Review of publishing

A review of Scottish publishing in the 21st century – summary report
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Summary report written by Marion Sinclair, Alistair McCleery and Mark C Graham, based on research commissioned by the Scottish Arts Council from PricewaterhouseCoopers and Napier University

The full research report is available on the Scottish Arts Council website, www.scottisharts.org.uk

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For over 30 years, the Scottish Arts Council has provided consistent investment in Scotland’s indigenous publishing industry in the firm conviction that, for a small country, publishers have a vital role in providing a written record of ourselves, both for our own needs, understanding, and enjoyment, and for the world. Many of Scotland’s abundant crop of successful contemporary writers launched their careers through small Scottish houses such as Polygon, and have gone on to become household names with major national, and international, reputations. The establishment of the Canongate Classics imprint in 1984 – a list that can still boast major innovations over 20 years later – provided one of the foundations for the literary renaissances of the 1980s and 1990s. More recently, National Lottery funding has made possible exciting and dynamic new initiatives such as the award-winning ‘Pocketbooks’ series, and the Scots language Itchy Coo imprint.

Canongate’s landmark Man Booker Prize win in 2002, the meteoric success of Polygon novelist Alexander McCall Smith, and the recent decisions of major metropolitan houses to establish satellites in Scotland confirm that competing in a huge anglophone market dominated by multinational conglomerates is as much an opportunity as a threat for the indigenous publishing industry. In this spirit, the Scottish Arts Council commissioned PricewaterhouseCoopers and Napier University in 2002 to conduct, in collaboration with the Scottish Publishers Association, a detailed investigation into the profile and needs of Scottish publishing in the 21st century, and to examine this in the context of an increasingly globalised marketplace, and a sector which has seen rapid technological, and commercial, change and challenge. This is a major piece of work of national import which completes four years of extensive research into, and consultation with, the entire literature sector in Scotland.

The substantial report, which we publish here in extract form, comes at a time when the Scottish Arts Council is also taking a considerably more proactive role in relation to co-ordinated support, in partnership with other agencies, across the Creative Industries sector as a whole. This will result in a range of initiatives which will help to develop individual skills, business opportunities and creative partnerships across a spectrum of activity, including publishing, music, crafts, writing for screen, and many other disciplines.

The robust recommendations of the Review of Publishing, therefore, represent meticulously researched and specific measures which have the potential to help consolidate and expand the current output and profile of Scottish publishers, but which, more generally, can also serve as useful and adaptable models of good practice in many other areas of the Creative Industries sector, such as the recommendation for an e-commerce portal. Some of these proposals will fall within the current remit and resources of the Scottish Arts Council; others, such as the proposal for an Investment Trust Fund, will require the co-operation, commitment and investment of other national agencies.

Scottish publishers themselves have played a central part in contributing to the process of the Review, and, as the principal national agency for the development of publishing in Scotland, the Scottish Publishers Association has been a leading partner in making it possible. We would like to thank them for their invaluable and generous work.

The past three decades have produced much creative, commercial and cultural achievement upon which to build. The Review of Publishing heralds the beginning of a new era of opportunity for publishing and the Creative Industries in Scotland, at a time when the nation’s literature continues to enjoy a golden age.

Graham Berry
Director
Scottish Arts Council
Executive summary

This report has been produced by PricewaterhouseCoopers and Napier University in response to a request from the Scottish Arts Council to review the current profile of the Scottish publishing industry in the 21st century and aims to address two broad issues:

1. the major challenges facing the sector and the actions needed to promote and improve the performance and competitiveness of the industry;
2. how the Scottish Arts Council and other funding bodies can best support and realise the benefits generated by the industry to the Scottish economy?

The current situation

The present situation is one of a diverse industry operating in highly competitive markets. The industry is primarily made up of owner-managed small- and medium-sized enterprises (SMEs). These SMEs are spread across the regions and communities in the country but are mainly located in the Central Belt.

Publishing products are influential in the education system and the social, cultural and political life of the country. The Scottish publishing industry has an important role to play in the fostering of writing talent: many writers who now enjoy international success began their careers with Scottish publishers. The wide range of non-fiction published in Scotland fosters and promotes notions of Scottish cultural identity and confidence, as well as being entertaining, educational and informative. Publishers champion areas of culture that would not in many cases be published elsewhere, particularly in the case of Gaelic and Scots-language publishers.

The competition for retail space for books produced in Scotland is fierce: the strength of the global English-language publishing industry, where a significant period of consolidation has resulted in the dominance of a few large global players, poses a significant challenge to small- and medium-sized publishers.

In general, the majority of publishers are not currently involved in electronic publishing in any way and, although some have plans in this direction, it remains to be seen whether this intention will be implemented in the future. Electronic publishing (internet and CD-ROM) is primarily confined to the educational market, implying institutional buying. The educational publishing sector is very small in Scotland, however, resulting in a loss of specific publishing expertise in terms of electronic provision of content. The publishers believe the biggest issue preventing them becoming involved in electronic publishing is lack of resources, followed by lack of business partners.

The overall findings suggest that:

- the lack of availability of capital is a key issue for growth and development for companies with a substantial reliance on private funds;
- there is a lack of general business skills and strategic thinking among companies;
- publishers are too product- rather than market-oriented;
- there is a need for investment in the infrastructure of the industry, specifically to facilitate e-commerce.

The situation in Scotland was compared with those prevailing in selected overseas countries: Canada, the Republic of Ireland and Finland. None of the overseas models reviewed necessarily fits the Scottish context in terms of strategic direction but they do provide some examples of best practice.
Meeting the challenges to the sector

If the industry is to survive and flourish it needs a more supportive policy environment that will:

- provide support to the industry that is comparable to that offered in other competing countries;
- encourage entrepreneurial skills and reward excellence;
- encourage the creation of highly skilled jobs.

Supportive financial arrangements

The sector needs to look at a mix of public and private financing that will:

- encourage a professional, business approach to growth and strategic thinking in the industry;
- provide funding that takes into account the dual role of cultural provision and economic benefit;
- offer a micro-finance approach for individuals and cultural enterprises;
- offer a mix of funding providers.

A partnership approach

Companies in the sector need to consider working in partnership with industry bodies and each other to improve the infrastructure for the industry in Scotland, to improve competitiveness, and to develop a shared vision and initiatives that will strengthen the position of the Scottish industry.

A strong and representative trade association like the Scottish Publishers Association (SPA) needs to have the resources and skills necessary to offer credible views and lobby government and other bodies.

Suggested actions

Specific practical actions are presented that can be taken in some cases by the Scottish Arts Council alone, in most cases by the Scottish Arts Council in collaboration with industry and other partners. The timely implementation of these actions is expected to provide the publishing industry with the tools it needs to:

- improve its performance through continuing investment in innovative technologies and equipment in all aspects of its operations;
- build up its skills resources and meet the need for highly qualified people in the industry;
- enable companies to compete more effectively in both the home and world markets;
- strengthen the publishing industry across Scotland through building better links with government, academic and business partners.

This is expected to result in substantially more innovation in the publishing industry in the short- to medium term. The increased level of performance will benefit Scotland in many ways:

- through growth in output and export of goods;
- through the generation of new jobs in the knowledge economy;
- through cultural spin-off benefits to Scotland.
1 Current profile of the Scottish publishing industry

1.1 Introduction

Publishing as a process is a set of skills and core competencies consisting of the acquisition, selection, editing, project management, marketing and sale of content. Traditionally, publishing has been linked with the production of printed material but today it can reach end users in a number of different, digital forms including CD-ROMs or DVDs.

