Economic Analysis of Literary Publishing in Australia

Final Report

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SGS Economics & Planning

This report has been prepared on behalf of

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Executive Summary

Background

The Australia Council is the Federal Government's arts funding and advisory body. A priority area for the Australia Council is arts marketing and audience development to create a higher level of demand from arts consumers and to develop new audiences and readership. In turn, it is intended to help authors earn a living wage from their work.

To enable literary publishers and other literary organisations to distribute and market writing more effectively in Australia and increase the income of writers, it is imperative to gain a better understanding of the structure of the literary publishing industry and the potential readership for literary genres.

While there are reports into the nature of Australian publishing in general and the ABS provides statistics on the Australian publishing industry, there is very little specific data or information relating to literary publishing.

Scope of Work

As defined by the study brief, this work is focussed on the Australian *literary* publishing industry. It is not concerned with mass-market publishing and non-literary genres.

The scope of the work is to analyse:

- the nature and structure of Australian literary publishing in terms of numbers of publishers, geographic distribution, size, ownership and corporate governance, profit-making status, etc.
- the operations of the sector in terms of number of publications by genre, authors published, financial status, marketing budgets, total expenditures, etc.
- formats and media including electronic and paper-based publishing.
- genres published by the category of publisher
- the publication of authors in different stages of their careers (first-time authors, experienced authors, etc.)
- marketing policies and practices
- barriers and constraints faced by the industry in the publishing, distribution, commissioning, selling and reading of titles
- on-demand publishing
- case study anecdotes from publishers.

The study analysed these issues through a combination of qualitative and quantitative research. Much of the material was gathered from a postal survey and face-to-face interviews with publishers. The period for the research was the calendar year 2006.

Key Findings

The headlines emerging from this study on the structure of the Australian literary publishing industry are described below:

- **Australian literary publishers can be broadly grouped into three categories**

  While it is clear that there is a wide variety of business types under the broad heading of 'Australian literary publishers', the firms that took part in this study can be loosely grouped into three categories: larger publishers, independent publishers and very small publishers.

  Larger publishers generally have large market shares of book sales, an ability to attract and retain established authors, high levels of marketing expenditure, strong distribution relationships with retailers and an ability to cross-subsidise 'risky' books with big sellers. These firms will typically give significant consideration to a book's sales potential before the decision to publish is made, and firms in this category are typically in competition with other large publishers (rather than with the independent very small publishers)

  Independent publishers typically are financially sustainable but will sometimes draw on external sources of income as periodically the operational costs of the business outweigh the revenue. These firms often have low levels of resources for marketing and distribution, and often use the functions of larger publishers in this regard. These firms will generally publish a narrow range of literary sub-genres and will sometimes be focussed on a single kind of literary work.

  Very small publishers are typically reliant on literary grants and are often unable to generate enough revenue to invest significantly in marketing, distribution or author care. These firms will often rely on close professional networks to source new authors and to distribute their publications. For very small publishers, involvement in this industry is rarely driven by any profit motives. In the operation of these businesses, the decision to publish a literary work is usually driven by a personal (and often specialist) interest. Many of the publishers interviewed in this category talked of the *need* for their kind of books to be published, regardless of commercial viability.

- **'Non-literary' publications account for the majority of publication sales revenue**

  Of the survey respondents, 26 publishers gave information about their income. When aggregated, these publishers generated an income of around $153 million from sales of Australian publications in 2006 (the year of assessment). Of this total revenue, $27.8 million (22%) was generated from Australian literary publications.

  Literary authors account for a smaller share of publications revenue than their non-literary counterparts**.** The Australian literary publishers in the sample published a total of 1,204 authors (in the 2006 calendar year), of which 644 (53%) were authors of literary titles. Publishers with fewer than 20 staff published the greatest number of authors (421 or 65% of published literary authors), compared with 223 (or 35%) of literary authors published by firms with more than 20 staff. Given that just 22% of total publishing revenue is generated from *literary* publishing, and that literary authors account for 53% of authors published by the sample, it is clear that the literary authors account for a smaller proportion of publications revenue than their non-literary counterparts.

- **Royalties and sales of rights account for more than half of non-sales income**. Non-sales income is generated primarily through royalties and sales of rights ($1.7 million or 53%) as well as copyright agency income ($337,818 or 10%). Funding from Federal, State and/or Local government amounts to almost $340,000 (10%). Public lending rights accounted for $141,892 (4%), education lending rights for $119,474 (3.7%) and charitable donations played a minor role in income sources with $6,936 (less than 1%).

- **Literary publishing activity is concentrated in NSW and Victoria**

  The majority of respondents were based in New South Wales (NSW), and Victoria, with 11 (37%) located in each State in 2006. South Australia (SA) was home to three respondents (10%), followed by Queensland with 2 (7%). The Australian Capital Territory (ACT), Western Australia (WA) and the Northern Territory (NT), had just one publisher (3%) each. No Tasmanian publishers were surveyed for this study.

  Respondents in NSW published the greatest number of Australian literary authors (480), followed by firms based in Victoria (with 341 authors). However, more authors were published *per title* by the Victorian publishers surveyed than by those in NSW. It is assumed that this is due to the higher number of literary essays, short stories and poetry published in this State, and the likelihood that there were a significant number of anthologies published within these genres.

- **Literary non-fiction and children's literature dominate the literary publishing market**

  Children's and young adult fiction/non-fiction dominate the numbers of literary sales – with 58% of total unit sales of literary publications and 27% of literary authors published. It follows then that children's and young adult fiction/non-fiction also attracts the highest share of advances, with a total of $2.6 million paid to authors in these categories – 46% of the total paid in advances. Literary non-fiction is the second-largest category, with 27% of total literary sales and 28% of literary authors. Authors of literary non-fiction attract 36% of the total paid in advances. Literary fiction accounts for 15% of total literary sales and 17% of total literary authors. Authors of literary fiction attract 20% of the total paid in advances. Poetry accounts for a very small portion of the market, with just 0.8% of total literary sales, but with 27% of total literary authors.

  The value of advances per unit sale shows that, on average, authors receive $2.24 per book sold. However, there is wide variation across the literary publishing categories, with averages of $3.04 per unit for literary fiction, $3.02 for literary non-fiction, $1.69 for children's and young adult fiction/non-fiction and just $0.75 for poetry.

- **Print technology and costs significantly impact on literary publishing operations**

  Printing costs were the highest expenditure, contributing almost $16 million (32%) towards total operating costs, followed by royalties and fees ($12.6 million or 26%). Publishers spent $8.7 million (18%) on staff salaries and $6 million (12%) on marketing and sales. Re-print production was the smallest category of expenses, accounting for $1.3 million (3%). This highlights the importance of the maintenance of back-lists for the continued viability of many publishing businesses.

Offset printing is still predominantly used by the larger publishers. The high threshold print number required to reduce unit costs to a point where publication becomes viable is a significant barrier to entry for smaller firms looking to print using offset printing. While some publishers suggested moving their offset printing offshore, for most the shipping costs were prohibitive. On balance, other delivery mechanisms such as digital short-run printing were more attractive for smaller publishers.

- **There is low existing usage of new delivery technologies**

  Print-on-demand has low to moderate current usage. Just 8 respondents reported that they used print-on-demand. Of the copies of Australian literary publications sold as 'print-on-demand' in 2006, the vast majority (95%) were sold in the category of 'children's and young adult fiction and/or non-fiction.' Only a very small proportion sold were in the 'fiction' (1,245 copies or 2%), 'poetry' (1,091 copies or 2%) or 'other' categories (555 copies or 1%).

  Print-on-demand was widely thought to have a broader market than online delivery. While online delivery is suited to particular types of text, most publishers suggested that Print-on-demand could be applied to all of the literary genres. From a demand-side perspective, Print-on-demand may be attractive where costs are lower or where traditional hard copy format is simply not available.

  'Soft-copy production' was thought to have the highest potential for niche publishers. The survey data shows that only two publishers (10%) published titles in electronic format. This represented a total of only three Australian literary titles published by these respondents in 2006. Online delivery for literary works is certainly not a new phenomenon and is not restricted to publishers who also publish works through more traditional printing methods. Online delivery does, however, favour certain literary genres. Niche interests proliferate online as the internet provides a mechanism by which users can quickly focus on narrow interest areas. Poetry, for example, is prolific on the internet. The reason is not hard to fathom limited revenue potential for this genre means that the relative costs of traditional publication methods (even digital short-run printing) are often prohibitive. Online publication offers the opportunity to publish at a minimal cost.

- **There is considerable debate about the way in which digital content will impact on the industry**

  For the larger publishers, the benefits of online delivery are often unclear, as most of their titles have relatively large print runs and low unit costs, combined with relatively large existing markets on the demand side. There remains significant doubt among publishers that readers will seek out online content for titles that are in mass production anyway. The extended narrative structure of most literary works precludes their easy navigation and readability electronically. Most publishers agree that online delivery is most suited to reference material, obscure/niche material that simply cannot be sourced elsewhere or short text volumes (such as short stories or poetry). At present, the web browser is still less convenient than a hard copy book in most instances.

  Of course, e-books have the same difficulty with content types and formats as online delivery. An e-book also requires a hardware electronic device to display the text – these are usually expensive, may be prone to faults, need power, and are much more fragile than hard copy books. Digital rights management can also be a frustration for e-book users.

The responses to the prospects of digital publishing are varied. For many of the larger publishers there is some reluctance to focus on online delivery when large-scale publication is still profitable. Some high-profile examples of e-supply not being financially successful have fuelled uncertainty surrounding digital publishing for some publishers. However, others discussed digital publishing with some enthusiasm and reported considerable existing activity in digitising books for online delivery: online sales in soft copy.

- **Publisher's brand and reputation are critical to author attraction and retention**

  The sample stated that 'company reputation' was the most important way to attract authors. In contrast, high remuneration was considered to be the least important way to attract literary authors. For the majority of literary authors, the balance of power is very much in favour of the publishers. However, for the small number of established authors who have developed a 'brand name', there is some degree of competition between publishers (usually the larger publishers), and author attraction and retention relies on a relatively high level of investment from the publisher. For these authors at least, the publishers cannot afford to rely on reputation alone to attract and retain them. Indeed, many suggested that many aspects of publishers' business operations were geared towards maintaining author relationships and upholding their reputation amongst authors. For the larger publishers, this means significant financial investment in activities falling under the heading of 'author care'.

