 1950	26	8%
1951-80	54	16%
1981-90	78	23%
1991-95	63	19%
1996-2003	117	34%
Missing	32	
Total	408	

More than half of the firms responding to the survey were founded since 1990, although there is a hard core that has been operating in New Zealand for over 50 years. The situation is not greatly different even for the large publishers. Most of these were also founded in their present form in the 1980's and 1990's.

Figure 2 Date of founding of business



This situation suggests a high rate of turnover. This is also indicated by the substantial number of publishers found in *“Books in Print”* who are no longer in business. However, it would appear that the numbers of publishers has been growing, notwithstanding that a couple of multinationals have withdrawn from publishing in New Zealand and taken the work to Australia.

3.4 Publications

It is estimated that there were over 3600 titles published in 2002 of which nearly 2100 were exported, Table 4 and Figure 3. The concentration on educational titles is the most striking feature, with this genre making up:



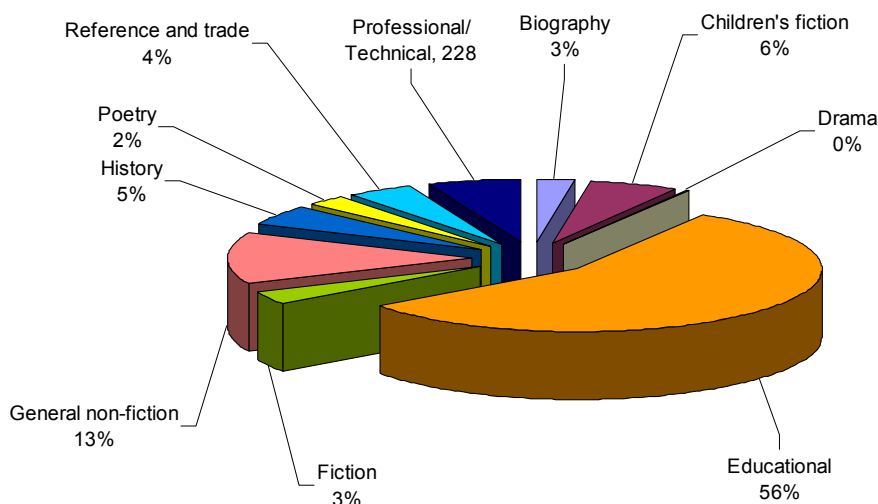
- 56% of all titles published; and
- 66% of exported titles.

Table 4: Numbers of titles published, and those exported, in 2002

Genre	# of titles	% of total titles	# of titles exported	% of exports
Biography	93	3%	38	2%
Children's fiction	205	6%	96	5%
Drama	11	0%	7	0%
Educational	2038	56%	1375	66%
Fiction	124	3%	68	3%
General non-fiction	482	13%	194	9%
History	195	5%	102	5%
Poetry	87	2%	27	1%
Reference and trade	160	4%	70	3%
Professional/Technical	222	6%	110	5%
Total	3617		2087	

Notes:
Estimates have been included for non-respondents. NB two major educational publishers did not respond. Estimates included for these firms are based on publicly available data.

Figure 3 Share of titles published in 2002



Most of these educational books were in a single subject – early childhood literacy. In contrast, the genre that could be considered to comprise literature accounted for 20% of the titles, but only 16% of the exports.



The relationship between ownership and the number of publications, Table 5, is striking given there were returns only 18 wholly-overseas owned firms in the survey. This is an average of 64 titles per firm and 35 exported compared with averages 6 and 4 respectively for the New Zealand-owned publishers.

Table 5 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

3.5 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, Table 6.

Table 6 Distribution of turnover

Turnover	Number of publishers	% of Publishers	% of Turnover
Under \$100,000	300	74%	2%
\$100,000 - \$999,999	52	13%	10%
\$1 million or more	22	5%	88%
Missing	34	8%	
Total	408		

Notes:

Two major New Zealand publishers in the educational sector did not respond to the survey. Dummy returns have been included for these firms based on publicly available data increasing the number of publishers counted to 408 from the 406 responses.

The table reveals a picture of an industry dominated by micro-businesses in terms of their economic output. Within this overall distribution there are variations based on ownership. While wholly overseas-owned firms are quite insignificant by number, they dominate the industry in terms of turnover, with more than half earning more than \$1 million in 2002, compared with 4% of the New Zealand firms, Table 7.



Table 7 Ownership of publishers and turnover

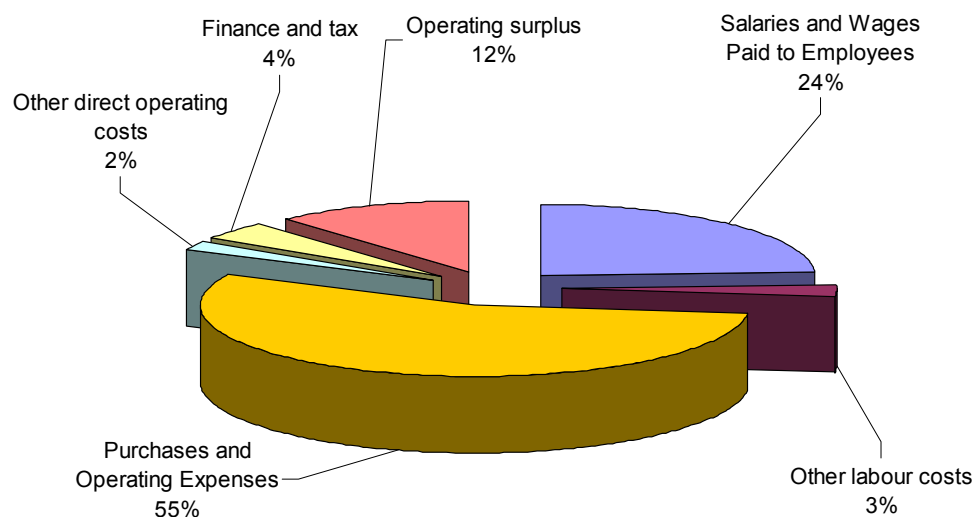
Turnover	% of New Zealand owned	% of joint owned	% of wholly overseas owned
Under \$100,000	82%	100%	27%
\$100,000 - \$999,999	14%	0%	20%
\$1 million or more	4%	0%	53%

3.6 Cost structure

A breakdown of the cost structure of the industry is provided by Statistics New Zealand in their Annual Enterprise Survey. The definition of the industry differs significantly from that applied in this study in that it does not include small publishers, or those publishing as an ancillary component of their operation. On the other hand it includes publishers of a variety of material other than books, but it does exclude magazine and newspaper publishers.

The cost structure of the industry defined by the Statistics New Zealand is summarised in Figure 4.