Publishing in the UK is a global business: partly because of the use of English as an international language; partly because of past merger and acquisition activity; and partly because of historic involvement in certain markets. Both the drive to technological diversity and the need to compete on an international level has made life difficult for small- to medium-sized publishers.

Publishing is a cultural and educational industry. Literature represents only one, albeit the most glamorous, sector of publishing. If culture is given a more inclusive definition, for example, UNESCO’s ‘all distinctive spiritual and material, intellectual and emotional features which characterise a society or group’, then publishing as a cultural industry can be seen to encompass a wide range of activity, including educational and creative writing. Its outputs are part of the cultural life and education system of the nation as well as having an impact on other economic activity. Recognition of its influence in the education system and in the cultural life of the nation has been reflected in its distinct treatment in terms of taxation and of state support. On the one hand, a healthy competitive marketplace must be maintained and appropriate rewards must accrue to the creators and risk-takers; on the other hand, the nation must have access to a choice of publishers’ products in a manner that does not exclude whole sections of society. The price of books has to be within the reach of most people and of educational institutions but sufficient return has to be made to ensure continuing variety, innovation and quality.

Publishing competes for consumer time and expenditure. Within education, new forms of teaching and learning provide additional competition for the book. The Mediapfile 2010 report from Screen Digest/ABN AMRO (a global bank) which analysed all aspects of consumer spending on media since 1985 forecast that sales of books will continue to rise until 2010 but suggested that the proportion of consumers buying books has fallen, leading to the conclusion that the population is dividing into heavy readers and non-readers. However, a Henley Centre study for the Publishers Association has shown that the book reading share of time spent on media has risen from 44% in 1988 to 52% in 2000. Indeed, the proportion of time spent reading has risen relative to other leisure activities such as listening or viewing because of the sharp increase of time spent on the internet. The profile of consumers buying books may also be an ageing one.

The book publishing industry has also a significant secondary economic impact. The publishing of a book often gives rise to a television or film adaptation. More recently, the Harry Potter series has also spawned computer and video games. The reverse is also true: Lara Croft and Pokémon have shown that an electronic game phenomenon can generate massive printed book sales. A healthy literary culture supported by a robust publishing industry may act as a major stimulus to tourism, a stimulus to growth in ancillary industries, and a general asset to business location and inward investment.

There are benefits and disadvantages to the definition of publishing as a cultural industry however: it enjoys a particular public esteem, reflected in a high level of potential recruits to its workforce, but the business aspects of its operation are often undervalued; there are continuing skills shortages in particular areas of that operation; and responsibility for its nurturing, support, and development is often perceived as falling between art and industry – to its neglect. This cannot be allowed to continue and collaboration must underpin approaches to publishing in Scotland. A recognition of the cultural worth of publishing in carrying Scottish values, representations of the
country’s communities, past and present, to audiences here and abroad must be accompanied by an acknowledgement of the industry’s economic and employment impact that includes its role as a source and a training ground for other ‘high profile’ media such as film and broadcasting. Scotland is almost uniquely situated, in terms of its devolved government, its priorities in education, social inclusion and culture and economic development to create such collaborative structures to sustain publishing in Scotland through the early decades of the 21st century. Encouragement and maintenance of a healthy competitive marketplace to ensure creativity, quality, pluralism and consumer choice will paradoxically entail the involvement of the state at some point. This will range from proactive intervention to positive encouragement.

1.2 The structure of the industry

Over the past 10 years the global publishing industry has undergone a process of consolidation and concentration. During this period the profile and structure of the publishing industry have experienced significant change with merger and acquisition deals that have resulted in a number of ‘global trans-media conglomerates’.

The major driving forces for this process have been the need to:

- increase the size and penetration of customer markets;
- achieve access to, and control of, existing and emerging distribution channels;
- maintain growth;
- exploit copyright in an international framework and across media;
- achieve economies of scale and other synergies within operations;
- exploit the ‘value chain’ through the transmission of media property through TV, film, and other publishing businesses all under common ownership.

In addition, there are a number of other factors which indicate that global publishing is likely to continue to undergo further structural changes in the next few years. These include developments in delivery systems such as electronic publishing, Digital content and e-learning, for example, are already changing the face of the academic, educational, scientific, technical and medical sectors as well as scholarly journal publishing.

As a result, the structure of the global book publishing industry has now polarised and consists of a small number of global media conglomerates and a large number of small, specialist, niche publishers. There are about 20 major conglomerates which, in addition to being vertically integrated, are also cross-media thus exploiting common intellectual property rights. The concentration level of these companies varies from country to country but, generally, the 10 largest publishing companies within each country control between them 50% to 70% of the total turnover. In the UK such concentration is at the level of 80%, showing a greater than average dominance of key players.

At the other end of the spectrum there is a large number of small, independent, indigenous publishing companies; the domestic market represents their primary focus and source of titles and revenue. The nature of publishing products is generally less susceptible to standardisation than products in many other industries and the barriers to entry are low so it is likely that these niche-publishing houses will continue to exist within the global publishing industry. Many of these forces and that industry structure are reflected in the Scottish market.

1.3 The Scottish book publishing industry

1.3.1 The UK context

The UK consumer publishing industry has become increasingly concentrated over the last decade. The three largest publishers – Bertelsmann (Random House, Transworld), News Corporation (HarperCollins) and Pearson (Dorling Kindersley, Penguin) – control 35% of the market. When Bloomsbury, Holtzbrinck (Macmillan) and WH Smith (Hodder Headline) are
included, it can be seen that half of the UK market is controlled by six publishers. The bookselling market is also consolidated: Waterstone’s, Borders, WH Smith and Ottakar’s accounted for half of all sales in 2001.

The total UK revenue from book publishing in 1999 was £3.8 billion, with a further £130 million obtained from export royalties and other income. Consumer expenditure accounted for £2.4 billion of sales, representing 3.6% of total consumer spending. The academic and professional market represented £766 million, and the educational market a further £239 million.

The number of titles published has increased year on year. In 1999 a total of 110,115 new titles or editions were released, with the academic and professional sector representing the largest share. This is indicative of a persistent structural flaw within the publishing industry: that its focus is on the creation of product and its entry into the supply chain, with insufficient account being taken of its marketing and sale. The standard formula is that 20% of a publisher’s titles will generate 80% of the revenues, although there are variations between different markets with fiction being acknowledged as the most difficult to predict. A 1998 KPMG report on the supply chain in the UK suggested that just 3% of titles accounted for 50% of the volume of retail sales.

**1.3.2 Employment**

The Publishers Association estimates that there are 36,500 people employed in the book publishing industry in the UK, excluding freelance agents. 64% of all book publishing employment is concentrated in London and the South East. At UK level, an impending skills shortage has been identified by Pira, a commercial consultancy business, as the need to integrate technical with editorial and management competencies increases. In turn, this has highlighted the need for proper career development paths within the industry to attract the new generation of e-graduates and for salary levels comparable with competing career opportunities such as the computer games industry, which already has a strong presence in Scotland.

**1.3.3 Structure**

The UK book publishing industry consists of more than 15,000 publishers, covering 48,000 imprints. Of these, approximately 3,500 are publishing on a regular basis. Fewer than 40 of these account for 56% of bookshop sales.

UK book retailing is divided between the main chains (Waterstone’s, Borders, Ottakar’s, WH Smith), independent bookshops, supermarkets and book clubs. The four chains account for 42% of retail sales.