  Literary agents only seem to play a significant role for the larger publishers. A relatively small proportion (22%) of the Australian literary authors published by the sample publishers were represented by literary agents. The majority of authors deal directly with their publisher. Some publishers stressed the important 'assessor' role that literary agents can play in filtering out the highest quality manuscripts. Consultation suggests that it is usual for only the large publishers to be approached by literary agents, while independent and very small publishers will typically deal directly with the author.

- **'Brand' is becoming more important with retail consolidation**

  The majority of literary books are sold through retail chains. Most of the Australian literary publications are sold via book chains (38%), followed by independent book stores (28%) and mass merchants/wholesalers (19%). Department stores (6%), and campus shops (4%) played a minor role. More than 136,000 books were sold directly to readers, accounting for almost 7% of the total.

  Industry commentators have suggested that the Australian book retail industry is set to continue on a path of consolidation 'with bigger players dominating the scene to the detriment of smaller retailers'.[1] An increasingly consolidated book retail industry means that stocking decisions for books are made in a relatively closed and centralised manner by head offices of major book chains rather than individual book stores. It is argued that stocking decisions are increasingly based on perceptions of a book's quality (largely driven by the reputation of the author, publisher's imprint or publishing list, or publisher itself) as the book's 'brand'. In this context, the relationship between publishers and retailers is critical.

  Very small publishers often reported difficulty in distribution. Given the importance of the distribution step in the process of a literary work reaching its readership and the consolidation of the book retail industry, there is considerable incentive for the very small publishers to use

[1] Tony Pearson and Amber Rabinov (2007), Industry Report: Retail Trade, Economics@ANZ.

the services of larger distribution companies. Many of the independent publishers are not able to invest in in-house distribution services, and as a result they use third-party distributors and sales representatives. These third-party distributors are usually the distribution arms of the larger publishers. Very small publishers will rarely be able to afford in-house distribution and are often unlikely to have the unit volumes to make third-party distribution viable. Many very small publishers sell their books directly to retailers.

- **Publishers typically devote a high proportion of total expenditure to marketing**

  Effective product differentiation through marketing plays a critical role in enabling books to compete effectively in the market, and the larger publishers incur significant marketing costs. The survey data shows that across all literary publishers, 12% of total expenditure is devoted to sales and marketing, compared with a total of 18% on staff salaries.

  While the very small publishers are more reliant on informal or word-of-mouth marketing, this is by no means a cost-free or effortless process. Larger publishers will typically create individual marketing plans for every book published. Marketing expenditure and marketing mix decisions are made on a book-by-book case by the publisher.

- **There is support for ongoing policy intervention in the Australian literary publishing market.**

  While government support for literary publishing is broadly supported, the extent to which this should assist under-resourced publishers was a contentious issue. Some publishers felt that government funds should simply not be spent on commercial ventures that would fail without funding support. Most agreed, however, that while government intervention should not have a role in perpetually propping up failing businesses, it should support the publication of work of merit that would not otherwise be commercially viable.

  Many publishers stated that demand stimulation was at least as important as any supply-side support and that, ultimately, the best outcome for very small publishers would be if their target audience increased. Government initiatives would be well served by focussing efforts in this area.

  Some publishers suggested that the health of the industry as a whole could be improved if there was a greater level of interaction between the larger and smaller publishers. On this point, some suggested that the facilitation of greater dialogue between the various parties involved in literary publishing is a worthy target for policy intervention.

  Some of the larger and independent publishers expressed frustration with attempts to open up overseas markets. For many, the main difficulty was in changing overseas attitudes that Australian literary output is of lesser quality than European or American output. The existing initiatives of the Australia Council were acknowledged as being useful here, and most thought that some additional government support in encouraging international skills/knowledge exchange would be beneficial.

  There is a potential role in assisting very small publishers reach their market. Very small publishers suggested that current funding arrangements do not allow many independent and very small publishers to afford investment in distribution relationships. As such, many felt that support for smaller publishers' distribution and retail strategy is a key area for policy intervention.

- **Relatively few published literary authors are first-time authors**

  Experienced authors make up the majority of published literary authors. From the survey, 144 authors (or 23% of all Australian literary authors published by the sample in 2006) were first-time authors. Eighty-three of these authors (or 58% of all first-time authors published by the sample) were published by firms with fewer than 20 staff. This survey data suggests that very small publishers are more likely to publish first-time authors.

  Author and publisher conflicts are typically driven by different expectations and perspectives. When asked to state the main constraints facing the Australian literary publishing industry, many suggested that 'unrealistic expectations by authors regarding earnings' are a significant barrier. Sometimes this was thought to be driven by individual authors' 'unrealistic views of the quality of their own work'.

  Authors usually receive a fixed proportion of book sales revenue in the form of an up-front fee plus royalty payments from sales. Accordingly, their interests are in maximising copies sold of a book or maximising 'soft capital'. It is in the author's interest to push for more up-front investment by the publisher in order to maximise the potential for book sales. The author's interest does not necessarily take into account the full range of commercial factors that the publisher considers, such as the balance of revenue gained from book sales against the costs of printing, marketing and distribution. Where publishers may feel that authors often do not adequately consider the true balance of costs and revenue, authors may feel that the publishers are too risk averse. Throughout the consultation process, publishers suggested that authors often expect higher levels of publisher investment in a book than the publisher is willing to make.

1 Introduction

1.1 Background to the Study

This report presents the findings of an analysis of Australian literary publishing to inform the Literature Board and other government funding bodies, and to disseminate knowledge within the Australian publishing industry itself.

The Australia Council is the Federal Government's arts funding and advisory body. A priority area for the Australia Council is arts marketing and audience development to create a higher level of demand from arts consumers and to develop new audiences and readership. In turn, it is intended to help authors earn a living wage from their work. The Australia Council 2003 report 'Don't Give Up Your Day Job' (David Throsby and Virginia Hollister) indicated that in the period 2000-01, writers had a mean arts-related income of $26,400 and a lower median arts-related income of just $11,700.

Despite the low average earnings, the number of practising professional writers has almost tripled in the past twenty years. While the average total income of writers is higher than that of other artist occupations, growing income disparity is emerging as a critical issue. One in four writers earn below the poverty line and half earn less than $4,000 from their creative practice in a year, while close to 10% earn over $70,000 from the creative practice alone. While writers' average incomes have grown over the 1990s, this reflects wage increases in non-arts employment, which only one-quarter of writers participate in. For most, neither creative activity nor additional arts-related work is well remunerated.

Issues raised in the Throsby and Hollister report that relate to publishing include:

- the diminishing real value of Literature Board grants to writers as a factor in decreased income from writing
- the impact of diminishing income on the capacity of mid- and later-career writers to create new works
- the impact of diminishing income on the quality of what is being written
- the implications of the growing number of emerging writers, up from 9% of the writing population in 1993 to 20% in 2002.

To enable literary publishers and other literary organisations to distribute and market writing more effectively in Australia, and increase the income of writers, it is imperative to gain a better understanding of the structure of the literary publishing industry and the potential readership for literary genres.

1.2 Scope of the Study

As defined by the study brief, this work is focussed on the Australian *literary* publishing industry. It is not concerned with mass-market publishing and non-literary genres. For the purposes of this study, literary publishing comprises:

- fiction
- poetry
- non-fiction works of a literary nature (biography, history, memoir, essay)
- children's, junior and young adult fiction and non-fiction
- scripts of plays for stage, radio and multimedia.

Therefore, the study is *not* concerned with books published broadly in the categories of:

- bibliographies, dictionaries, encyclopaedias, guide books, instruction manuals, how-to books or catalogues
- professional reference titles
- personal growth, lifestyle, self-help and hobby books
- works about physical or natural sciences, medicine, law, theology or psychology, cookery or gardening
- textbooks and other works created for primary, secondary and tertiary educational purposes
- books which are primarily works of interview
- books which are primarily edited diaries or letters by a person or persons other than the author
- local and oral histories
- military studies
- academic theses or course work
- film and television scripts.

The Literature Board provided SGS with the names of the literary publishers known to the Board. There were 59 publishers on this list. From discussion with the Literature Board, it is believed that this list covers 95% of the relevant publishers in Australia.

Summarised from the study brief, the scope of the work is to analyse:

- the nature and structure of Australian literary publishing in terms of numbers of publishers, geographic distribution, size, ownership and corporate governance, profit-making status, etc.
- the operations of the sector in terms of number of publications by genre, authors published, financial status, marketing budgets, total expenditures, etc
- formats/media including electronic and paper-based publishing.
- genres published by the category of publisher
- the publication of authors at different stages of their careers (first-time authors, experienced authors, etc.)
- marketing policies and practices
- barriers and constraints faced by the industry in the publishing, distributing, commissioning, selling and reading of titles
- on-demand publishing
- case study anecdotes from publishers.

1.3 Context

Before starting the primary research component of the study we completed an initial assessment of Australian and international studies in this field. The aim of this work was to establish a baseline for the study— namely, to identify gaps in existing knowledge and information and to identify themes emerging from previous work that are relevant to this study.

Information about the Australian publishing industry is typically drawn from the following sources: the Australian Bureau of Statistics (ABS), the Australian Publishers Association (APA), Nielsen Bookscan (NB). There have also been numerous studies of Australian creative industries and the Australian publishing industry in general.

In 2003-04, 234 businesses were identified as book publishers, with a further 10 being major contributors.[3] The 20 largest book publishers (in terms of income) generated 77% of the total income generated by the industry and sold 76% of the books.[4] In 2003-04, book publishers based in NSW accounted for 51% of book sales, with Victoria accounting for 43%.[4] While the entire Australian publishing market, including education, was worth A$1,560.6 million in 2003-04, the US publishing market in 2004 was worth US$24 billion and the UK market was worth about A$7 billion. Sixty per cent of the books sold in Australia originate from Australia itself. This is a vast change from 1980, when 63% of the books sold in Australia were imported.