Figure 4: Cost breakdown of book publishing industry



3.7 Involvement with New Zealand literature

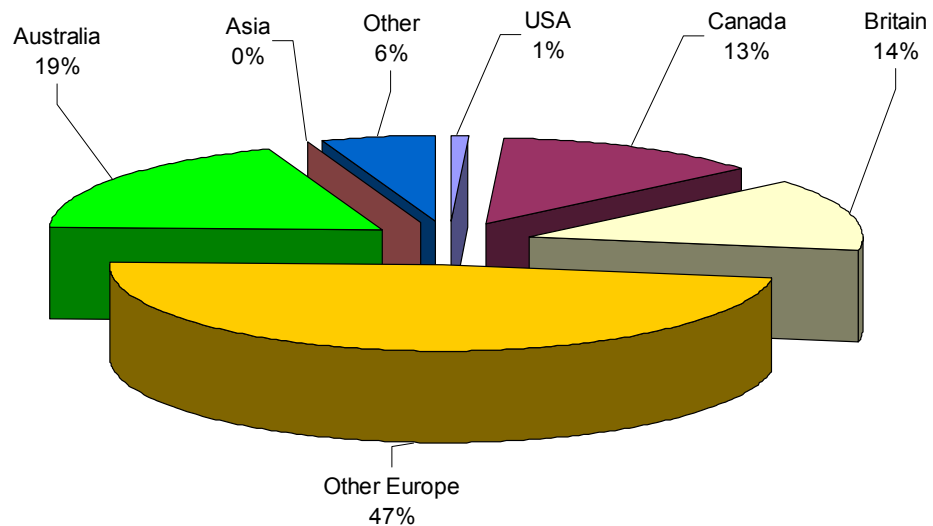
A detailed subdivision of the source of total and export revenue by genre is beyond the limits of a voluntary survey. Nevertheless an indication can be deduced from the collected information. For this purpose “literature” books are taken to comprise those of biography, fiction (including children’s fiction), drama, history, and poetry. There may be some amongst these that are not New Zealand authors, but authorship has not been investigated in this project.



Some publishers specialise in these genres and their information is directly applicable. For those publishing a wider mix of genre some assumptions are required. It has been assumed that literature publications sell, on average, as well as the non-literature books produced by the same publisher. This is likely to be somewhat optimistic, as some works of literature, notably those requiring subsidy to be published, are known to sell in rather small numbers.

Within this limitation, sales of New Zealand literature within New Zealand can be estimated at \$15 million. This is 18% of total domestic sales of New Zealand published books. Exports of New Zealand literature are estimated at some \$7 million with the estimated regional distribution of these sales shown in Figure 5.

Figure 5: Exports of literature



3.8 Grant/public support sought and received

Grants are a very minor source of support for virtually all publishers. The most significant, in terms of size, are the grants of up to \$5,000 per work by Creative New Zealand to assist publication of literary works. In practice these grants rarely exceed \$3,000. In 2002/03 over 40 such grants were made, at a cost approaching \$100,000. The purpose of these grants is to enable authors to make their works available to be read. They are really support to the authors, rather than the publishers *per se*, but fit within a broader strategy of supporting all elements in the publishing industry value chain.

The only other form of support that a significant number of publishers have used is assistance to attend book fairs, particularly the Frankfurt one. All substantial publishers are aware of the importance of book fairs, and most have been to at least one. Often this has been at their own expense, but the assistance of TradeNZ has been well used and appreciated. On the other hand, programmes such as “Biz” appear to be poorly known and virtually unused by publishers.

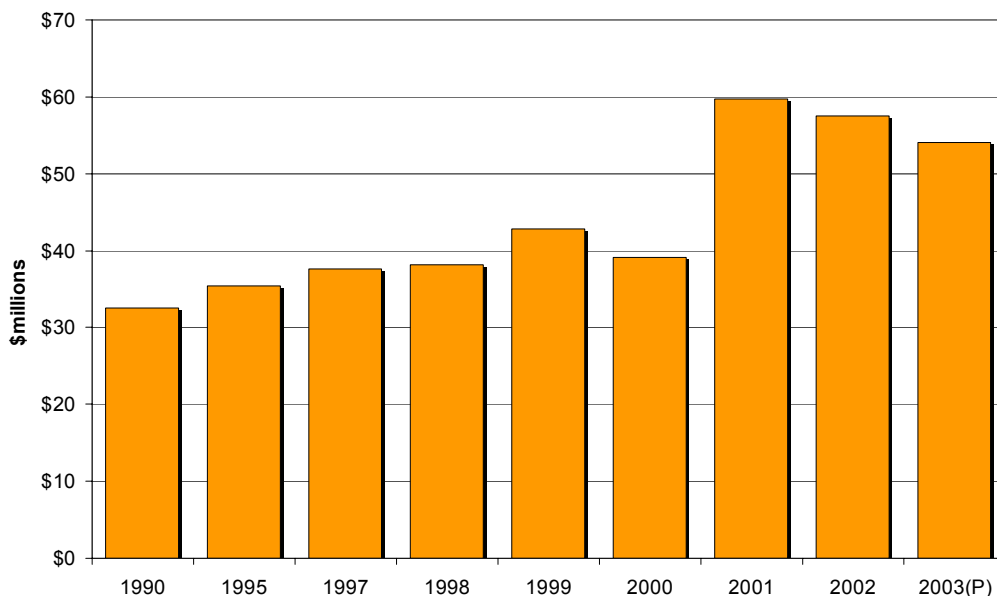


4 EXPORTS

4.1 Official Statistics

Official statistics⁴ on book exports show exports rising from \$32 million in 1990 to \$60 million in 2001 before falling back to \$57 million in 2002 and provisionally to \$54 million in 2003, Figure 6.

Figure 6 Official statistics for Book Exports



These (year ending in June) figures are derived on a different basis from that adopted in this study and include other types of printed matter ranging from globes and Christmas cards to bus tickets.

In practice, the data appears to focus more on printing rather than books *per se* (selecting only the subclasses that include books and booklets reduces the 2002 exports to only \$19.5 million). Furthermore, printed material was included only if it was physically exported from New Zealand. Books printed and distributed from Asia are not counted.

The recent time series of book exports with this more restricted and relevant definition is shown in Figure 7. The regional distribution of these sales is shown in Figure 8.

⁴ Statistics New Zealand, (2003) "New Zealand External Trade Statistics June 2003", Section 3 Commodity Trade by HS Classification.



Figure 7 Book exports trend (official statistics, restricted definition)