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1.3.4 The strategic context in Scotland

1.3.4.1 The industry in Scotland
The SPA survey identified approximately 60 out of a possible 85 or so publishers across Scotland, some of which are subsidiaries of larger companies headquartered elsewhere. A third of the companies have been in existence for 30 years or more. These figures have remained constant as new start-ups replace companies that have either gone out of business or been taken over, revealing a fairly static market size.

Further down the supply chain, the retail and library supplier sectors in Scotland have suffered major casualties with closures and takeovers. The overall picture is one of a loss of control, with independent Scottish businesses being acquired by larger UK-based companies, a trend found in the UK publishing industry in general and one echoed on a larger scale as non-UK owned companies have taken over large parts of the UK publishing industry.

The Scottish publishing industry (in common with the global publishing industry as a whole) is characterised by a small number of large publishers and a relatively large number of medium-, small- and micro companies. These two groups within the industry can be defined as the ‘Key Group’ of larger companies in terms of turnover and employment, and the ‘Lifestyle Group’, comprising smaller companies whose main objectives are not necessarily focused upon profitability.

Among the Key Group of publishers there are considerable differences in the levels of turnover achieved in Scotland as a percentage of their overall turnover. These differences can be explained by the nature of the titles published: some of the Key Group publish little that is aimed specifically at a Scottish market and for some of those publishers less than 55% of their turnover comes from this market. The five largest publishers average between them 10% of their total sales in the Scottish market. This contrasts with other publishers in the group whose turnover in Scotland can account for between 70%-99% of their total sales, a position echoed strongly in the Lifestyle Group. For the latter, the Scottish market is crucial.

While there is a relatively small number of titles per publisher the types and genres of titles being published are diverse. Fiction, including children’s, in a UK context generally makes up about 50% of publishers’ output; in Scotland the figure is much smaller with popular non-fiction and academic/cultural dominating. Whilst fiction and poetry have higher profiles – authors can become minor celebrities – these markets are difficult to break into and are subject to intense competition on the part of fiction and small revenues on the part of poetry. Non-fiction is more suited to niche or small publishing as markets are easier to identify and target.

In 2001/02 the sales turnover (consisting of book sales and sales of rights/licences) of the Scottish book industry was £188.5 million (at invoice value).

1.3.4.2 Employment
There are approximately 1,250 people employed in book and journal publishing in Scotland. This figure excludes freelance workers – of which there are many in the industry – who provide services to the marketing, sales and distribution functions of companies, such as self-employed sales representatives, designers, and those working for trade bodies and organisations.

Edinburgh and Glasgow, in terms of numbers of publishers, are the centres of the industry. There are relatively few publishers in the other Scottish cities. (It might be expected that there would be a lot of active university presses but both Stirling and Aberdeen University Presses were either taken over or closed down in the late 1980s and 1990s.) Edinburgh has a strong tradition of publishing and is the second publishing centre of note outside London. Glasgow, on the other hand, is home to HarperCollins among other publishers, as well as to book distribution centres and the Gaelic Books Council.
1.3.4.3 Scottish publishing characteristics
The Scottish publishing industry is characterised by:

- a diverse set of independent companies;
- domination – in sales terms – by a few large commercial players, based mainly outside Scotland and even outside the UK;
- high levels of competition, both from within Scotland and from other English-language publishers;
- a limited set of product formats, mainly print;
- in some cases, decreasing markets (minority-language publishing);
- retail markets that are consolidating across the UK, leading to increased buyer power;
- proximity to London, one of the world’s major publishing centres, leading to a ‘drain’ of successful authors.

All the above elements are, to some extent, shared by other small publishers in the UK and by other industries in small countries.

Factors peculiar to Scotland include:

- a limited range of types of publishers, with few children’s book publishers, and small educational and academic publishing sectors;
- failure of certain markets (library markets);
- the nature of content from many publishers perceived as being too ‘regional’ or ‘niche’ to appeal outside Scotland or to have mass appeal.

1.3.5 Drivers of change in the publishing industry
The wider influences that are likely to impact upon the Scottish industry in the future include:

- rapid advances in technology;
- a convergence of consumer tastes;
- a shift towards global markets;
- the worldwide search for raw materials and skills to service global business networks and achieve economies;
- changes in leisure pursuits as other media (games, DVDs, internet) displace time for reading and changing consumer tastes: the cult of the bestseller can lead to reduced ranges of books stocked in chains.

1.3.6 The key strategic issues for the Scottish industry
There is then a series of challenges for the industry in Scotland:

- the need to achieve critical mass in order to survive;
- the need to form strategic alliances to update infrastructure and participate in e-tailing;
- the need to offer a wider choice of content and ensure it will meet future customer needs.

Responding to these challenges will depend upon the ability to formulate clear action plans, to seek ownership of these strategies within the publishing community, and to satisfy funding agencies that they will obtain value for money in terms of projected outcomes. The implementation of a range of actions will be critical. This range will focus upon:

- fitness to compete;
- creating and distributing networked information content;
- transforming organisations, professional practices and individuals;
- tactical responses to existing market forces;
- helping publishers identify opportunities;
- efficiencies in operations;
- innovation in content and format, with a clear strategy on how best to contribute to the nation’s knowledge economy;
- private sector involvement;
- strategic partnerships, necessary to develop information and technological infrastructure.
2 Future trends

2.1 Introduction

This section outlines the market prospects for publishing, examines the current value chain that operates in this market and then assesses the future trends that are likely to impact on the links in the chain, at a macro and micro level.

2.2 Market trends

Consumers buy more books and spend more money on books than on most other consumer and media segments. While the consumer book industry remains large it has lacked, recently, major catalysts to fuel sales growth. In the mid-1980s, the emergence of chain bookshops energised sales by offering a much wider selection of titles than independent bookshops, and drew customers with reading spaces, cafes, and special events. Between 1986 and 1996 unit sales jumped by 300 million in the USA alone. Since the mid 1990s, however, the chain bookshop market has stabilised and unit sales have remained on a plateau. Growing sales via online services such as Amazon have come at the expense of other distribution channels.

Consolidation and increased international investment in most regions may improve the financial position of publishers, and the availability of print-on-demand titles in bookstores may stimulate the market in the near future. In the longer term most industry commentators anticipate a significant shift in the current market as a result of electronic publishing.

2.2.1 Electronic publishing

Electronic publishing (or e-publishing) has the potential to transform the book industry if publishers deliver e-books at lower prices than the print versions. This prospect, however, remains a relatively distant one as e-publishing is unlikely to have a meaningful impact on the market until at least the end of this decade. It is already having a major impact on STM journal publishing. One of the major issues hindering the growth of the electronic publishing market is the lack of a single standard. Currently, four different formats are used by the majority of e-book titles and, without standardisation, publishers are not able to realise the full benefits of economies of scale. The Open eBook Forum, a standards-setting body, is working on a solution by developing common specifications for transmitting e-materials based on the HTML and XML languages. These specifications should lower the cost of developing new software.

E-book sales have also been inhibited by the fact that only 1% of computers are equipped with e-reader software. While software from Adobe (Acrobat) and Microsoft (Microsoft Reader) can be downloaded free, they require a lot of memory and download times can exceed one hour if broadband is not available. Personal computers will soon come equipped with e-reading software, which could jump-start the market, just as the installation of modems in PCs drove internet penetration in the late 1990s.