Sales of books in Australia declined by 19% in 2000 after the introduction of the GST, but the decline cannot entirely be attributed to the introduction of GST. Sales surged back in 2001-02, but operating profit for publishers continued to decline and sales again declined in 2002-03. Sales of books contributed 87% to the total income of book publishers in 2003-04. Export sales accounted for 14% of total book sales in 2003-04 and the USA was the biggest market, accounting for almost a third of total exports by Australian publishers.[4] The majority of book sales are made to retailers or other distributors (77%). The remainder (23%) were sold directly to customers.[4] Some commentators have suggested that publishers in Australia, particularly educational publishers, are increasingly moving towards direct selling.[5] For Australian book publishers the greatest contributors to expenses in 2003-04 were printing costs (23%), salaries (19%) and the cost of imported books (14%).[4]

[3] ABS “Book Publishers 2004-04” (2005) Cat 1363.0

[5] ASA “Current Publishing Practice” (2005)

1.4 Study Method

The study was completed through a combination of qualitative and quantitative research. The study method is summarised as follows:

- **Baseline analysis.** A 'baseline analysis' of existing information was completed prior to starting the primary research component of this study. This was intended to provide the consultant team with an understanding of existing gaps in information and to highlight some of the themes identified in previous research relevant to the research questions in this study.
- **Survey of Australian literary publishers.** A key aspect of this study was the completion of an industry survey. An initial pilot survey was completed in face-to-face interviews with selected publishers. A revised survey was then sent to 59 publishers whose details were provided by the Australia Council. Thirty publishers completed the survey. Eight of the non-respondents were not involved in literary publishing or were no longer in business as a literary publisher, thus reducing the 'population' size from 59 to 51, and resulting in a response rate to the survey of 59%. There was also some variation in the number of responses to individual questions. Where the number of responses to a specific question was below 30, that number is indicated. Some of the larger firms were reluctant to participate or had particular difficulties in defining literary publishing for the purpose of the survey. This mirrors difficulties experienced in similar research overseas.

  For the purposes of this study, literary publishing has been defined through three mechanisms:

  - **Initial list of 'literary' and 'non-literary' works**. As defined in the study brief, an initial list of literary works included fiction, poetry, non-fiction works of a literary nature (biography, history, memoir, and essay), children's, junior and young adult fiction and non-fiction, and scripts of plays for stage, radio and multimedia.
  - **Existing lists of funded literary works**. Existing lists of works considered 'literary' in nature for the allocation of grants and entry for literary awards.
  - **'Self-definition' by the publishers themselves**. Further definition of literary publishing was achieved by allowing the publishers themselves to define the sector. This is important because publishers have their own associated accounting systems, and forcing them to reassess their operations to fit with a different definition would result in the research being too difficult or time-consuming for them to be able to contribute.

  The survey focussed on gathering easily quantifiable information such as staff numbers, financial details, etc. When answering the survey questions, the 2006 calendar year was used as the year of assessment as this was the last complete year at the time of the survey.
- **Consultation**. Face-to-face interviews were completed with ten publishers. The aim of this consultation was to explore some of the more qualitative themes emerging from the initial research and the business survey. In particular, this consultation process sought to identify supply-chain issues in the Australian literary publishing industry. Interviews were conducted with Managing Directors of the publishing firms. As with the postal survey, considerable effort

was made to involve the publishers in the work. However, some firms were very reluctant to share information or to participate in the study at all.

In addition to publisher consultation, interviews were conducted with the Executive Directors of the Australian Publishers Association and the Australian Society of Authors.

1.5 Interpretation of Study Outputs

The results of the research are presented in four sections in this report:

- Australian Literary Publishers
- Authors
- Delivery Methods
- Marketing and Distribution

Each of these sections combines evidence from the postal survey and face-to-face consultation. The final section summarises the key findings emerging from the research. The results reported by this study are wholly dependent on the quality of information gained from the research participants. As noted above, some publishers were reluctant to take part in this research and some information (particularly financial information) was simply not possible to obtain, or sometimes could only be gathered as incomplete data. This was usually driven by the difficulty in defining ‘literary’ and the lack of an internal separation of ‘literary’ from ‘non-literary’ in the publishers’ internal accounting systems.

Despite the noted difficulties, this is the first study to focus specifically on the structure and operation of the Australian *literary* publishing industry, and through a combination of quantitative and qualitative evidence it uncovers some important features of this industry’s operation. It is hoped that the results reported in this study will help to broaden understanding of the industry’s character and operational issues, and will assist in continued efforts to support Australian literary publishing.

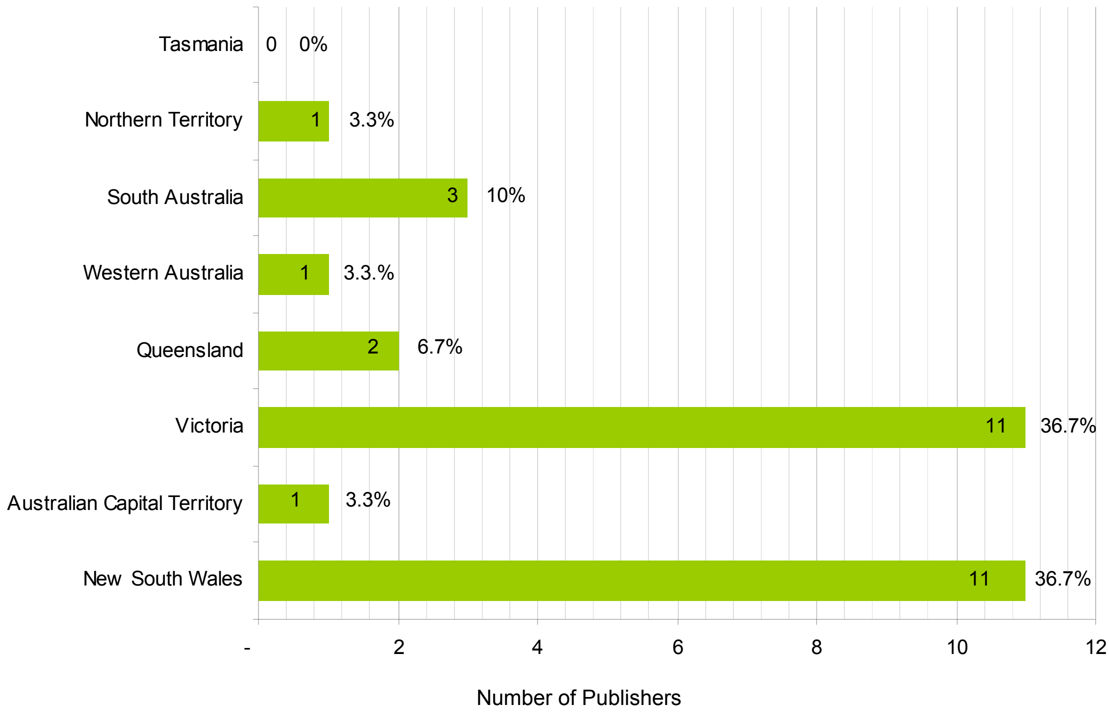
2 Australian Literary Publishers

2.1 Overview of Literary Publishers in Australia

Geographic Distribution

The majority of respondents to the survey were based in New South Wales and Victoria (Figure 1), with 11 respondents (37%) located in each State in 2006. South Australia (SA) was home to 3 respondents (10%), followed by Queensland with 2 respondents (7%). The Australian Capital Territory (ACT), Western Australia (WA) and the Northern Territory had just one respondent (3%) each. No Tasmanian publishers were surveyed for this study.

Figure 1. Geographic Distribution of Publishers



Source: SGS Survey of Australian Literary Publishers (2007)

Business Ownership and Size

The survey reveals that business ownership is dominated by limited companies, with 21 publishers (70% of the sample) falling into this category (Table 1). A small number of publishers were classed as cooperatives (2 publishers, or 6.7%) and one respondent was in sole proprietorship. None of the responding firms were in 'partnership' or 'trust' business ownership arrangements.

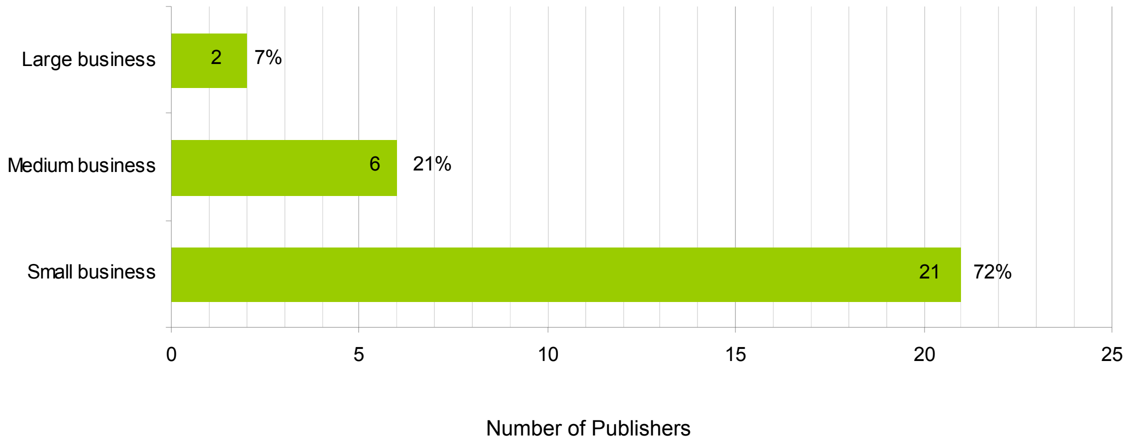
Table 1. Business Ownership

Type	No. of Publishers	% of Publishers
Limited Company	21	70.0%
Partnership	0	0.0%
Sole Proprietorship	1	3.3%
Cooperative	2	6.7%
Trust	0	0.0%
Other	6	20.0%

Source: SGS Survey of Literary Publishes (2007)

Using the ABS definition, small businesses (fewer than 20 employees) made up 72% of the sample (Figure 2). Six publishers (21%) were medium-sized businesses with more than 20 but fewer than 200 employees, and only 2 of the sample could be classed as large businesses with 200 or more employees (again this categorisation of business size is based on the ABS business size classification). Although the ABS classification was useful in segmenting the response according to business size as measured by staff numbers, during the consultation process it became clear that there are in fact a range of factors determining the *size* of a publishing business. For literary publishers, forecasting staff numbers alone to measure business size may be misleading. This issue is explored further through consideration of publisher types in section #2.2 of this report.