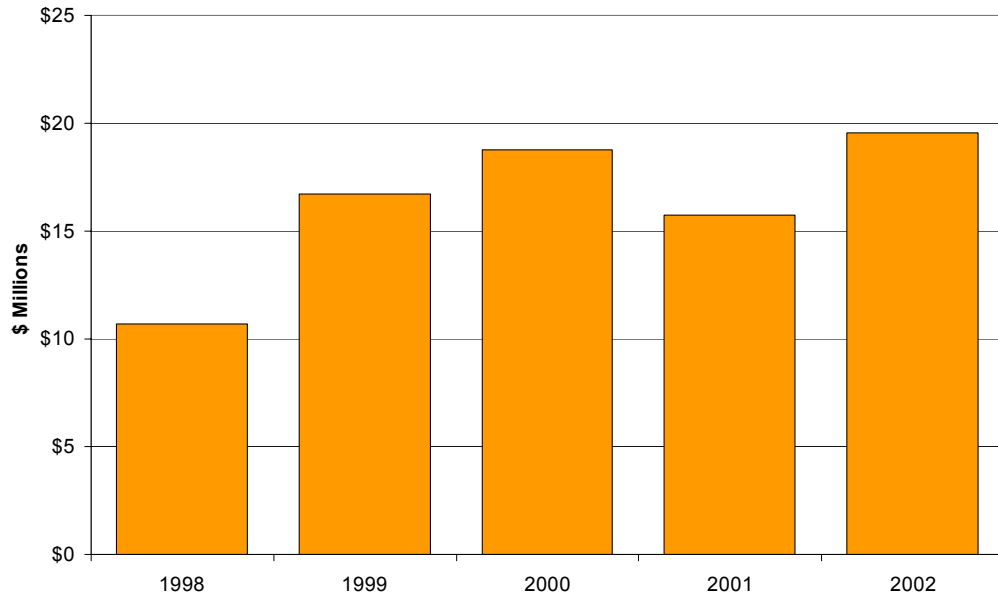
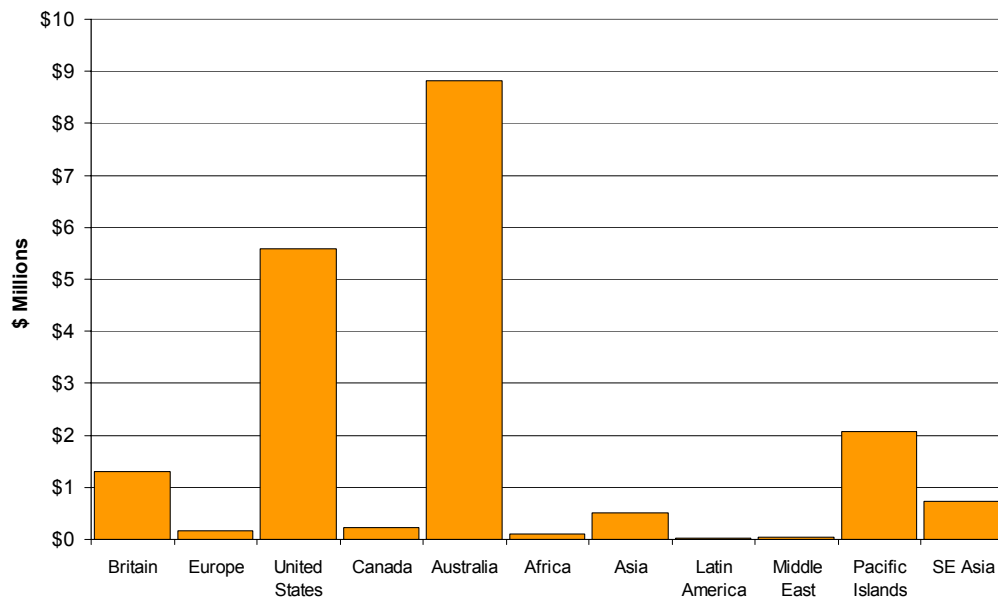


Figure 8 Exports by region (official statistics) restricted definition



4.2 Survey results

The estimate for book exports for 2002 established by the survey is \$117 million. While 183 publishers reported exporting in 2002, only 16% of them gained 25% or more of their revenue from exports, Table 8.



Table 8: Proportions of turnover from exports

Proportion of turnover from exports	No. Publishers	% Publishers
Nil	189	46%
1-24%	118	29%
25% or more	65	16%
Missing	36	
Total	408	

There is very little relationship between size of firm and export orientation. Even the very small publishers obtain as high a proportion of their income from exports as the bigger ones.

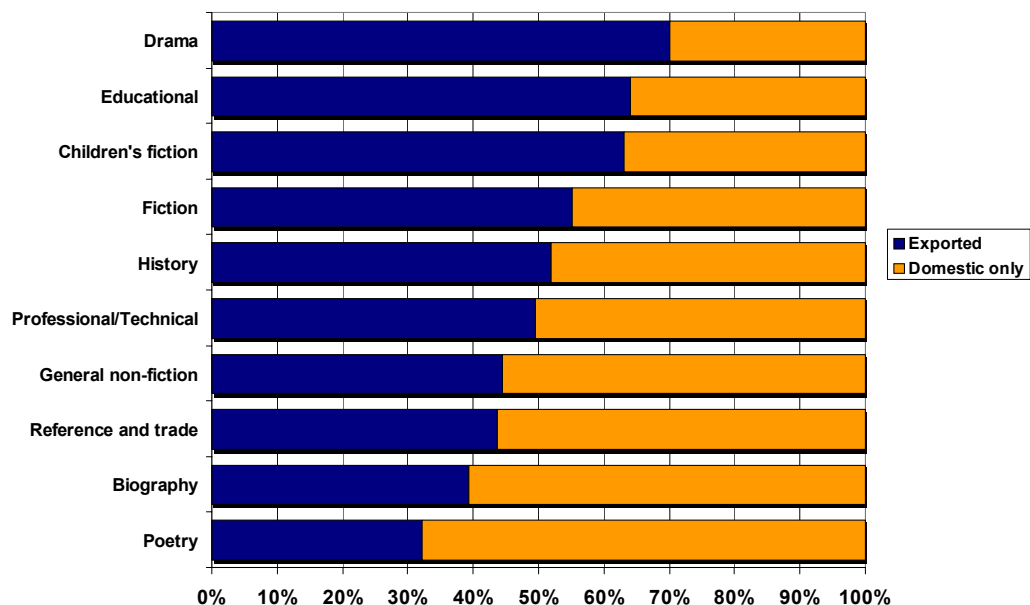
The distribution of export earnings is also highly skewed, Table 9.

Table 9 Distribution of export earnings

Turnover	No. publishers	% Publishers	% Turnover
Under \$100,000	354	87%	1%
\$100,000 - \$999,999	18	4%	6%
\$1 million or more	9	2%	93%
Missing	27	7%	
Total	408		

A feature of the returns is the high proportion of each genre exported, Figure 9.

Figure 9 Proportion of titles exported by genre

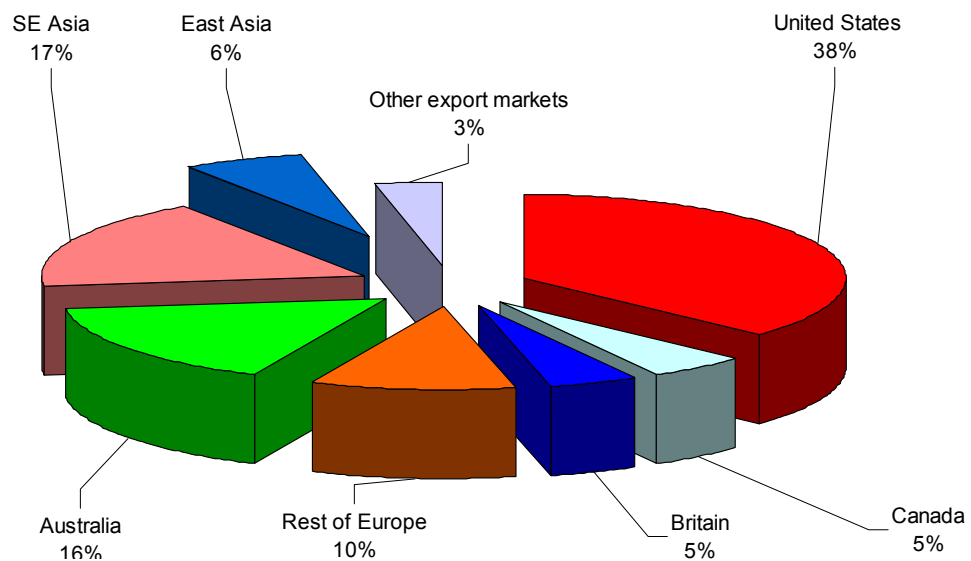




The reason for high exportability of drama is not known, but there were only 11 titles. Poetry books also appear to mostly sell in only small numbers with a high proportion of small self-publishers with no exports.