Another critical factor for electronic publishing is price. Unlike CDs or DVDs, digital consumer books do not appear to offer any quality improvement over the print edition. E-books will need a lower selling price than print versions to find a market, but that has not yet been the case. (Stephen King’s Dreamcatcher, for example, is available for $16.80 in hardcover in the USA, but costs $16.95 to download.)

Although the upfront costs of establishing an e-book division are relatively high, electronic publishing should be less expensive for publishers in the long run. Major costs are eliminated: paper, printing, binding, manufacturing, shipping, and inventory management. Given these potential savings, publishers may ultimately offer e-books at lower prices than their print counterparts.

Figure 1 (opposite) is a broad generic representation of the value chain for the publishing sector. There is a set of links within this chain that starts with the creation of content (by an author) and ends with the consumer. Changes to these relationships are indicated by the evolving links (solid blue line) which primarily relate to advances in technology.
Figure 1: Industry value chain

Evolving links

Value chain

Activities

Author

Content creation
Content acquisition
Content development

Literary agents

Trade representatives

Publisher

Product development and design
Project management
Marketing and promotion
Other revenue sources

Printer

Content formatting
Production

Warehouse

Returns

Distributor

Retail stores

Libraries

Consumer

Marketing, promotion and sales
Fulfilment process
Customer services
2 Future trends

2.3 Trends in the publishing industry

There are a number of emerging macro and micro trends that are likely to impact on the current value chain as well as on the potential of the industry.

2.3.1 Macro trends

These include:

- the need for publishers to reduce capital and profit effects of warehousing, inventory, remainders and write-offs, and distribution costs;
- the need to accelerate the time to market for new titles and reprints – for example by using new technologies and processes, such as digital printing for production of complimentary copies, reviews and finished products;
- the development of opportunities to capture new revenue from existing titles and products – including the republishing of out-of-print titles in new formats and designs;
- the minimization of risks on new titles – this could include, for example, undertaking more market testing of products;
- the opportunities to redefine and repackage existing material – including the use of customised and special issues to increase appeal and income generation potential.

In broad terms, the drivers that are likely to impact on the industry may be summarised – as illustrated in Figure 2 – in terms of a series of changes to the current links in the value chain.

2.3.2 Micro changes: impacts on Scottish industry

While the macro trends identified are likely to impact upon the Scottish publishing industry, there is a series of micro opportunities and threats that also need to be considered.

Figure 2: Potential macro changes

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<td>Distribute then print</td>
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<td>From mass production</td>
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<td>Book customisation</td>
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<td>→</td>
<td>Clicks and mortar</td>
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## Figure 3: Micro issues

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As mentioned previously, there is evidence that concentration in the publishing industry worldwide and in the bookselling industry will have an impact upon the Scottish industry. Whilst merger and acquisition mania has not touched the majority of Scottish publishers, the power has shifted decisively in the past 10 to 15 years to the larger players. The direct impacts on the Scottish industry are from:

2.3.2.1 The chains
The range of books being stocked by the chains is narrowing in favour of bestsellers, heavily discounted titles and other offerings from conglomerates. According to a recent Bookseller (the magazine for the publishing trade) the range of titles sold in the high street fell by 5% in 2002 – from around 437,000 to just over 417,000. As DJ Taylor, a writer and journalist, puts it: ‘We may be buying more books, but they are increasingly the same books, sold by shops that are differentiated only by the sign on the door.’

Discounts demanded by the chains have risen steeply with small players having little bargaining power in negotiations. A situation where 50% discount is demanded for the majority of orders may not be far off, eroding already slim profit margins.

2.3.2.2 The ‘disappearance’ of medium-size publishers in the UK
Vulnerable to takeover and increased competition, medium-size publishers must innovate and protect their market share. The takeovers of Duckworth, Fourth Estate and the fortunes of Harvill (all London-based) are examples in the consumer books sector, with the same trends occurring in the educational market: Robert Gibson and Leckie and Leckie, two Scottish-owned publishers, were recently taken over by larger media holdings, Hodder Headline and Granada.

2.3.2.3 The lure of star authors towards larger publishers
It is not always axiomatic that a successful writer will gravitate towards larger publishers: Canongate has had some success in luring star authors eg, their Man Booker Prize winner Yann Martel, but a ‘roll-call’ of Scottish authors reveals that most of the commercially-successful writers are published outside Scotland. Bigger marketing budgets, larger advances and the prestige of some literary imprints are difficult to combat. The situation in Scotland is repeated in the Republic of Ireland and in Wales and appears not to be a nationalist issue but one of size.

The challenge for the industry is how to address these trends and to position itself advantageously in order to meet future challenges.

2.4 Summary points and issues
• Growth in the major global markets is estimated to be between 1.6% and 3.5% per annum.
• Sales of books and related media are set to increase but pricing competitiveness remains a major issue, and this will continue to impact on profit levels.
• Continuing consolidation within the industry remains a major factor.
• E-publishing may offer the potential to transform the industry, but remains unlikely to realise its potential until the format and cost constraints are eliminated.
• The structure of the industry is changing with more direct contact with the consumer occurring at all stages.
• Technology and changes in the structure of the industry are offering possibilities for publishers to optimise opportunities for increased value from existing titles and products.
• There are several threats to the Scottish industry as a result of increased consolidation, changes in ownership, increased discounting and potential loss of major authors to publishers with greater market access and presence.
3 Development initiatives in comparative locations

3.1 Introduction

In assessing comparative initiatives, three countries were selected: Canada, Finland and the Republic of Ireland. For each country we reviewed the range of programmes and initiatives offered to support and encourage the development of their publishing industries. Key findings are outlined below.

3.1.1 Canada

The government of Canada has developed a wide range of programmes to support the growth and development of the publishing industry throughout Canada with an emphasis on equal development of material in both English and French.

Some of these programmes are common to the development of the cultural industries as a whole while others are targeted directly at specific sectors of the industry. Support ranges from direct grants to support the writing and publishing of books to discount financing to support the growth and development of small businesses.

The impact of these programmes and a wide range of marketing and promotional initiatives has seen the volume of books of indigenous origin sold in Canada rise from between 3%-5% in 1970 to almost 30% in 2000. Sales of books in Canada reached almost US$1.35 billion in 2000, and sales are expected to show a compound annual growth rate of 2.6% until 2006.

For book publishing there is a range of support programmes including:

- Arts & Culture: Books – from Canadian Heritage;
- loan programme for book publishers – from Canadian Heritage;
- revised foreign investment policy in book publishing and distribution;
- grant programmes: Writing & Publishing – from the Canada Council;
- arts promotion – Literature and Publishing – from Department of Foreign Affairs and International Trade;
- Public Lending Right Commission.

3.1.2 Finland

The Finnish government provides very little, if any, direct support to publishers, but the book trade is supported indirectly by subsidies given to writers and libraries.

The Finnish state subsidises literature mainly in the form of bursaries to the ‘creators’ in the book trade, whether fiction or non-fiction writers and translators, and Public Lending Right subsidies for the libraries. For the year 2000, this support amounted to 5 million euros or approximately £3.5 million (The Finnish Library Journal, 2000).

National Lottery funds also support literature. For the period 1998-2001, the annual funding for literature from the Lottery was 1.2 million euros, or approximately £911,000.

3.1.3 Republic of Ireland

There are approximately 120 publishers in the Republic of Ireland. Of these, around 60 are the most active and are estimated to account for over 95% of Irish publishing business. Of this 60, 10 are involved in educational publishing and are members of IEPA, a further 42 are general publishers and are members of CLÉ, the trade association. There are also 5-10 general trade houses that publish on a regular basis, but are not members of CLÉ.