Figure 2. Company Size



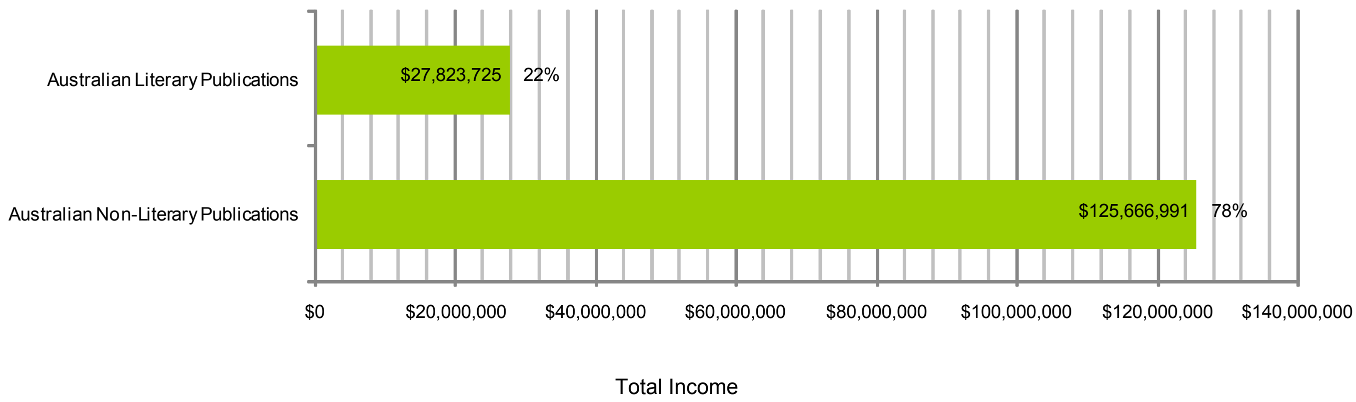
Source: SGS Survey of Australian Literary Publishers (2007)

* 29 responses were received to this question

Financial Characteristics

The aggregated income from sales of Australian publications in 2006 for the responding businesses was around $153 million (Figure 3). Of this total, $27.8 million (22%) was generated from Australian *literary* publications. This shows that even for the defined literary publishers, 'literary' publications still only account for less than a quarter of total income.

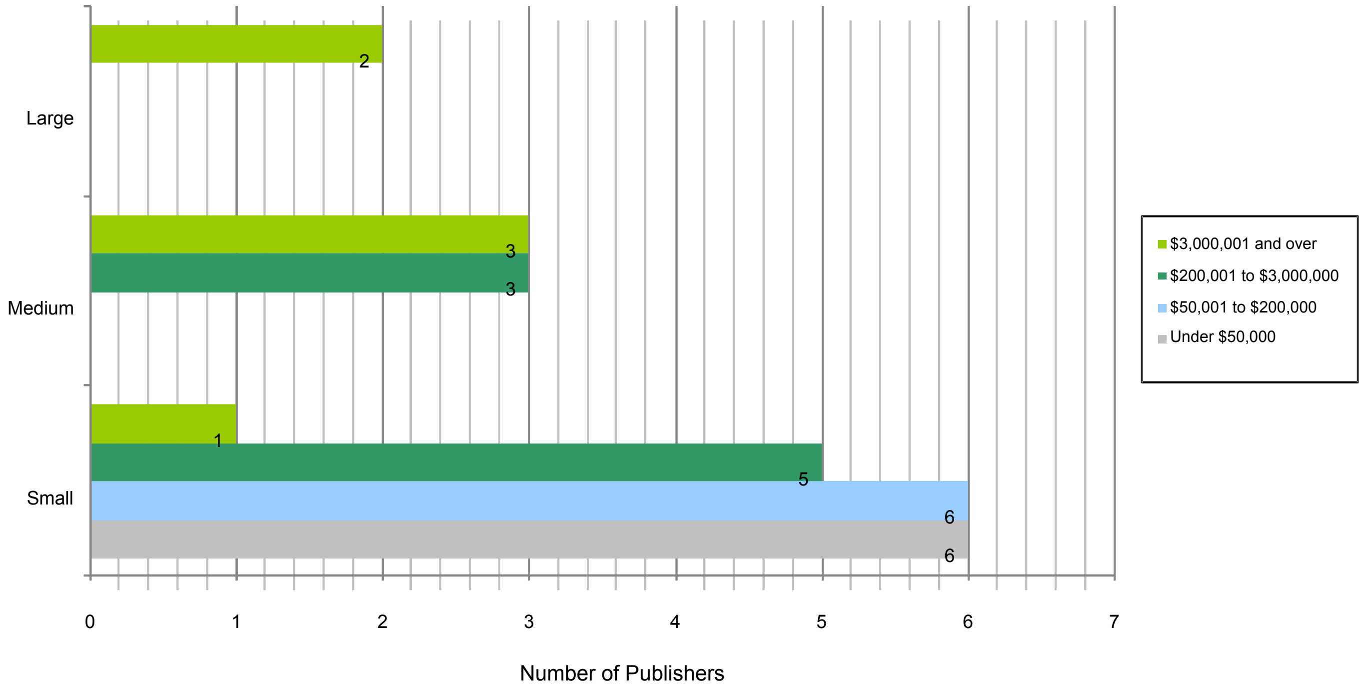
Figure 3. Total Income From Literary and Non-Literary Australian Publications



Source: SGS Survey of Australian Literary Publishers (2007)

Firms with fewer than 20 staff generate a relatively high income, with five businesses in this category generating an income of between $200,000 and $3 million per annum (Figure 4). One small business had an income of more than $3 million in 2006.

Figure 4. Income by Business Size



Source: SGS Survey of Australian Literary Publishers (2007)

After income from the sale of publications, the other main sources of income were through royalties and sales of rights ($1.7 million or 53%) and copyright agency income ($337,818 or 10%). Funding from Federal, State and/or Local government amounts to almost $340,000 (10%), with public lending rights at $141,892 (4%), education lending rights for $119,474 (3.7%) and charitable donations playing a minor role in income sources with $6,936 (Table 2).

Table 2. Other Income Sources

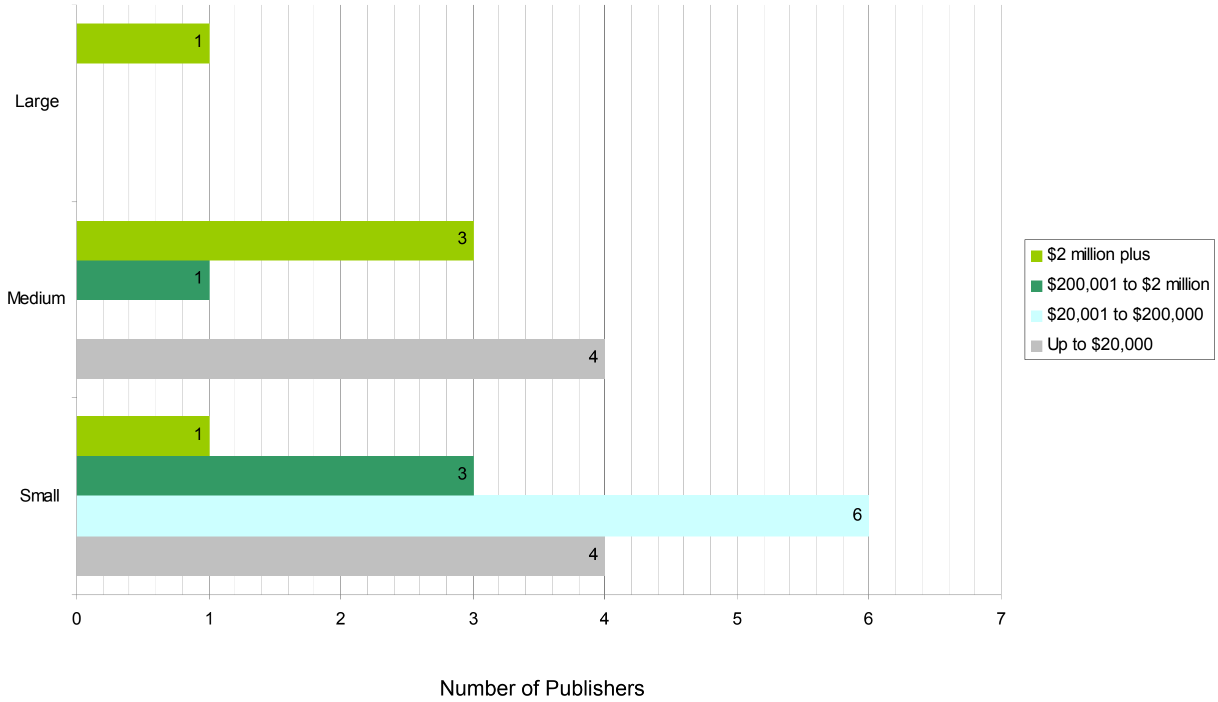
Other Income Sources	Income	% of Income
Charitable Donations	$6,963	0%
Royalties and sales of rights	$1,708,343	53%
Funding from Federal, State and/or Local govt.	$337,818	10%
Copyright agency	$331,601	10%
Public lending rights	$141,892	4%
Education lending rights	$119,474	4%
Others	$607,432	19%
Total	$3,253,523	100%

Source: SGS Survey of Australian Literary Publishers (2007)

Expenditure

There does not appear to be a linear relationship between expenditure and business size in terms of staff numbers. One small publisher and three medium-sized publishers had expenses of over $2 million in 2006 (Figure 5). This aligns with the survey data for income structures which shows that some small businesses also have high incomes.

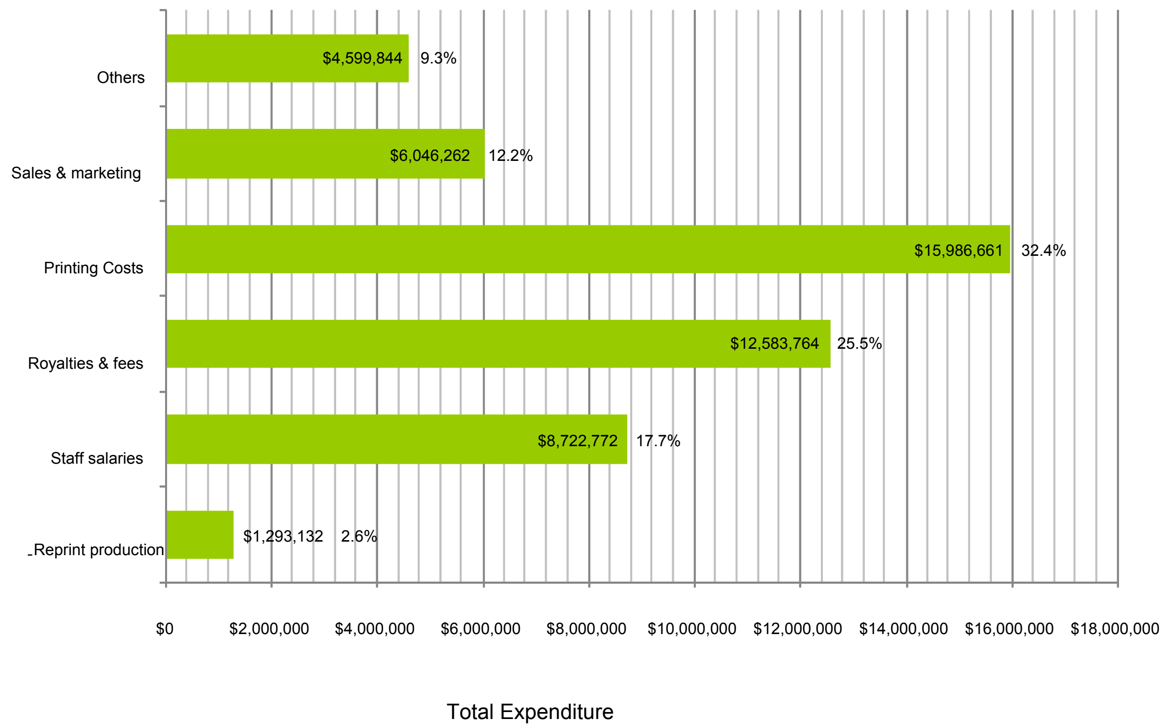
Figure 5. Expenditure by Business Size



Source: SGS Survey of Australian Literary Publishers (2007) * 19 responses were received to questions relating to expenditure

Total expenditure for the survey respondents was approximately $49 million (Figure 6). Within this total figure printing costs were the greatest expense, contributing almost $16 million (32%) to total expenditure, followed by royalties and fees ($12.6 million or 26%). Publishers spent $8.7 million (18%) on staff salaries and $6 million (12%) on marketing and sales. Re-print production was the smallest category of expenses accounting for $1.3 million (3%).