The United States is the single largest export market reported in the second survey in terms of overall revenue, Figure 10.

Figure 10 Distribution of export revenue by market



4.3 Sales-related activities by publishers

Considerable numbers of publishers had been involved in the various activities used as indicators of the extent to which they were actively promoting their products overseas, as shown in Figure 11.

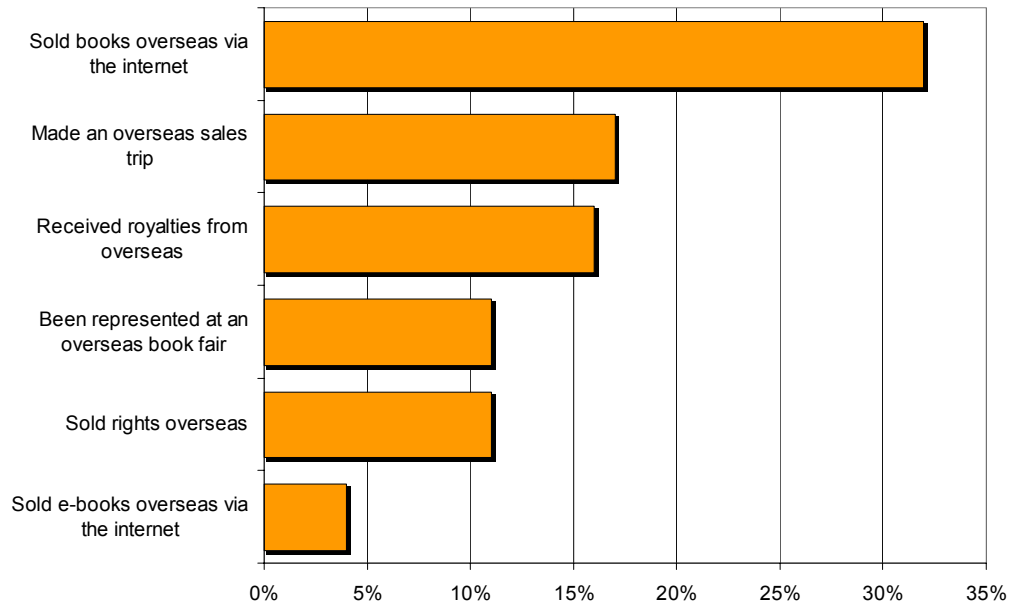
Many publishers (n=130, 32%) have made attempts to develop using the Internet as a means to sell to export. In practice, this has sometimes proved to be excessively expensive, and while some are successful, others are now retreating from it.

Making overseas sales trips (n=69, 17%) and being represented at book fairs (n=45, 11%) are recognised as essential for developing and building contacts with distributors and other publishers. It would appear from the interviews, however, that not everyone is sufficiently organised to take advantage of the opportunities presented by the contacts generated.

The proportion getting royalties from overseas (n=65, 16%) is higher than those selling rights in any one year (n=45, 11%) since royalties can continue for more than one year for successful books. Books in different genres have very different commercial lives. Some overseas publishers will remainder fiction books after as little as two months. Many education books can continue to sell for a number of years.



Figure 11 Sales activities by publishers



E-books do not yet sell in substantial quantities, with relatively few of the publishers involved in this activity (n=16, 4%).⁵ Payment over the Internet is still very dependent on perceived trustworthiness of the trader. Small and poorly known traders have a credibility issue.⁶

⁵ Although downloads can be numerous if no payment is required

⁶ In other sectors this is addressed by accreditation, see for example, computer retailers registered with ZDNet (www.zdnet.com)



5 INPUTS TO STRATEGY DEVELOPMENT

The two quantitative surveys were designed to establish a baseline of New Zealand industry data relating to book publishing and to provide quantitative information to determine the current level of activity in overseas markets. They revealed a higher level of export activity than previously anticipated but also a significant proportion of publishers not intending to export over the next three years. The companion qualitative survey was designed to explore the current export strategies, international sales aspirations and perceived impediments to export growth.

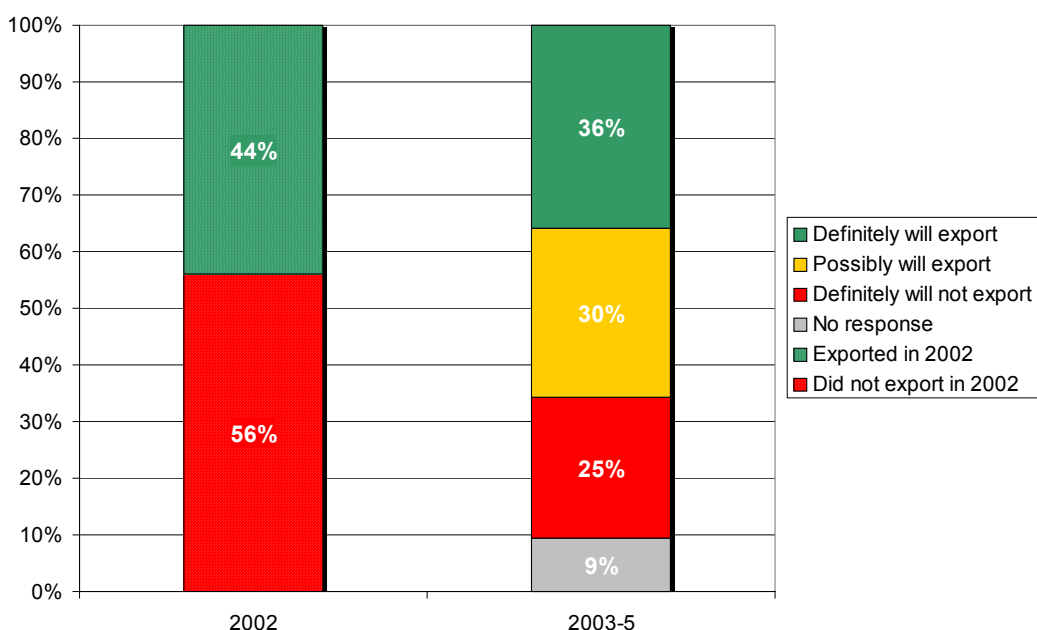
The following section begins with a discussion of exporting intentions and then examines the impediments to increasing export sales identified in the survey. The results of the survey in terms of the current pattern of exporting and strategies are then discussed. It then reviews the structure of the publishing industry in terms of the value chain and the opportunities and barriers to New Zealand publishers that are presented by the dynamics of the industry.