Within the general trade sector there is a core group of 10 publishers who publish predominantly in Irish and around six other publishers who publish regularly in Irish.

It is noteworthy that the Irish publishing industry is largely independent of the major international players, although Penguin, a subsidiary of the conglomerate Pearson, has recently set up a new publishing venture in Dublin, Penguin Ireland. Major overseas publishing
groups, primarily those with a strong UK presence, do compete in the Irish market, usually from a base in the UK and often using a dedicated locally-based sales team.

In the educational sector, it is estimated that 90% of the market demand is held by Irish publishers whereas in the general sector foreign publishers dominate, accounting for over 85% of the market.

Book publishing in the Irish language is a small niche activity with approximately 100 new titles published each year. The majority of Irish literary titles receive financial assistance from either Bord na Leabhar Gaeilge or the Arts Council of Ireland. The total income of Irish-language publishers is estimated to be less than US$2 million with approximately one-third of this income received by way of grants.

Due to limitations in the demand for publications in the Irish language it is difficult for the sector to achieve economic self-sufficiency and a certain level of dependency on public funding would seem to be inevitable. Similarly, the continuation of government funding is seen to be a critical factor in the continued development of this sector.

3.13.1 Publishing industry support programmes from the Irish government

These include:

- Department of Arts, Culture and the Gaeltacht – provides financial assistance to the Arts Council of Ireland and Bord na Leabhar Gaeilge;
- the Arts Council of Ireland/An Chomhairle Ealaíonn – grant-aid in the field of the contemporary arts;
- the writer – measures such as the Bursary Programme and Writers-in-Residence;
- literary organisations – support to a range of organisations including Poetry Ireland, the Irish Writers’ Centre and CLÉ/the Irish book publishers’ association and the Ireland Literature Exchange (ILE);
- magazines – the Arts Council of Ireland supports a number of literary magazines including the trade magazine, Books Ireland;
- publishers – offers both grant-aid and loans to publishers that publish works of contemporary literature or works which are concerned with contemporary arts and culture, eg books on visual artists or on composers, in English or which are bilingual.
- Bord na Gaeilge – established and operates as a wholesale distributor for Irish language books, including those published by An Gúm and most of the Irish publishers;
- Bord na Leabhar Gaeilge – administers a grant scheme to promote the provision of books in Irish on matters of interest to the general public;
- An Bord Tráchtála – provides a wide variety of aids and incentives for merchandise manufacturers and for firms providing certain internationally traded services, as well as a range of services for overseas buyers and importers and an information service for the retail trade in Ireland. The Bord also assists companies with both financial and non-financial support to develop their marketing plans and undertake marketing investments;
- FÁS (the Training and Employment Authority) – offer a range of training support including special initiatives for the printing and publishing including strategy management, marketing, and libel law and print media;
- Forbairt – provides grants and investment funding to publishing companies under the International Services Programme. Support can include grants towards feasibility studies, the creation of full time employment, capital costs, training costs including management development, rent subsidies, research and development, supported related business parks and office centres, and equity investment;
• Údarás na Gaeltachta – not specific to the publishing industry it offers a range of grant aid to Irish language projects to cover feasibility, employment, training and capital costs.

The publishing sector in the Republic of Ireland does not receive any preferential tax status, though authors do in relation to their royalty income. The main features of the taxation system as it relates to publishing (including authors) are: the artist’s exemption from income tax on income from royalties – for individuals who are solely resident in the Republic of Ireland and who are determined by the Revenue Commissioners to have produced a work which is ‘original’ and ‘creative’ and which has ‘cultural or artistic merit’ – and corporation tax and manufacturing relief for publishers (some publishers are eligible for tax relief as printers). This form of support is under review following investigation by the European Commission.

3.2 Summary points and issues

Canada
• The government of Canada provides a wide and broad range of support programmes to the publishing industry with equal emphasis on the development of its dual languages;
• The impact of these programmes has been a consistent increase in sales volumes of indigenous books and products over the last 30 years, from approximately 3%-5% to almost 30%.

Finland
• Little or no support to the industry provided by government.

Republic of Ireland
• The Irish publishing sector has largely remained independent of the global companies but the market is dominated (70%) by imports, particularly from or routed through the UK;
• Publishing in the Irish language remains a niche area and is reliant on subsidies for survival.

General
• Financial support for indigenous and minority languages in the majority of comparative countries studied is greater and supported by a more confident vision of the future and the value of the sector than in Scotland.
4 Industry consultations and key issues for the Scottish Arts Council

4.1 Introduction

It was agreed with the Scottish Arts Council that the researchers should undertake a series of interviews with a cross-section of Scottish publishers to examine their responses to the key opportunities and threats facing the industry, and the consequent support mechanisms that the Scottish Arts Council and others could consider to help and assist publishers. (In total 13 representatives were interviewed.)

A number of key requirements and future actions were identified from these industry consultations, which should form the framework for the next phase of development of Scottish Arts Council support for publishing.

4.2 Key requirements and future actions

4.2.1 Funding priorities

The current areas supported by the Scottish Arts Council should be broadened to include literary non-fiction, and more general non-fiction, which ought to be afforded equal status and priority with fiction and poetry. This would ensure more equal investment in all works of Scottish cultural importance, and would represent more accurately the current profile of the industry in Scotland.

4.2.2 Structures and models of support

The majority industry view was that a move from the present exclusively ‘title by title’ model to a more diverse model that would include block funding or ‘programme’ grants, awarded over a two or three year period, was now required. This would enable companies to take a more strategic and forward-looking approach to planning, and would provide a more effective use of investment.

4.2.3 Capitalisation

Industry respondents indicated that capitalisation was frequently an issue for publishers, particularly in relation to growth.

4.2.4 A more proactive role

Industry responses indicated that the Scottish Arts Council should develop a more ‘innovative and proactive’ role in its support for the industry. It should be more interventionist where it has identified winners (both publishers and writers), market opportunities, and strong players.

4.2.5 Information provision

A need was identified for a single source of regular updates on Scottish Arts Council funding schemes and opportunities, and cultural and publishing news relating to the wider industry. The Scottish Arts Council should consider supporting an electronic newsletter that would provide this information.

4.2.6 New/alternative media

A number of industry respondents argued that the Scottish Arts Council should take a more proactive role in promoting and encouraging companies to develop new products and services related to new and alternative media.

4.2.7 Return on Scottish Arts Council investment

The majority industry view was that the Scottish Arts Council should link its support for titles that prove highly successful to a form of repayment system, such as a share of royalties, which could then be ploughed back into longer-term and sustained investment in the industry.

4.2.8 Training

Respondents considered that, while use is already made of existing training schemes by the industry, consideration should be given to providing funds to support gaps in training in professional skills, including new media skills.

4.2.9 Other organisations and advocacy

The industry view indicated a need for the public library network to become more active in promoting Scottish literature and the output of Scottish publishers. The Scottish Arts Council should act as an advocate in addressing the future needs of the industry in Scotland.
5 Conclusions and recommendations

5.1 Conclusions

This review suggests that the industry in Scotland is diverse and, with few exceptions, has faced severe constraints to development and growth over the last 20 years.

The factors that have influenced this situation are predominantly global in nature: the drivers of market change suggest a concentration and consolidation toward multimedia conglomerates. Similarly, the economies of scale that can be derived from such future opportunities as e-books and customization imply a significant level of capitalisation that in most cases is not open to indigenous publishers.