Figure 6. Expenditure Structure, 2006



Source: SGS Survey of Australian Literary Publishers (2007) * 19 responses were received to questions relating to expenditure.

2.2 Publisher Typologies

Literary works are published by a wide range of firms in Australia, but following the consultation process three broad categories – 'large publishers', 'independent publishers' and 'very small publishers' — clearly emerged and we have used these as a way to discuss the results of the study. 0 outlines these publisher types along with their characteristics.

While there will, of course, be cases where a particular publisher does not fit neatly within a category and there will be some change over time, this publisher typology serves as a useful framework for analysis.

Table 3. Publisher Typologies

	Large Publishers	Independent Publishers	Very Small Publishers
Genres	Varied	Generally specialist, relevant to agenda or community	Highly specialised, relevant to community
Marketing Expenditure	Significant/Large	Negligible	Negligible
Distribution	In-house account management	Outsourced distribution, some have arrangements with large publishers	Limited access or outsourced to lower-tier distributors
Author Relationships	Large financial investment in maintaining author relationships. Regularly approached by literary agents.	Limited financial investment in maintaining author care. Not generally approached by agents.	Not approached by agents, no explicit financial investment in maintaining author relationships
Market	Wide audience for books in both domestic and overseas markets	Specialist communities and some larger markets	Specialist communities
Printing	Mainly offset for first print run and short-run digital for subsequent print runs	Some able to realise offset economies of scale for first print runs	Usually short-run digital printing for first print runs
Financial Status	Profit-making with ability to cross subsidise risk of loss-making books using profit from revenue generating books	Mixed - some rely on personal funds others have significant sales revenues	Reliance on personal funds and grants. Limited sales revenue to support operations.
Level of Business Strategy	High-level business planning and analysis	Significant professional business planning	Limited or no professional business plans. Some processes in place to meet company registration and administrative requirements.
Relationship with other publishers in industry	Significant overlap with other publishers in the large publisher category. Large publishers often distribute books for independent publishers.	Some overlap in markets with larger publishers. Some rely on larger publishers for distribution.	Limited markets overlap with independent or larger publishers. Often operate in highly specialised markets.

The Large Publishers

The ABS classifies 'large businesses' as those with more than 200 employees. This was the classification used in the publisher survey. However, subsequent consultation with publishers revealed that the ABS definition, while useful in the categorisation of other industries, does not fit neatly with the operation of Australian literary publishers. Through consultation a more comprehensive list of features has been developed that distinguish the larger publishers. This is summarised as follows:

- large market share of book sales
- ability to attract and retain established authors (large publishers typically make a significant financial investment in 'author care')

- high level of marketing expenditure. Large publishers typically incur significant costs associated with marketing and PR playing a critical role in building competitiveness of their books
- strong distribution relationships with retailers. This allows larger publishers access to book retail chains
- cross-subsidisation of 'risky' books with profits from big sellers. A prevailing feature of the publishing industry is the uncertain market for books. Consumers typically purchase a book once — there is usually no repeat purchase. Publishers face significant risks when making investments in the publication of a literary work. In this market environment, economies of scale and cross-subsidisation make a significant impact in lowering risk
- High level of consideration of a book's sales potential before the decision to publish is made. Though there is still a degree of uncertainty surrounding book sales, larger publishers base their decision of whether or not to publish a book on the perceived sales and market potential of that book as well as an author's past sales record and sales of similar works
- Competition with other large publishers. Large publishers will typically compete with other large publishers and some well-established independent publishers.

By this definition, five of the 30 survey respondents fall under the category of 'large publisher'.

The 'Independent publishers'

In contrast to the large publishers, 'independent publishers' typically do not have the ability to invest the same level of financial resources into marketing, distribution and author relationships. In general terms, independent publishers believed this positioned their books at a competitive disadvantage in reaching a mass market. However, reaching a mass-market is not always the goal for these publishers.

Independent publishers are usually financially sustainable, but are sometimes subsidised by the owners of the firm through the profits from other businesses they operate or other sources of capital. Again, this suggests a high level of inherent risk in the literary publishing market. This is a risk which, in the case of some independent publishers, needs to be offset by more profitable businesses.

Some independent publishers have a high level of interaction with the larger publishers. Many independent publishers are unable to afford their own key account management team to look after retail relationships, relationships with larger publishers. As a result, independent publishers will often outsource distribution to larger publishers or third-party distributors. There is also some level of author movement between independent publishers and larger publishers.

Compared with larger publishers, each independent publisher will publish a narrow range of genres and indeed will often be focussed on a single type of literary work. Some of these publishers have very narrow 'mission statements'. Both production and marketing budgets are limited and these publishers are much more reliant on building and maintaining a dedicated following in a niche market. Printing costs are typically a very high component of total costs and some publishers discussed investing significant personal funds into printing technology.

A Smaller Publisher's Investment in Digital Marketing

One small independent publisher reported that the business was financially sustainable as a result of the firm having access to capital generated outside of the firm itself. This enabled the company to invest in some innovative digital marketing (online sales of e-books, engagement with overseas markets via digitisation etc.) even though the firm did not generate significant revenue from direct local book sales. The publisher suggested that the investments were not made with an expectation of an immediate or proportional increase in sales revenue but rather to realise the mission statement of the firm: to publish specialised and innovative books.

The Very Small publishers

Very small publishers are usually heavily reliant on literary grants. During the consultation process, many publishers in this category suggested that they are unable to generate enough revenue to invest any significant sums in marketing, distribution or author care. In some of the more extreme cases, publishers commented that there is simply not enough revenue to generate profit for the owners and consequently the business cannot be relied upon as a sole source of income. It is no surprise then that the marketing expenditure of the very small publishers is negligible and distribution mainly occurs through informal mechanisms, through networks or sometimes through independent distributors.

Clearly, for very small publishers, involvement in this industry is rarely driven by any profit motives. The decision to publish a literary work is usually driven by a personal (and often specialist) interest. Many of the publishers interviewed in this category talked of the *need* for their kind of books to be published, regardless of their commercial viability. There was also a suggestion that the genres published by the very small publishers are limited by their cost structure. The publication of anthologies of short stories, poetry or essays is the most viable option when printing costs are considered (though this is of course a purely supply-side perspective).

Authors published by very small publishers generally come from networks within their specialist community. In some cases, the authors published by these businesses are affiliated in some way with the business, and are sometimes the owners themselves.

The Role of Independent and Very Small Publishers

Despite the fact that some of the very small publishers struggle financially, there was widespread recognition of the important role they play in the structure of the industry as a whole. Some of the larger publishers suggested that smaller firms have a role in publishing literary material that has merit but simply would not be published otherwise because it is too 'high risk'. Others suggested that literary works sometimes need to be published 'for their own sake' – suggesting that the decisions of marketing professionals and publishing boards or indeed too much reliance on past sales records will not always lead to works of literary merit being published. Sometimes it is only through the single minded vision of the smaller operators that significant literary works will be published and reach an audience.

The extent to which government policy should assist under-resourced publishers was a contentious issue. Some publishers felt that government funds should not be spent on ventures that are simply not commercially viable. Most agreed, however, that while government intervention should not have a role in perpetually propping up failing businesses, it should support the publication of works of merit. Many publishers also stated that demand stimulation was at least as important as supply-side support. In other words, that the best outcome for very small publishers would be if their target audience increased, and that this is where most effort should be focussed. Some suggested that the health of the industry as a whole could be improved if there was a greater level of interaction between the larger and smaller publishers. Accordingly, some suggested that the facilitation of greater dialogue between the various parties involved in literary publishing is a worthy target for policy intervention.

2.3 Perceptions of the Australian Market

The Australian Market for Literary Publishing

Both large and small publishers expressed frustration at the constraints they faced in the Australian market. Most publishers discussed the difficult nature of the publishing industry. In general, the size of the market and limited sales potential were the principal constraints raised by the sample.

While demand-side analysis was not included in the scope of this study, consultation suggests that, for many, Australia is thought to be a small market for literary works. Furthermore, competition (from publishers and authors) from the US and the UK is thought to severely limit opportunities for Australian literary authors, not only in terms of domestic sales but also in terms of export opportunities. It should be noted here that the Australian literary publishing industry is still relatively young, and previous studies[6] have shown that the industry is still in a growth phase.

Some publishers suggested that demand-side issues need to be addressed for Australian literary publishing to grow. In this respect, raising the profile of Australian literary publishing was seen to be at least as important as supporting worthy publishers and authors. As part of this process, some publishers discussed the need to address common perceptions of the meaning of 'literary' in order to make literary works more accessible for the Australian public.

Export Markets

Many publishers highlighted the value of greater engagement with offshore markets. This is unsurprising given that many publishers also cited the 'small size of the domestic market' as a constraint on the industry in general.

[6] Australian Society of Authors (2005) "Current Publishing Practice: An Australian Report"

Export markets offer the potential to increase sales revenue. In addition, greater engagement with overseas markets is widely thought to be of value in encouraging the exchange of knowledge and ideas as it makes an inherent contribution to the health of Australian culture and the arts.

Some publishers felt that the Australia Council has an important ongoing role to play in assisting the industry to engage with offshore markets. In helping to grow Australian literary publishing overseas, particular opportunities were thought to exist in the emerging overseas English-language markets in India, China and Korea. Many publishers already attend book fairs and make use of Australia Council initiatives on export grants. There was, however, some discussion about which sections of the industry should be eligible for assistance, and many of the very small publishers suggested that the large publishers already have the resources to pursue offshore markets without assistance.