This is followed by a consideration of some of the strategies to promote publishing and book exports used overseas. Conclusions are then drawn which may assist in strategy development.

5.1 Exporting intentions

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, Figure 12.

Figure 12 Exporting in 2002 and export intentions for 2003-5





It requires just over one quarter of the publishers who said they possibly will export in 2003-2005 to maintain the 2002 number of exporters, Table 10.

Table 10: Publishers exporting intentions

Intent	Number	Proportion
Definitely will export in 2003-2005	148	35%
Possibly will export in 2003-2005	121	31%
Definitely will not export in 2003-2005	101	25%
No response	38	9%
Total	408	

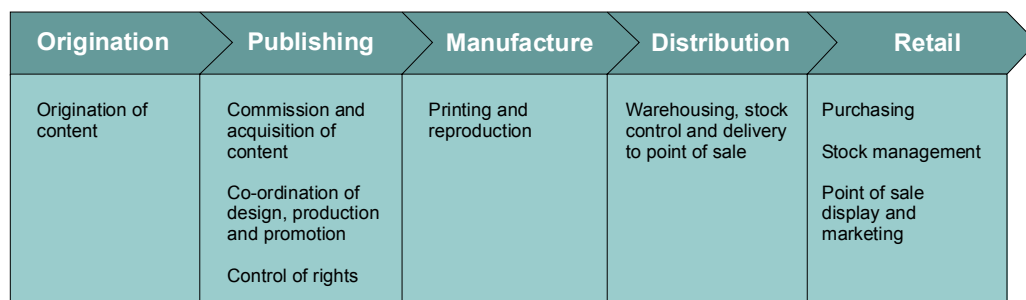
It is estimated that publishers spent between \$8-10 million on book fairs and other promotional expenses. In 2003:

- 14% expect to increase their spending;
- 67% expect their spending will be maintained; and
- 19% expect their spending will reduce.

5.2 Exporting strategies

The conventional way to picture the publishing industry is as a value chain comprising a series of operations. In the past companies have tended to focus in one particular step in the chain, Figure 13.

Figure 13 Print publishing value chain

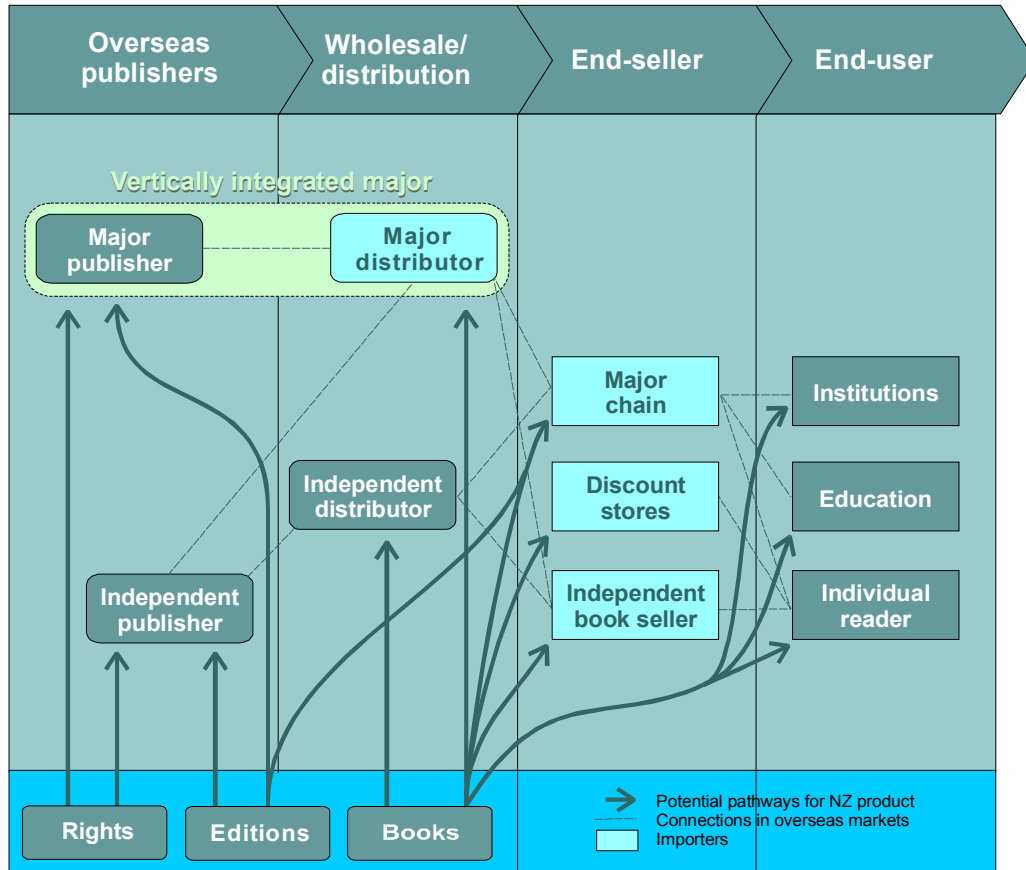


This pattern is now changing. Various factors including a desire to harvest value all along the chain have been driving vertical integration for some time. The rise of the Internet is also changing the relationship between the supplier and the user with consumers now being able to order on-line from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

The export of published books (as rights, editions and books) from New Zealand is taking place in the context of structural changes in the value chain which are reflected in the routes to market illustrated in Figure 14.

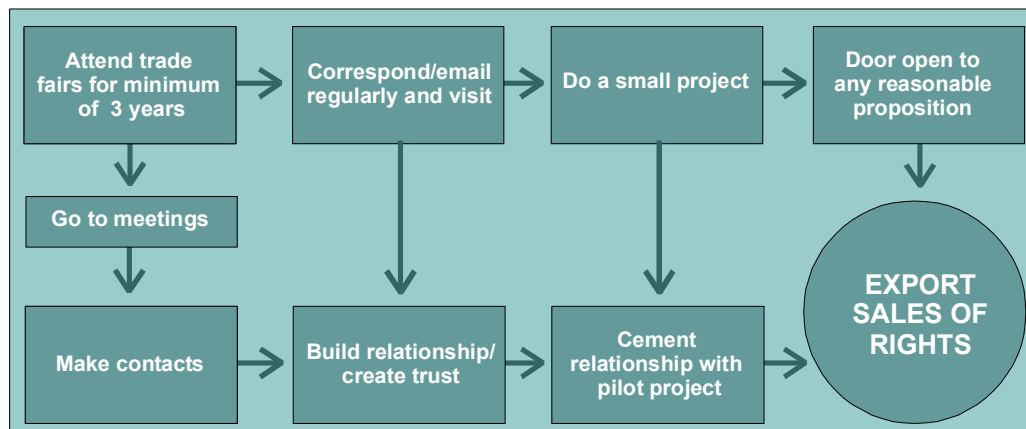


Figure 14 Routes to market



There are some common themes in terms of export strategies which in large measure revolve around developing and maintaining relationships to build and maintain credibility, whether the firm is a large multi-national or a one-man band. A generic pattern for this relationship development is seen in Figure 15.