Against the above, however, it is unlikely that globalisation will inevitably lead to a dilution of cultural differences and creative content. The importance, economically and socially, of distinctions between countries will potentially be more important in influencing investment, location decisions and other relative differences across the global knowledge economy.

Consequently, while the direct economic benefits of the industry are currently around £245 million, which in turn supports around 2,000 employees, the wider benefits of maintaining and enhancing this current base may have significance for a range of important factors: cultural, social and economic.

The Scottish publishing industry has an important role to play in the fostering of writing talent: many writers who now enjoy international success began their careers with Scottish publishers. The wide range of non-fiction published in Scotland fosters and promotes notions of Scottish cultural identity and confidence, as well as being entertaining, educational and informative. There is a significant need for publishers to champion areas of culture which would not in many cases be published elsewhere, particularly in the case of Gaelic and Scots-language publishers.

It is the researchers’ contention, therefore, that publishers have a vital role in providing a written record of ourselves, both for our own needs and enjoyment, and for the world. The hallmark of a country confident of its future is that it originates and expresses its own cultural identity through indigenous institutions, education, art and industry. The Scottish publishing sector provides a platform for nurturing and delivering such an identity, and the ideas upon which this identity is based.

While such a view provides one basis upon which to support the industry it should not be interpreted, in the researchers’ opinion, as the sole justification for intervention, nor that Scottish publishers should only publish Scottish content – quite the reverse.

The economic benefits of the industry and the potential global markets within its reach suggest that other forms of content provide opportunities for growth. The relationship between content origination and subsequent market appeal is not confined to national borders, as most recently demonstrated by the case of Edinburgh-based Canongate whose literary successes (notably the Man Booker prize-winning *Life of Pi*) and innovative marketing techniques have given it a national and international profile.

The importance of adopting a wider market perspective — whether based on Scottish content or otherwise — is reflected by the present challenges faced by the industry within the marketplace. The industry is still experiencing a turbulent time with concentration in the retail sector and the loss of Scottish control of two long-established bookselling chains. For those companies whose main market is Scotland, this is having a real impact and is a serious barrier to growth.

While seeking new markets and channels may be desirable it is not without risk, as the responses to the survey and the interviews conducted with key players indicate:

- the industry shows a considerable degree of caution towards approaching the commercial sector for investment (the evidence suggests that the commercial funding sector is not
comfortable with the idea of counting intellectual property and authors’ agreements as assets, for example);

• there is caution shown towards the opportunities of digital media;

• there is a lack of desire to diversify and move away from the original founding policies of their lists;

• publishers are often too product-oriented and need to be more market-oriented.

It may be argued that such caution can be explained by several mitigating factors, such as:

• a lack of funding support from commercial sources for the cultural, micro-business sector;

• most companies have relatively small numbers of staff, leaving little time for strategic thinking;

• a failure of some markets (eg the library sector in Scotland).

If there is to be a step change within this sector, which would in turn secure the cultural, social and economic benefits of a vibrant publishing industry within Scotland, then consideration must now be given to the strategic actions and values that could support such change. The recommendations presented here are those that the researchers believe the Scottish Arts Council and other public sector shareholders should now consider how to facilitate this change.

In this context it is suggested that there are already several positive developments that are benefiting the industry and which should continue to receive support, namely:

• a strong trade association which is facilitating industry integration and shared objectives;

• the heightened profile of Scottish writers worldwide, as evidenced by and supported through the demand for the Scottish Arts Council Translation Scheme;

• the introduction of new technology that is helping to streamline previously time-consuming publishing tasks.

5.2 Recommendations

The recommendations provide initial views on the key initiatives that should now be considered by the Scottish Arts Council. The recommendations have resource implications, some of which the Scottish Arts Council could implement, some of which require a call for advocacy to government and other bodies.

The most substantial recommendations concern the provision of new types of funding being made available to publishers. The essential components of a thriving publishing scene and infrastructure in Scotland are increased business awareness on the part of publishers, and access to new sources of funding from the government via the Scottish Arts Council, and private/public initiatives.

The recommendations have been ranked in order of priority for the industry with a view to enhancing business performance and increasing the ability of companies to compete more effectively. The recommendations are also ranked in terms of what can be achieved in the short- to medium term, given the current parameters of the industry.

5.2.1 The creation of a new investment vehicle

As indicated earlier in this report, small publishers have emphasised that they face a lack of access to capital to fund operations and expansion.

a) It is proposed that an Investment Fund be set up to provide an alternative source of funding for publishers. The traditional methods of funding have been a combination of bank loans and grants. This ‘third-way’ proposal argues for a more specific, targeted fund with publishing expertise involved in the decision-making process, and a move towards less dependence on subsidy and towards more robust business expansion.
The model proposed is similar to that of Clann Credo in the Republic of Ireland. Although this was set up as a social fund it has a similar dual purpose in seeking to find a third way for small organisations and businesses to support projects which have ‘mission’ objectives, whether cultural or social.

An advisory board comprising industry specialists and outside experts should be appointed as a first measure, with the remit to foster both the publishing of creative and cultural content and sound business practice. This advisory group should be composed of industry experts and members of the financial community.

Applicant publishers would have to satisfy certain conditions: the provision of a detailed three-year business plan, demonstration of a track record, a certain level of turnover (above £250,000 in most circumstances) and a detailed budget. ‘Soft’ loans, not grants, would be given (up to a maximum of £120,000) at rates below those offered by the commercial sector; repayment holidays whilst organisations are waiting for matched funding or other grants, and longer term repayment periods could be features of such a fund.

b) It is recommended that sums be earmarked in the Investment Fund for a minor loan scheme for start-ups and smaller companies falling below the £250,000 threshold (with a simplified application process) for a maximum of two companies per year.

Many potential investors do not understand the nature of the creative industries and need to realise that traditional output measurement and returns are not always possible. The onus is on the sector to educate potential investors on risk-taking, and the need for a flexible approach to funding. It is recommended that a meeting be arranged and views and advice sought from the chief executive of Clann Credo and representatives from the Triodos Bank in the UK as to how to establish the fund.

The fund would need to be in the order of £2 million to have an impact, and would be made up of funding from the public and private sector. The funding partners could include the Scottish Arts Council, Scottish Enterprise, Local Enterprise Companies (LECs), a social and ethical bank such as Triodos which has experience of providing micro-credit, and an independent trust, and possibly the European Commission. The lead partner in the first instance is likely to be the Scottish Arts Council.

The first recommendation will address the key strategic issue of lack of access to capital in order to develop and grow a business to a more sustainable level and will, it is hoped, provide a boost to create jobs, improve innovation, and allow companies to move away from the subsidy paradigm and into investment strategies.

5.2.2 The creation of an e-commerce portal for Scottish books

The majority of publishers rely on third party distribution and retail services and they feel additional support and assistance is desirable. This was also linked to the increasing importance of e-based services and facilities, where additional support was also needed. Future trends indicate that this situation is likely to become even more critical as the structure of the industry continues to change.

a) The Scottish Arts Council, in collaboration with Scottish Enterprise, should fund the development of a fully-functioning e-commerce portal or website for Scottish books which would present imaginatively, and in a cohesive manner, the output of Scottish publishers (and possibly of other publishers with Scottish cultural content). To achieve maximum impact on sales, to standardise the information presented to customers, to accelerate the adoption of e-commerce, and to add value to the supply chain, it is important that a pan-industry approach is taken. As concentration in the retail trade means that fewer large players want to source their products from a complicated web of suppliers, an information source for retailers, libraries, schools and consumers could be one important step forward. A rights database should be an important element of the site, allowing overseas publishers and others to view available
5 Conclusions and recommendations

titles, request copies, and access information on authors and publishers.

b) In addition, a small fund for publishers should be established by the Scottish Arts Council along the lines of the Canadian government model where publishers can apply for grants of between £5,000 and £10,000 to help modernise their business, and specifically to help improve their electronic interchanges with suppliers and customers. Projects would include: the quality and accessibility of bibliographic data, the promotion of electronic document interchange (EDI) and the promotion of access to data on book sales. These will be key competitive elements in the future.