Large Publisher's Involvement in Export Markets

One of the larger publishers interviewed felt that the assistance they received from government agencies to engage with offshore markets was critical, not just to the viability of that particular business but to Australian arts and culture in general.

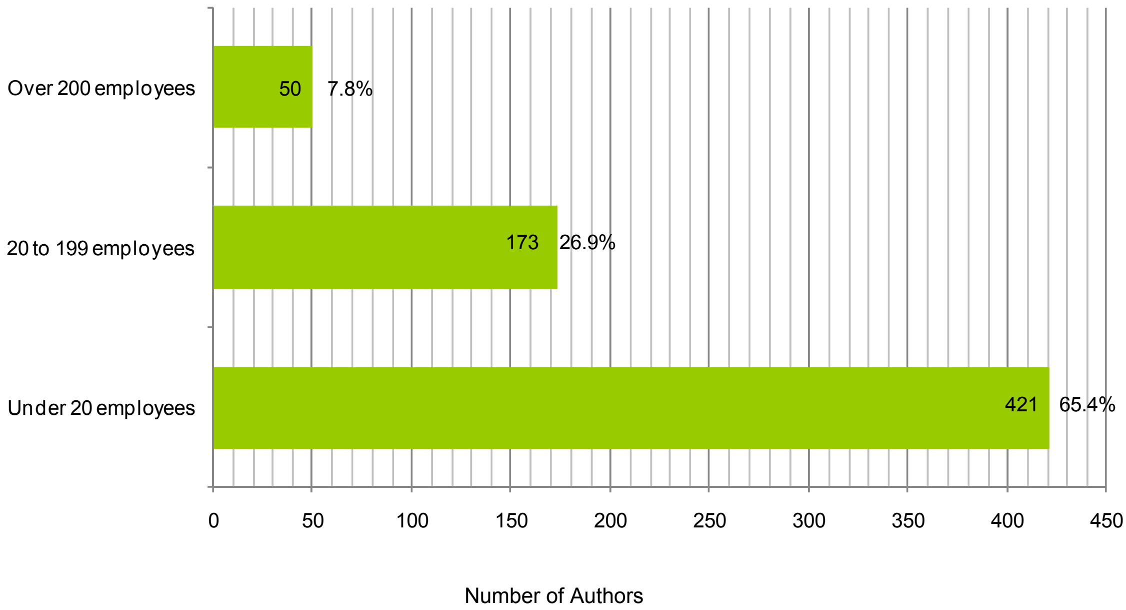
Export grants allowed the publisher to pay for an agent to promote and market Australian books overseas. For the publisher, such initiatives not only generate income through rights sales, but also create a platform for Australian publishers to compete globally.

3 Authors

3.1 Author Characteristics

The Australian literary publishers within the sample published a total of 1,204 authors (in the 2006 calendar year) of which 644 (53%) were authors of literary titles. Figure 7 and Figure 8 show the breakdown of literary authors published by company size and location of respondents. Firms with fewer than 20 employees published the greatest number of authors (421, or 65% of authors), compared with 223 authors (35% of authors) published by firms with over 20 employees.

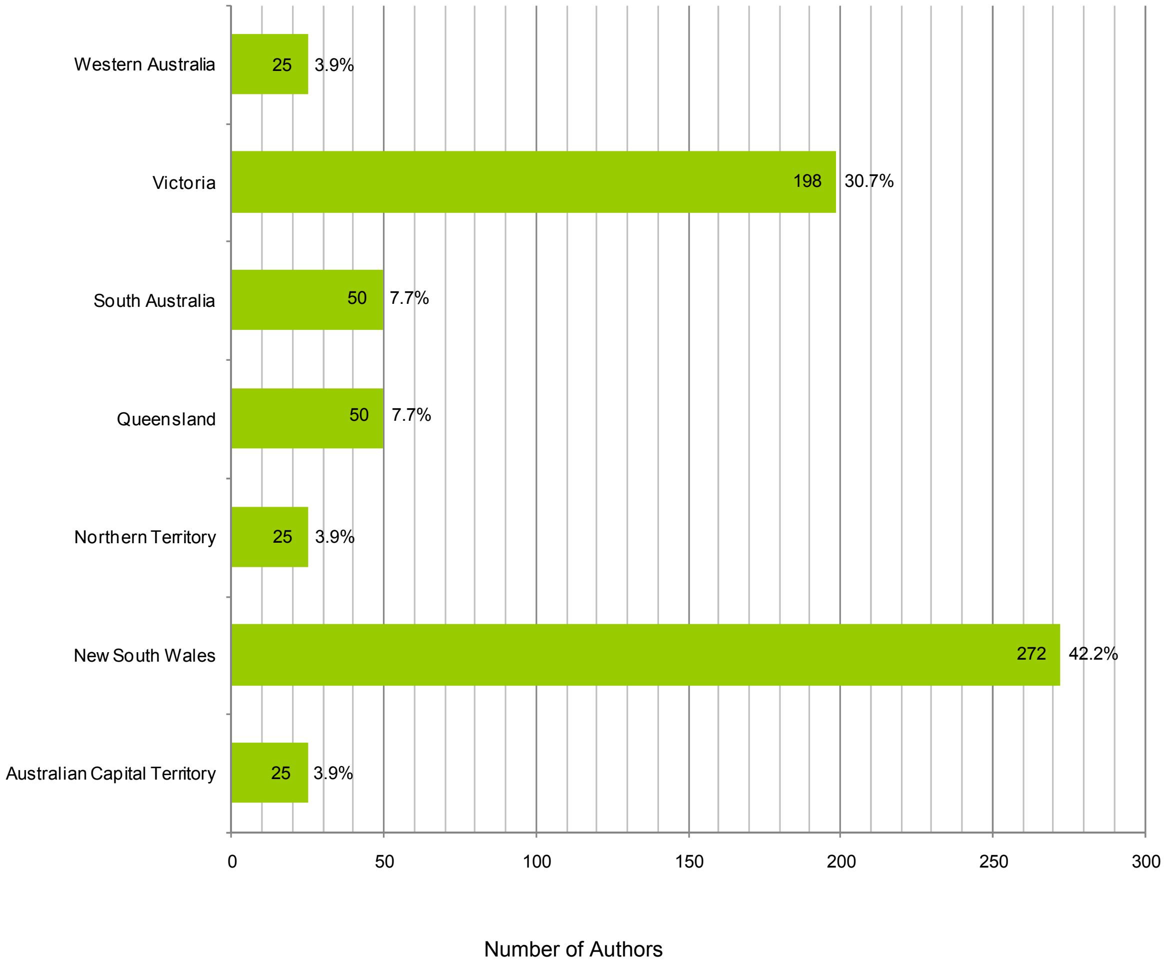
Figure 7. Literary Authors Published by Company Size



Source: SGS Survey of Australian Literary Publishers (2007)

Of the sample, NSW published the greatest number of Australian literary authors (480), followed by Victoria (341 authors). It is noted, however, that more authors were published per title by the Victorian publishers than those based in NSW. It is assumed that this is due to the higher number of literary essays, short stories and poetry published in this State and the likelihood that there were a significant number of anthologies published within these genres.

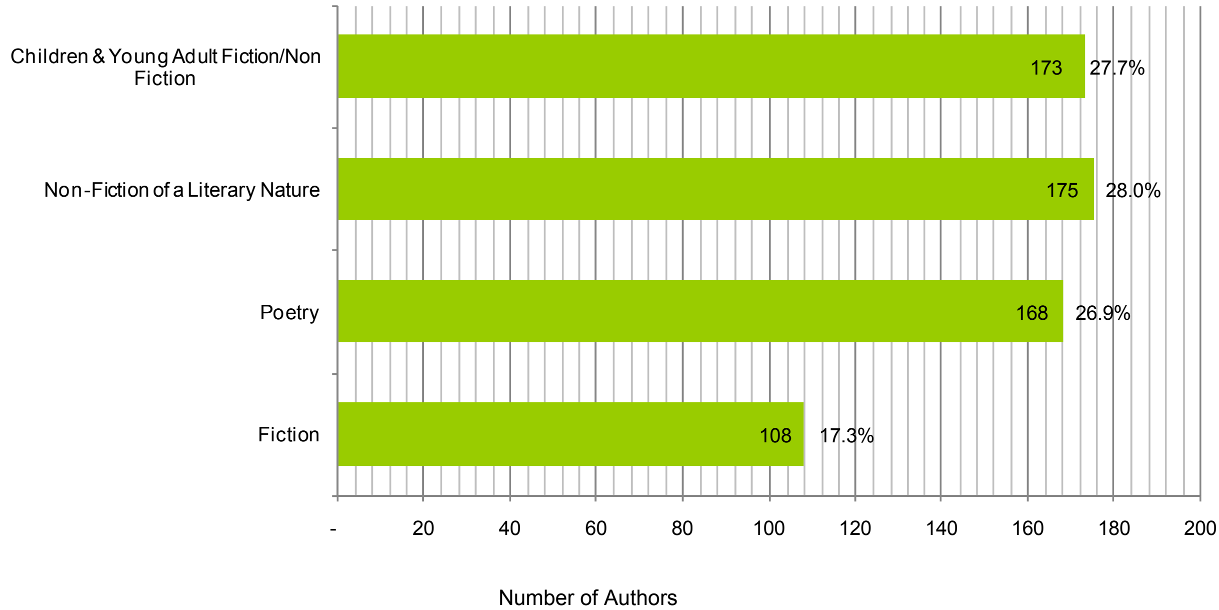
Figure 8. Literary Authors Published by State, 2006



Source: SGS Survey of Australian Literary Publishers (2007)

In terms of literary genre, most of the authors produced literary non-fiction (175 or 28% of total literary authors) or children's and young adult fiction/non-fiction (173 or 28%) (Figure 9). A high number of poetry authors were also published by the survey respondents (168 or 27%). The number of poetry authors published was far higher than the number of poetry titles published in 2006. Poetry and literary essays were the main types of literature published by the smaller publishers.

Figure 9. Number of Australian Literary Authors Published by Genre



Source: SGS Survey of Australian Literary Publishers (2007)

* 26 responses were received to this question

3.2 Publishing First-Time Authors

Overall, a total of 144 first-time authors were published by the survey sample.[7] This represented 23% of all Australian literary authors published by the sample. Of this 144, 83 (58%) were published by firms employing fewer than 20 staff. The data suggests that very small publishers are more likely to publish first-time authors.