Figure 15 Generic relationship development





The relative capacity of the large multi-national and the typical small New Zealand owned publisher to sustain these relationships, however, can vary 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).

Distribution issues

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 buying 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 and furthermore be accorded second priority in terms of sales effort in the case of a major who distributes who would always be interested in selling their own books before somebody else's. 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. For the New Zealand independent publisher the key issue to be addressed is the price at



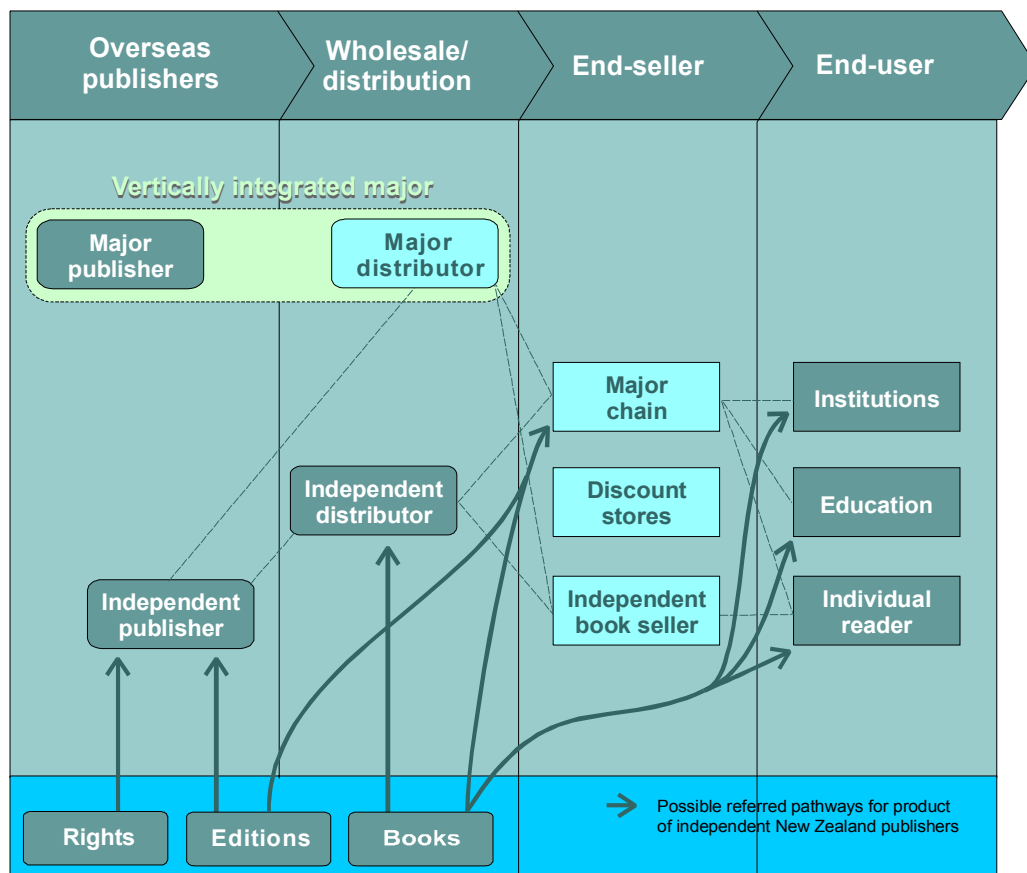
which these operations will purchase, a benchmark set by “remaindered” books. The **independent book retailers** tend to focus on the higher end of the market. Their typically low volumes of sales precludes them as a focus of a volume growth strategy.

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 multinational colleagues having the wider pool of their affiliates and typically having more resources to apply to marketing). Figure 14 has been redrawn below in Figure 16 to show only the pathways that might be preferred.

Figure 16 Possible preferred pathways for independent New Zealand publishers



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 and networking.

A clear understanding of the target market, in this case teachers and administrators, is essential. If teachers really want what you are selling to use in their teaching then they can do much to convince parents, purchasing departments, etc. so that they can get their hands on the resource. Value can be added in this process in a number of ways, as illustrated by Biozone International, a firm based in Hamilton.



5.3 Impediments

Three main classes of impediment have been identified that will need to be addressed if overseas sales of New Zealand books and published intellectual property are to be significantly increased. Using the rhetoric of the interviewees, these are:

- lack of resources;
- lack of motivation; and
- lack of the “right product”.

5.3.1 Lack of Resources

Lack of **money** is commonly identified as a barrier to exporting. Typical funding requirements are for travel to:

- build relationships with overseas publishers in order to sell rights; and
- trade fairs and for follow-up visit to contacts made at trade fairs.



All of this travel costs money and part of the difficulty for small companies is that this investment in exporting normally has to be financed out of cashflow.⁷

A second resource perceived to be in short supply is **time**. 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 third impediment is a lack of **market expertise**/ country knowledge about countries targeted for sales. This can mean that effort put into overseas marketing may be partly/completely wasted because the effort isn't targeted to the right people in terms of who actually can make the decision to buy the New Zealand intellectual property or books.⁸

5.3.2 Lack of Motivation

For the New Zealand firms the decision to export is essentially one of individual motivation (free from the dictates of a command economy). A barrier to be overcome is that some potential exporting publishers cannot see enough return on the investment of time, money, etc., to actually bother to make the effort. This is expressed in terms of how exporting is “too” this or “too” that: “it’s too expensive”; “it’s too difficult”, “it’s too time-consuming” for the results that can be expected to flow from it (all of which may also be true!).

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, ultimately, no income is derived from the efforts put into export; and
- getting paid, simply because of unfamiliarity with the processes of dealing with overseas institutions etc., in particular, in China and the rest of Asia.

5.3.3 Lack of the Right Product

Book publishing has its share of stories of idiosyncratic success – like authors who approach 127 publishers before one picks up their book and a multi-million dollar business is launched. While the individual “hit” may be unpredictable, a

⁷ Clearly there is also the option for some of raising investment funds to finance development. A key in determining the bankability of a proposition is likely to be the experience of the person seeking the funding. If, for example, they have already had extensive experience in exporting as an employee and have perhaps explored setting up their own business while still an employee, they might be an attractive proposition to a bank and be able to raise six figure sums

⁸ 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 can't substitute cash with process and networks), then the product can fail because it isn't with someone who can develop it



series of basic criteria which are typically necessary to demonstrate that what is on offer could sell in overseas markets can be identified (although these are not sufficient to ensure it will sell). Having the “right product” means that it is:

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

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 book shops, it's always in a minority and can have a problem achieving visibility.

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.

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.

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.

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 cook book



which went around the world on the web.⁹ 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.

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 selling rights and not books then the potential to exploit those rights in different media may be useful leverage in some markets.