It is recommended that the SPA be actively involved in the task of developing the industry-wide web-based portal as a pan-industry approach is required.

This second recommendation will address the key strategic issue of the failure of certain markets and the difficulties experienced in the retailing of books, specifically to advance the case of e-commerce among publishers, and the need to modernize the ways in which products are marketed to and reach the consumer.

5.2.3 Skills and training initiatives

There is a need for increased management training and development opportunities to improve current performance and to prepare companies to undertake expansion and develop growth plans.

To support the refocusing on business issues recommended elsewhere in this report, and to address the weaknesses and deficiencies of many culturally-driven companies, it is vital that the entrepreneurial instincts embodied in many of the founders of small companies are supported by a good grounding in best practice, and that further training in financial management and developing robust growth strategies is made available in a cost-effective way.

a) It is recommended that the SPA, in conjunction with Scottish Enterprise and Business Gateway, should develop and disseminate information on a framework of training and Continuing Professional Development opportunities across Higher and Further Education, public-sector bodies and informal providers. Participation in this programme could be a condition for access to the Investment Fund. Funding should be made available to allow publishers to work towards such goals as being more market-oriented, rather than product-led; more strategic and opportunistic rather than risk-averse; more professionally run, rather than 'keeping it in the family', and to convert lifestyle approaches into more sustainable enterprises. A pilot scheme run by Scottish Enterprise involving Business Learning Accounts has the potential to address some of the problems involved in finding money for training.

b) The provision of a three-year business plan should become a priority for the Key Group of publishers. The development of such a plan would be a main criterion for applying to the Investment Fund. Assistance in preparing the business plan should be a key component of the training programme.

c) Publishers should consider opening up and enlarging their boards to include independent non-executive directors (if they have not already done so), as recommended by the Higgs report on corporate governance. The role of non-executive directors in fostering the effective and robust direction of companies has been demonstrated in other contexts but where there is a small number of staff, few training resources, and gaps in expertise, non-executive directors can bring much needed experience and advice in a cost-effective way.

The third set of recommendations will address the key strategic issue of lack of general business skills among many publishers and a refocusing of the entrepreneurial approach towards more concerted growth strategies.
5.2.4 Targeted assistance for the minority-language publishing sector

The minority language-publishing sector is heavily reliant on financial support for its survival. The comparative country assessment highlighted that this is not a problem unique to Scotland, and identified some potential solutions. Publishing, in particular Gaelic and Scots language publishing, has important wider economic and social impact and benefits that can support and stimulate growth across the cultural sector. The cultural case for promoting the printed form of the indigenous languages of Scotland, both for educational and entertainment purposes, has been made eloquently in other reports.

a) It is recommended that a publishing consultant/consultancy be funded for one year to develop key publishing and business skills in the minority-language publishing sector, with a broad remit to advise, stimulate and help implement some of the findings of the EKOS report *A Review of the Gaelic Publishing Sector*. The remit would apply to Gaelic and Scots. If possible, sponsorship of this post or part funding should be sought from a company with products or a brand image relating to Scottish culture. The newly-established Bòrd Na Gàidhlig (Alba) should be involved from the beginning. The cost implications are in the funding of the one-year consultancy. Careful consideration needs to be given to how best to approach the brokering of the sponsorship idea – the responsibility being that of the language bodies in conjunction with the Scottish Arts Council. The newly-established Bòrd Na Gàidhlig (Alba) should be involved from the beginning. The cost implications are in the funding of the one-year consultancy. Careful consideration needs to be given to how best to approach the brokering of the sponsorship idea – the responsibility being that of the language bodies in conjunction with the Scottish Arts Council. The newly-established Bòrd Na Gàidhlig (Alba) should be involved from the beginning. The cost implications are in the funding of the one-year consultancy.

c) The minority-language publishers should be encouraged to consider the route of mentoring and management development assistance as a way of injecting management expertise into business. It is recommended that the consultancy and/or Scottish Enterprise provides a brokering service between the publishers and relevant ‘management angels’ to ensure a sustained approach to progressing professionalisation in the industry. In particular, professional marketing experience will need to be engaged.

d) The participation of minority-language publishers in the work of the SPA council should be encouraged and it is recommended that one minority-language member be co-opted onto the SPA council. There appears to be a ‘firewall’ between the English-language and minority-language publishers in Scotland, and given the size of the industry, this is not of benefit to the minority-language publishers, who need to participate in publishing developments at national level.

e) The Scottish Arts Council website, accessed from all over the world, and as such, a valuable conduit and guide to the cultural riches of the nation, contains little information on Gaelic and Scots literature. The researchers are pleased that the new website, presently in development, will provide information on Scotland’s indigenous language publishing as an expression of confidence for the future.

f) It is recommended that the Gaelic Books Council consider ways of promoting involvement in publishing as a career path for school pupils and graduates.

The fourth set of recommendations will address the needs of the minority-language publishers in terms of increasing the professionalisation of that sector, and it is hoped to encourage publishers to take up the new opportunities mentioned in the recommendations as a whole.
5 Conclusions and recommendations

5.2.5 Marketing initiatives
There are potential significant opportunities to encourage growth in the sector through increased marketing, promotion and sales development.

a) It is recommended that the Scottish Arts Council consider providing three years seed corn funding and invite tenders for a new magazine, *Books from Scotland*, to be sold as widely as possible but primarily outside Scotland. This new magazine would not be purely a promotional vehicle for publishers but would have an independent remit to include reviews, articles, book news, and other editorial matter not paid for or influenced by publishers. Possible models for the magazine would include *Books from Ireland* and *Books from Finland*, a combination of the two approaches being most desirable. A standing order could be negotiated through the Scottish Arts Council with Scotland International, the British Council, and other agencies promoting Scotland and the UK overseas such as the Scottish Higher Education Institutions (HEIs), to ensure comprehensive distribution abroad.

The magazine could be eligible for recurrent funding after the three-year period through the Scottish Arts Council’s grants to magazines scheme (if still available). A condition of funding could be discounted advertising rates available to Scottish publishers, and consideration should be given to creating a strong link to the e-commerce website in recommendation 2, enabling readers of the magazine to purchase the books reviewed.

b) It is recommended that the SPA consider holding an annual high-profile event aimed at widening understanding of what Scottish publishers can offer to the various sectors outlined in the following strategic framework recommendation.

The fifth set of recommendations is designed to improve market orientation among publishers and comes as a response to views emerging in the interviews with industry representatives that marketing is a key strategic issue, given the enormous competition from other publishers, and other forms of leisure pursuits. The role and objectives of the new magazine in boosting export sales for the industry needs to be made very explicit.

5.2.6 A strategic framework
It is recommended that a strategic framework be developed for all the Creative Industries, taking into account best practice in all the industries, linking and integrating the publishing sector, for example, with government, tourism, the retail sector, libraries, sport and sustainable development being the linkages of most importance. Linkages are not at present being made, for example, between the tourist industry and publishing, and between libraries and publishers – thereby missing the vital role that indigenous cultural products can make to the life of a nation.