From an author's perspective, an independent publisher can offer a first step into a publishing career, with potential opportunities to move to larger publishers once established. Though not explicit in the interviews, there was some recognition that this is one *de facto* role for the independent publishers within the industry structure — seeking out and developing new author talent.

[7] 21 responses were received to this question.

Some of the larger publishers stated that they do not accept manuscripts from first-time authors at all. Others stated that literary agents can perform an important role as *assessors* of literary worth before manuscripts are submitted.

There is certainly not a consistent relationship between the size of the publisher and the experience of the authors they publish. Some independent and very small publishers stated that while they did publish first-time authors, finding authors of a good 'ethical or intellectual fit' with the publisher is more important. In this respect, the characteristics of an author and a pre-existing relationship with the publisher are as important to very small publishers as they are to bigger publishers. While the survey response suggests that larger publishers will be less likely to publish first-time authors, some of these larger publishers may be in a better position to take risks in publishing first-time authors due to the resources they have at their disposal to invest in marketing, distribution and editorial support for the author.

A Very Small Publisher's Difficulty in Publishing First-time Authors

One very small publisher stated that the business received hundreds of unsolicited manuscripts every year. However, they rarely published any of these manuscripts. This was because the publisher did not have the resources to edit and publish unsolicited manuscripts, as many of them required considerable work before being publishable. When first-time authors were published in book form, they often had a strong writing track record with, for example, experience in writing for journals or other publications such as newspapers and magazines.

This publisher mentioned that many of the authors published were drawn from close community networks. This increased confidence in the quality of their work.

Large Publishers and Author Career Stages

For one of the larger publishers, the decision whether or not to publish a book is based primarily on its estimated commercial viability regardless of the career stage of the author. While in practice this means that most authors being published are experienced authors with a ‘brand name’, the firm is still able to make a significant level of investment into supporting first-time authors if it perceives them to be potential commercial successes.

This publisher gave the example of the publication of a fiction author’s work, where the firm made a large financial investment to market the book (in addition to staff wages and the implicit costs of PR and author care activities). The investment was based on a judgement made by the firm that the book had selling potential even though the investment involved some risk. This illustrates the fact that the larger publishers are prepared to take some degree of risk if the perceived benefits are high enough.

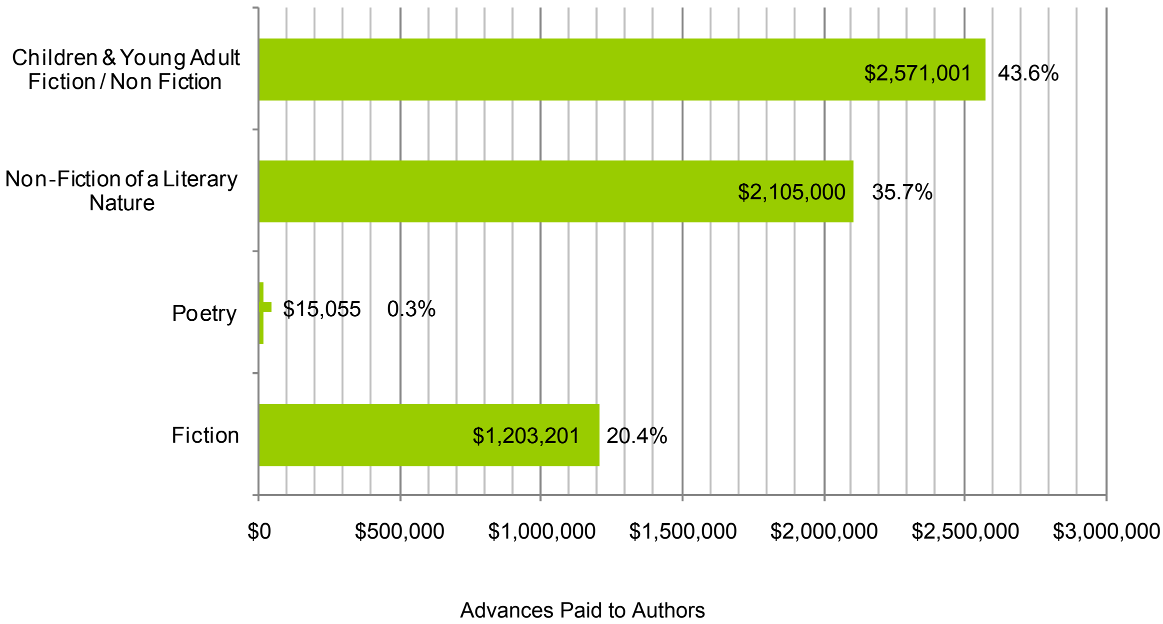
This publisher also highlighted the fact that they seek ‘fresh talent’ at universities through their promotion of writing competitions in an effort to find authors in the early stages of their career.

3.3 Attracting and Retaining Authors

Advances Paid to Authors

While all responding publishers paid advances to authors, the total value of advances paid to authors varies significantly by genre (0). The highest monetary values for advances were paid to authors of children’s and young adult fiction/non-fiction’ followed by literary non-fiction, with a total of $2.6 million and $2.1 million paid to authors in these categories respectively. Authors of literary fiction received $1.2 million. In comparison, authors of poetry received just $15,055 (0.3%) in advance payments, despite the relatively high number of published poetry authors in the year of assessment (2006).

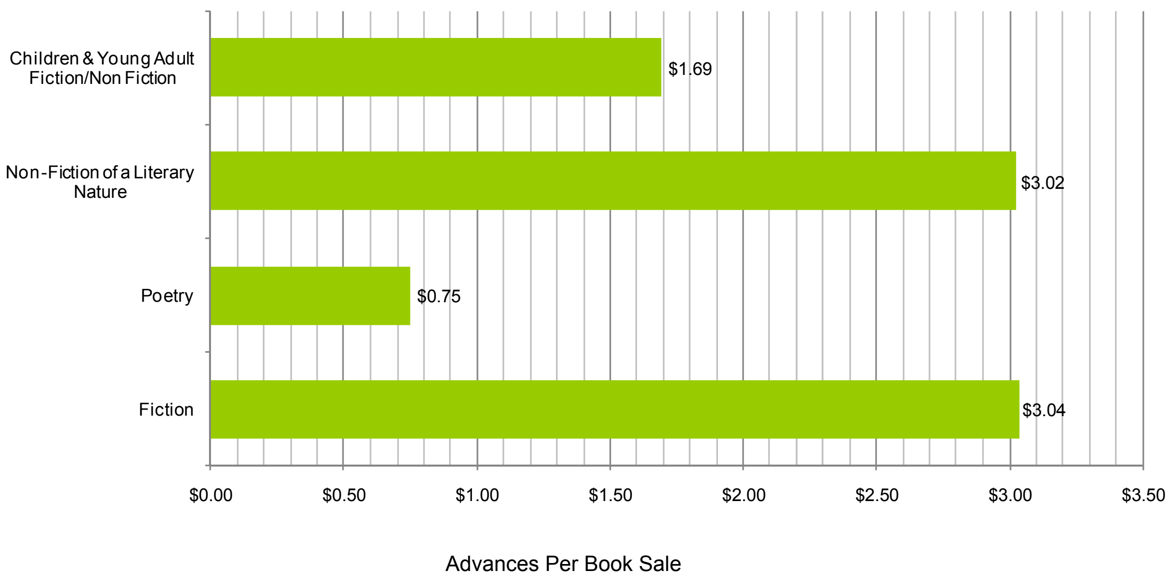
Figure 10. Total Advances Paid to Authors, 2006



Source: SGS Survey of Australian Literary Publishers (2007) * 18 responses were received to this question.

The average value of advances per book sale shows that, on average, authors receive $2.24 per sale (Figure 11). However, there is wide variation across the literary publishing categories, with averages of $3.04 for literary fiction, $3.02 for literary non-fiction, $1.69 for children's and young adult fiction/non-fiction and just $0.75 for poetry.

Figure 11. Advances Per Book Sale Paid to Authors, 2006

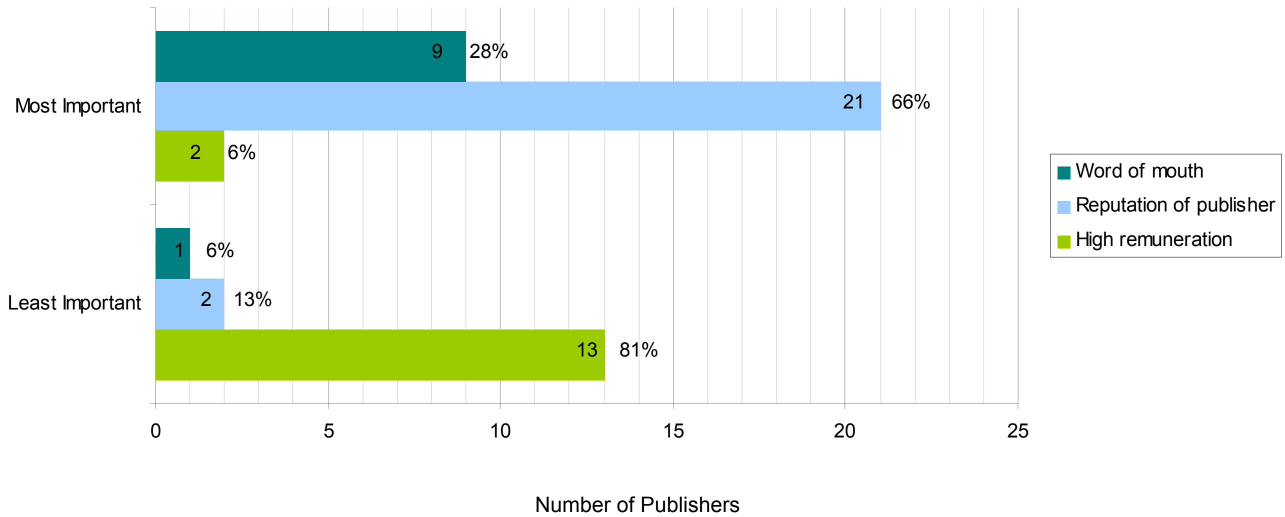


Source: SGS Survey of Australian Literary Publishers (2007)

Attracting and Retaining Authors

For the survey respondents the reputation of the publishing company was considered the most important way to attract authors (Figure 12). In contrast, high remuneration was considered to be the least important way to attract literary authors.