5.4 Overseas strategies for promoting exports of books

The UK provides some useful examples of strategy development in both the broader creative industries (of which book publishing is a minor part) and more specifically related to publishing. The work builds on the mapping of the creative industries (including publishing) undertaken in the late 1990s by the Department of Culture Media and Sport (DCMS). This led to the publication of the Creative Industries Mapping Document in 1998 and its subsequent updating in 2001. The DCMS had a broader coverage of publishing than that used in the current research, although it did separate out books and learned journals for which it reported revenues of £4,476M in 1999.¹⁰



In 2002 the results of a major study on the publishing industry for the Department of Trade and Industry was published.¹¹ It identified three challenges for the industry to meet as it moved towards operating in a knowledge economy:

- **the challenge of sustainable growth:** to compete on a global scale, UK companies must have a strong home base from which they can develop a truly global business. The publishing industry must also adapt to and become a central feature of a rich, competitive knowledge economy.

⁹ See the discussion at: <http://www.planetpdf.com/mainpage.asp?webpageid=2962>

¹⁰ Department of Culture Media and Sport (2001), *Creative Industries Mapping Document*, DCMS, London, p11|02, (available at: www.culture.gov.uk/creative/mapping.html)

¹¹ Department of Trade and Industry, (2002), *Publishing in the knowledge economy: Competitiveness analysis of the UK publishing media sector*, DTI, London



- **the challenge of changes in customer behaviour:** publishers need to improve their understanding of their end-customers and offer better, more targeted services to their advertisers.
- **the challenge of digital media:** the competitive landscape is changing and many regulatory and technological challenges lie ahead. The responses to our questionnaire, interviews, focus groups and workshop indicate: The industry is aware of the need to launch new products and services and get closer to the end-customer. It also recognises the importance of putting in place e-business technologies to improve processes.



As a result of these investigation a 34 point Action plan for government, industry and associated stakeholders was developed. Some of the highlights are set out in Table 11.

Table 11 Selected UK Publishing Study Action Plan items

Action Plan items
<p>Expressing a concern that UK rules make it easier for new entrants into the UK media market from abroad to establish a presence here than for UK companies to build a strong home base, it was recommended that:</p> <ul style="list-style-type: none"> • <i>If the government wants to encourage globally powerful UK-based publishing and media companies it must consider relaxing competition law in how it treats the UK publishing sector and re-examine its definition of the relevant publishing sector market;</i> <p>Concerned about the supply of a skilled workforce it was recommended that:</p> <ul style="list-style-type: none"> • <i>As the publishing industry moves ever closer to producing new products and services that use increasing degrees of integration of content with value-added services, the need for specialists in information engineering and technology will increase. This will require the ability to attract people into the industry and continually train and re-train staff. A strong publishing Sector Skills Council (SSC) must be established urgently to ensure that the skills reflect those required in the knowledge economy;</i> • <i>Proper career development paths using industry-standard qualifications (driven by SSC) must be put into place. This will encourage young graduates into the industry who will be able to more easily compare the</i>



publishing industry with other potential careers .

Better understanding of the scope of the industry and the way it is perceived underpin recommendations to:

- *undertake market research to understand how it is perceived by end customers, the Government and other industries. This should be focused on determining what the current perception of the industry is by these groups – which particular expertise in the publishing industry can be targeted at which groups and develop a plan for increasing awareness within these groups ;*
- *capture the essential dynamics of the industry in statistics: DTI, Office of National Statistics (ONS) and UK Publishing Media (UKPM) to collaborate with each other and representatives of the EU publishing industry in representations to the EU on NACE revisions (Eurostat 2006); a study to be conducted based on the gap analysis from the main report to arrive at detailed recommendations on the data that needs to be collected; and Government and UKPM to collaborate in an initiative to communicate to the industry the importance of supplying data.*

Acknowledgement of the growing importance of information technology was reflected in recommendations:

- *for Sector-specific/common technology awareness forums and other methods to communicate best practice to be devised on key technology opportunities aimed at both strategic and technical levels and audiences;*
- *Government to use its influence as far as possible to support open standards for content provision on all existing and new platforms.*

Issues around gaining a better understanding and servicing the end customer prompted recommendations that:

- *Publishers need to invest in Digital Rights Management, Content Management Systems and Customer Relationship Management technology better to understand and service their end-users' behaviour. This will assist in both selling products and services, as well as improving the targeting and profiling of customers for advertisers and direct marketing;*
- *Industry must implement strategies throughout companies and trade associations to collect data about how information is used and its context, as well as the current sales and advertising data.*

The need to service the advertiser more effectively and to extend channels to the end consumer were reflected in recommendations that:

- *Relevant industry sectors to lobby for carefully managed introduction of competition in mail services to meet cost/efficiency goals without threatening universal delivery;*
- *Other routes to the customer must be developed and/or strengthened in order to protect diversity and innovation and to support frequency of purchase. For example:*
 - ❖ *Professional alternative home delivery services should be created;*
 - ❖ *Subscriptions should be extended; and*
 - ❖ *Targeted direct mail should be exploited and supported by*



Internet-based CRM¹² techniques;

- *Publishing trade associations, the industry and supply chain partners need to accelerate adoption of e-commerce initiatives and standards to facilitate information exchange throughout the supply chain;*
- *The industry and distribution trade associations to continue to support independent CTNs¹³ with promotional campaigns, clubs and supply chain innovations;*
- *Supermarkets must include magazines, newspapers and books in the supermarket code. This code also needs to be made more robust;*
- *Build on existing initiatives in the book supply chain arising from the report “Unlocking the Supply Chain’s Hidden Prize” – use this opportunity to inject fresh momentum.*

The report also contains a further 18 action points related to the changing competitive landscape addressing a range of issues including:

- *Copyright;*
- *Standards;*
- *Gatekeeping (vis-à-vis British Telecom’s perceived slow roll-out of broadband);*
- *Taxation;*
- *Regulation;*
- *the BBC; and*
- *Government information use.*

The action plan for industry development will build on a range of existing strategies for growing the industry in the UK. 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.¹⁴ The Association also provides market intelligence for a wide range of countries.¹⁵



12 CRM is Customer Relationship Management
 13 CTN is a UK retail class comprising Confectioners, Tobacconists and Newsagents
 14 *US Book Market: A Route Map for UK Publishers*, US Book Market Seminar at London Book Fair, 16 March 2003
 15 see: <http://www.publishers.org.uk/paweb/paweb.nsf/pubframe>



One of the more sophisticated strategies to develop national book publishing has been put in place by Heritage Canada¹⁶. Its programme is intended to strengthen the capacity of the Canadian-owned and controlled sector of the industry to publish and market Canadian books in both domestic and international markets. It is designed, amongst other things, to:

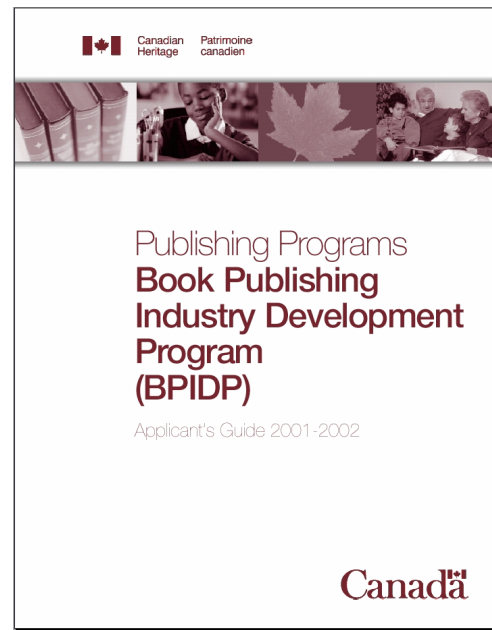
- provide an incentive to Canadian-owned and -controlled firms to increase their efficiency and to reward those firms that succeed in enhancing their long-term economic viability;
- provide Canadian-owned and -controlled firms with the tools required to become more competitive, to build equity, and to finance growth and expansion;
- facilitate market expansion, especially through the use of new technologies in publishing;
- favour Canadian ownership; and
- preserve the diversity of genres in the publishing of Canadian-authored titles