The Scottish Arts Council, the SPA and Scottish Enterprise should be at the forefront of the development of links with other sectors, and should consider ways of supporting more cross-cultural events across formal education, leisure, tourism and community sectors, among others (see also recommendation 7).

The sixth recommendation addresses the key strategic objective of increasing the skills and knowledge base of the sector, and of publishers’ impact upon the growing area of cultural tourism.
5.2.7 The Scottish Publishers Association
The publishers surveyed indicated that they felt there was an increased and expanded role required for the SPA related to providing wider coordination, strategic direction, lobbying, funding support and other marketing and promotional services.

a) It is recommended that as the SPA plays such a vital and central role in the strategic development of a diverse industry a strengthening of the marketing function be considered. In particular, poor interface with the retail trade and with the public library system have been identified by publishers as potential weaknesses, and difficult to tackle as a sole publisher. It is recommended that further resources be made available to progress marketing both to the trade and to libraries; that the e-commerce website recommended be part of an integrated, strategic development programme taking in the use of new media; and that a concerted effort be made to improve trading relationships with the libraries.

b) It is recommended that the provision of a new post of Development Manager at the SPA should be considered as a necessary first step towards implementing the issues identified in this recommendation, and recommendation 6. The role should include the dissemination and development of information and case studies on successful marketing, development and business initiatives in the arts.

The seventh set of recommendations gives support to an industry-wide body being best placed to lobby effectively on behalf of the industry and to progress, in a unified way, the uptake of new technology and common access points for information on Scottish books.

5.2.8 Educational publishing
The educational publishing sector is small in size, and this represents a major weakness in the industry that needs to be addressed.

The lack of a sizeable Scottish-owned educational publisher or sector is a distinct weakness for cultural and business reasons. It is recommended that a feasibility study be conducted and a proactive advisory group (comprising publishers, educational specialists and teachers), possibly led by the SPA, be appointed to look into the potential market for such books with a view to stimulating the sector. It is hoped that such a feasibility study would encourage an existing publisher to diversify.

It is recommended that, given the close relationship that now exists between educational print media and multimedia, publishers be encouraged to develop their content for this market as well as the consumer books market. Alliances with software and multimedia developers could be sought, and the Creative Industries team at Scottish Enterprise should facilitate such meetings. Such meetings could also take place under the auspices of the newly formed advisory group on educational publishing.

The feasibility study could be funded jointly by Scottish Enterprise and the Scottish Arts Council.

The eighth recommendation is an important one for a small country. The educational sector of the publishing industry in the Republic of Ireland generates more revenue than its general books sector. This is partly due to the distinct nature of the Irish curriculum, but also due to the fact that revenue can be made in the educational market that is in many ways less precarious than the general market.
5.2.9 A minimum purchase scheme for Scottish libraries

It is recommended that the Scottish Executive considers implementing a statutory minimum purchase scheme of books from indigenous (Scottish) publishers. The criteria for eligibility will need refining but are roughly defined as books of Scottish cultural interest, creative writing and children’s books.

The scheme would operate on either a minimum expenditure per capita basis, or as a percentage of the total book-purchasing fund in each library authority. It would not involve the compulsory purchase of every book produced in Scotland.

It is recommended that the scheme should include a minimum annual expenditure on Gaelic-language materials of at least £1,000 per 1,000 Gaelic speakers within library authorities, or a minimum of 1.5% of the total book purchase fund.

The ninth set of recommendations seeks to ensure that public libraries carry a minimum of Scottish-produced content, and goes some way towards militating against falling book budgets in libraries in the UK. (This issue is one in which the Welsh Assembly has taken the initiative in their proposals for standards in public libraries in Wales, and the provision of Welsh-language material.)
6 Outcomes

There are two main questions centred on the outcomes.

- Will the initiatives deliver and be worth it?
- Is the investment better than the alternatives?

In answer to the first question: in all cases, funding bodies will want accountability for expending extra resources on the publishing sector. It is difficult to measure all of the benefits accruing from participation in the initiatives, as some will be indirect or intangible, particularly those with cultural and educational spin-offs, and those that have the objective of measuring skills enhancement, for example. Those benefits that can be assessed are mainly quantitative benefits and are included here.

6.1 Business and market performance outcomes

50% of the publishers deemed to be in the Key Group and who have participated in the schemes should demonstrate and provide evidence of a marked improvement in some of the following areas:

- increase in turnover and profits in sector;
- increase in export sales;
- ‘brand’ enhancement;
- reduced costs and efficiencies in the supply chain;
- organisational and cultural change;
- increased productivity;
- improved competitive advantage;
- garnering support for innovative projects.

6.2 Human capital outcomes

- Increased employment and training in the knowledge sector;
- Leadership development and enhanced managerial effectiveness;
- Improved decision-making capabilities;
- Spin-off benefits for the wider set of stakeholders (consumers, authors, industry bodies, etc); and
- Cultural benefits: to reflect the culturally diverse nature of the country both at home and abroad.

The aims and objectives of the initiatives recommended are to move some way towards the sector using greater self-support mechanisms, and away from dependency on government subsidies. This is not to say the financial support of the Scottish Arts Council is not needed, rather that cultural projects should be funded where they have importance to the heritage of a nation, but that the overall framework of companies should be more robust and able to meet the challenges of the 21st century. Literature funding should then be targeted more closely to reward achievement, rather than be spread around a multiplicity of little projects.

In answer to the second question: the alternative is to leave the publishing sector to market forces with some support from the Scottish Arts Council and other bodies. The evidence shows that the sector will not grow to any extent and will be badly positioned to take on the challenges posed by globalisation, consolidation and new technology. A confident, robust publishing industry is desirable in a country with devolved decision-making as a positive means of reflecting its culture and heritage at home and abroad.

6.3 The methodology for assessing gains

In order to assess the benefits being delivered by the initiatives the SPA should conduct an annual survey of its members and encourage non-members to submit data on a regular basis. This annual data collection would improve the ability of the industry to demonstrate economic viability, to provide valuable benchmarking information hitherto uncollected and to be able to review and interpret data for the Scottish industry as part of a worldwide industry. (There are
significant gaps in the data collection for the Creative Industries as a whole and more research is needed on their impact.) In turn, this improved data collection will help frame appropriate intervention and strategies on the part of funding and other bodies.

The companies involved in the schemes should submit company accounts to the lead bodies for three years from the beginning of their involvement. Where possible, the views of individual customers and other stakeholders should be sought in a measuring process and a consultation on how the output of the industry is viewed should be sought on a regular basis.
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### Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>BIG</td>
<td>Business Investment for Growth</td>
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<tr>
<td>CDFI</td>
<td>Community Development Finance Institution</td>
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| CLÉ     | Cumann Leabharfoilsitheoirí Éireann  
           (the Irish book publishers’ association) |
| EDI     | Electronic Document Interchange |
| IEPA    | Irish Educational Publishers Association |
| ILE     | Ireland Literature Exchange |
| LEC     | Local Enterprise Company |
| LETS    | Local Exchange Trading System |
| SCVO    | Scottish Council for Voluntary Organisations |
| SIS     | Social Investment Scotland |
| SME     | Small and Medium Enterprise |
| SPA     | Scottish Publishers Association |
| STM     | Scientific, technical, medical (a category of publishing) |
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