The BPIDP includes a specific component administered by the Association for the Export of Canadian Books designed to:

- familiarise publishers with export markets and to help them to expand their sales through participation in international events, where they can sell foreign rights and finished products, and can negotiate other arrangements with their foreign counterparts;
- assist publishers in implementing their export strategies to increase the international sales of Canadian books

Canadian publishers can apply for financial assistance for their attempts to expand export markets for their Canadian books. Eligible marketing costs include:

- market studies performed by independent consultants;
- development costs (up to, but not including, the print stage) of prototypes for the sale of rights, or for the marketing of books in the educational sector;



¹⁶ refer: *Publishing Programs: Book Publishing Industry Development Program (BPIDP), Applicant's Guide 2001-2002*, Canadian Heritage: Patrimoine canadien, Ottawa, 18pp



- external production costs incurred externally for publicity material costs for the purchase of advertising space in media outlets;
- production costs of complimentary and sample copies;
- travel costs for Canadian authors for authors' tours or workshops in Canada given by authors in schools or libraries, or at conferences or conventions;
- booth and space rental in Canada;
- travel costs for a maximum of two employees responsible for the booth;
- mailing lists costs (purchase, rental, or making);
- costs for freelancers (e.g. press attaches, graphic designers) hired for marketing;
- facilitation, teaching workshops, etc.;
- postal or shipping costs for promotional material;
- salaries of permanent staff employed for the design, production and shipping of publicity material for participation at book fairs and/or conferences; and
- costs related to web sites for promotion, information or other purposes.

Other measures to promote publishing also recognise the interdependency of publishing and origination. Various schemes are in place around the world to encourage creative production including exemption from income tax for authors in Ireland and an extensive programme of support for authors and related businesses in Denmark.

5.5 Strategy development implications

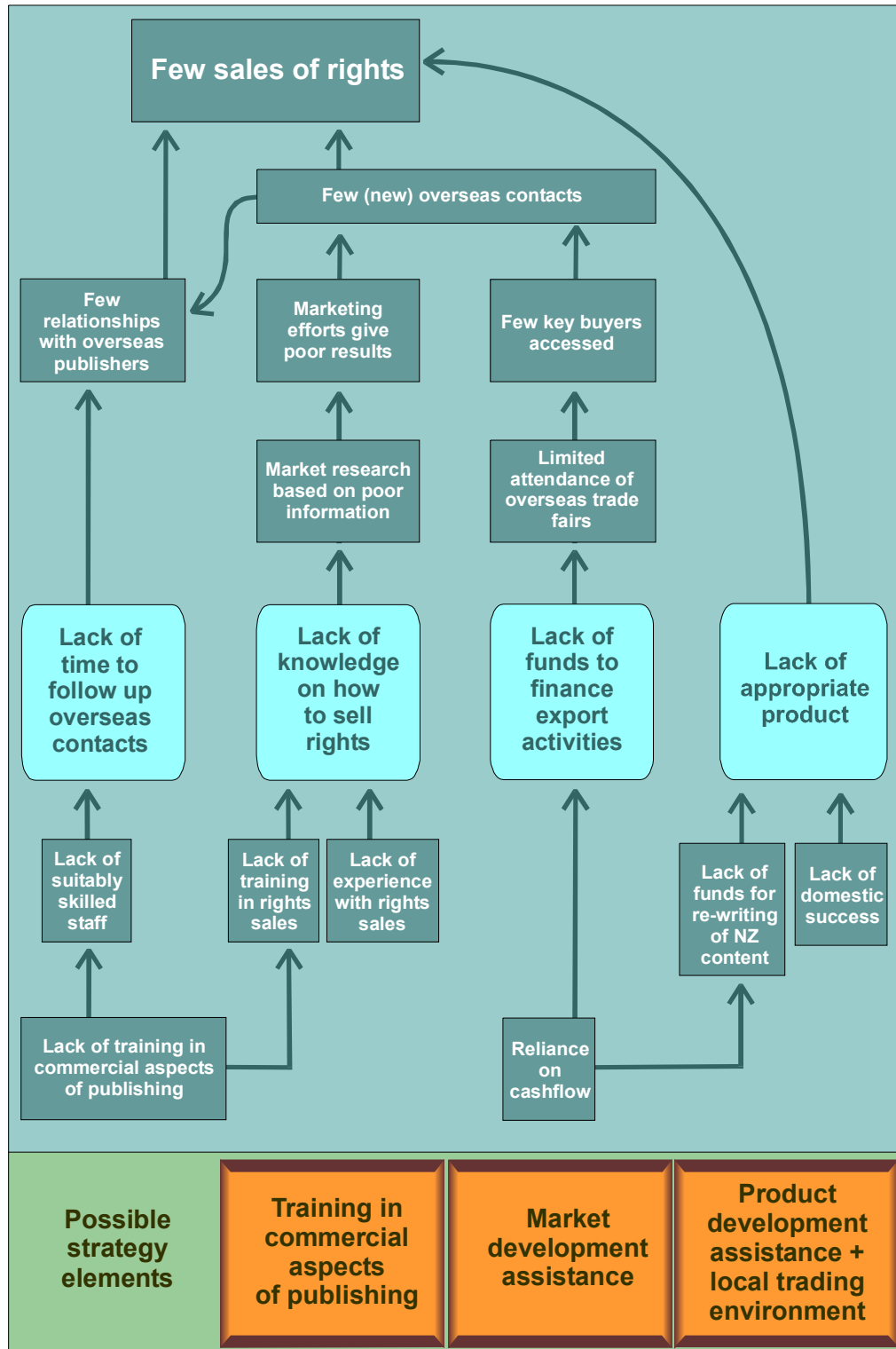
The analysis of market structure and dynamics and of the impediments to increased exports of New Zealand published books provided a number of elements required for strategy development. Looking, for example, at the impediments in terms of the issues and consequences enables potential interventions to be identified, Figure 17.

Similarly each of the possible market development strategies for independent New Zealand publishers discussed in Section 5.2 can be seen to have an associated market research agenda. If selling rights, for example, it is necessary to identify the successful independent overseas publishers. A database of useful contacts (as provided in the UK Publishing Association's market reports) would be a useful starting point with general benefit.

There are clearly issues of scale in the New Zealand market which create particular challenges for the development of the local publishing industry. Many of the issues, such as the perceived need for a strong domestic market, and possible strategies have been put in place elsewhere and there is much to learn and interpret from that experience.



Figure 17 Four key impediments and potential remedies



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