Figure 12. Ways of Attracting Authors



Source: SGS Survey of Australian Literary Publishers (2007)

Publishers consulted as part of this study suggested that there are high numbers of Australian authors looking to be published. However, the number of manuscripts with literary merit was thought to be much lower. For the majority of authors, the balance of power is very much in favour of the publishers. However, for the relatively small number of established authors who have developed a 'brand name', there is some degree of competition between the publishers (usually the larger publishers) and their attraction and subsequent retention relies on a relatively high level of investment from the publisher. Indeed, most publishers suggested that significant components of business operations were geared towards maintaining author relationships and upholding their reputation amongst authors. For the larger publishers, this often means making a significant financial investment into those activities falling under the 'author care' heading, that is:

- investment in experienced editorial staff
- organisation and support for author tours, book-signing sessions and meetings with retailers
- investment in professional PR staff to manage media relations and maximise the media exposure and the profile of authors.

Independent and very small publishers, while typically unable to make the same level of financial investment into author care activities, still considered their relationship with authors as critical to the success of their business. For these smaller publishers, the focus is very much on the development of personal relationships with the author. These are often based on specific common interests or ideologies.

Literary Agents

A relatively small proportion (140 or 22%) of authors published by the sample were represented by literary agents. Most published Australian literary authors dealt directly with their publisher. Consultation suggests that typically only the large publishers are approached by literary agents, while independent and very small publishers will usually deal directly with the author. As discussed earlier, some publishers discussed the important 'assessor' role that literary agents can play in filtering out the highest quality manuscripts.

Conflicts in Relationships with Authors

One typical source of conflict between publisher and author is the manner in which revenue is shared between them. When asked to consider barriers to the publishing business, 'unrealistic expectations by authors regarding earnings' was considered to be the most significant barrier facing the industry by the respondents. Sometimes this was thought to be driven by individual authors having an 'unrealistic view of the quality of their own work'.

Authors usually receive a fixed proportion of book sales revenue in the form of an up-front fee plus royalty payments from sales. Accordingly, their interests lie in maximising the number of book copies sold or maximising 'soft capital'. Authors are more likely to be focussed on the revenue side of the publisher's profit equation. It is in the author's interest to push for more up-front investment in order to maximise the potential for book sales. The author's interest does not necessarily take into account the same range of commercial factors that the publisher considers. A publisher must consider the balance of revenue gained from book sales against the costs of printing, marketing and distribution. Where publishers may feel that authors often do not adequately consider the true balance of costs and revenue, authors may feel that the publishers are too risk-averse. Throughout the consultation process publishers suggested that authors often expect higher levels of investment into a book than the publisher is willing to make.

Differing Perspectives on Commercial Success

One of the larger publishers highlighted the importance of commercial factors in considering a book's success. This publisher used the example of a particular book that incurred total costs of over $1,000, 000 in author advances, marketing, PR and distribution. The book then sold around 100,000 copies. Though the author of the book was well-known and the sales figures were relatively high, the publisher still did not consider this book to be a commercial success due to the significant costs incurred. The author, however, did not take the high costs of publishing the book into account when judging the book's success. In another example from the same publisher, an author refused to have their books stocked in a discount department store as they felt it would be damaging to their 'brand' profile. For the publisher, however, stocking the book in a discount department store would have resulted in a commercially successful book which, in the publisher's opinion, would have benefited both author and publisher.

4 Delivery Methods

4.1 Printing

In broad terms, the printing methods used by Australian literary publishers fall under the following categories:

- offset printing
- digital short-run printing
- print-on-demand.

Offset printing

Offset printing is characterised by large print volumes and has traditionally been associated with high-quality printing. With offset printing, the per unit print costs are low if the total volumes are large enough and 3,000 units is the commonly accepted threshold level where the sale economies favour this printing method over others. Offset printing also involves significant investment in print machinery and, when combined with the high volume threshold, this means that offset printing is usually beyond the means of the smaller publishers. Some very small publishers discussed exploring opportunities to print using overseas offset printers to take advantage of cheaper unit costs. However, problems arise here with the higher associated shipping costs. For the majority of smaller publishers, other printing processes are preferred.

Digital Short-Run Printing

Digital short-run printing is characterised by low initial set-up costs and higher per unit costs compared with offset printing. Advances in printing technology over the past decade have allowed the development of modern digital presses which now come close to matching the quality of printing offered by offset printing for most purposes.[9]

The lower fixed costs associated with short-run digital printing mean that much smaller print runs are possible. These can be as low as a few hundred copies. For independent and very small publishers, digital short-run printing allows them to avoid the significant risk of printing large quantities of books that they may be unable to market effectively. For the larger publishers, digital short-run printing allows for economically viable short-run reprints. This helps to keep titles in print for longer.

[9] While digital short-run printing comes close to matching the quality of offset printing for black and white text, the printing of colour plates will typically still rely on offset printing. For this reason, the publication of heavily illustrated books will usually be printed by offset printing.

Print-on-demand

Distinct from online delivery, print-on-demand usually refers to the ability for internet users to print their own hard copies of publications. Eight publishers reported using print-on-demand. Of the copies of Australian literary publications sold as print-on-demand in 2006, a large majority were sold in the category of children's and young adult fiction and/or non-fiction. Only a very small proportion sold were fiction (1,245 copies or 2%), poetry (1,091 copies or 2%) and other categories (555 copies or 1%).

Print-on-demand was thought to have a broader market than online delivery. While online delivery is thought to be suited to particular types of text, most publishers suggested that print-on-demand could be applied to all the literary genres. From a demand-side perspective, print-on-demand may be attractive where costs are lower or where traditional hard-copy format is simply not available.

4.2 Soft-Copy Publication

Soft-copy publication has largely been enabled by the proliferation of internet access. Soft-copy publication as a delivery mechanism largely falls under two categories:

- online delivery
- e-books.

Online Delivery

Online delivery for literary works is certainly not a new phenomenon. It is also something that is not restricted to those who publish works through more traditional printing methods. However, online delivery does favour certain literary genres. Poetry, for example, is prolific on the internet. The reasons are not hard to fathom. Limited revenue potential for this literary genre means that the relative costs of traditional publication methods (even digital short-run printing) are prohibitive. Online publication offers the opportunity to publish at a minimal cost.

Niche interests proliferate online as the internet provides a mechanism by which users can quickly focus on narrow interest areas. As a result, online publication is particularly useful for niche literary genres.

There is some debate and uncertainty among publishers about the way that digital content will impact on the tastes and preferences of consumers. For the larger publishers, the benefits of online delivery are often not clear-cut as most of their titles have relatively large print runs and low unit costs combined with relatively well-established markets on the demand side. There remains significant doubt among publishers that readers will seek out online content for titles that are in mass production anyway. The extended narrative structure of most literary fiction precludes their easy navigation and ease of readability electronically. Most publishers agree that online delivery is most suited to reference material (obscure/niche material that simply cannot be sourced elsewhere) or short text volumes (such as short stories or poetry) as, for the time being, the web browser is usually less convenient than a hard copy book.

E-Books

Much has been written about the emergence of e-books as a delivery mechanism for content. E-books have a number of attractive features for readers: text can be searched quickly; less physical space is required to store e-books and hundreds may be carried together on one device; costs for the reproduction of e-books are very low; distribution is simply a matter of internet accessibility, per unit costs are cheaper as there are no print costs; and readability may be easier for the visually impaired.

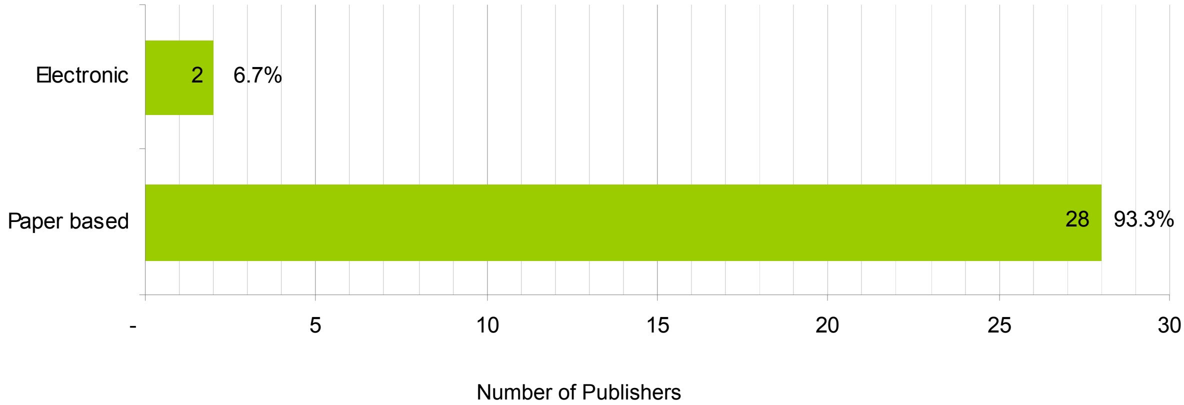
Of course, e-books have the same difficulty with content types and formats as online delivery. An e-book also requires a hardware electronic device to display the text. These are usually expensive, may be prone to faults, need power, and are much more fragile than a hard copy book. Digital rights management can also be a frustration to e-book users as, in many cases, the e-book is tied to a specific computer or device and the purchaser can only move the book a limited number of times. Indeed, when digital rights management is considered, the e-book purchase starts to resemble a rental agreement more than a purchase.

The introduction of the Iliad (an e-book reader) into the Australian market was heralded as a watershed in the history of the Australian publishing industry. Many publishers consulted in this study felt that the introduction of e-book readers into the Australian market poses as many threats as opportunities to hard copy publishers of literary works.

4.3 The Role of New Digital Delivery

From the sample, just two publishers (10%, both small publishers) produced titles in an electronic format (Figure 13). This represented a total of just three Australian literary titles published by these respondents in 2006.

Figure 13. Publication Format



Source: SGS Survey of Australian Literary Publishers (2007)

While survey data shows that there is currently a very low level of Australian literary publisher involvement in new digital delivery, consultation suggests that there is a broad general consensus that some response is required to seize opportunities or to combat potential threats.

E-Books as Industry Threat

> One of the larger publishers took the view that even though e-books have a market in the future, the market was too uncertain for them to take any risks by being industry innovators in the field. The publisher also believed that e-books posed significant risks for the industry and that being a leader in the commercialisation of an industry-threatening technology is nonsensical.

Responses to the prospect of digital publishing are varied. For many of the larger publishers, there is some reluctance to focus on online delivery when large-scale publication is still profitable. Nervousness surrounding online delivery has been fuelled by some high-profile examples of e-supply being financially unsuccessful. However, some of the larger publishers discussed existing activity in digitising books for online delivery – online sales in soft copy.

The process of digitising literary content is certainly not new. Project Gutenberg was started in 1971 to make literary works available in electronic form. The initial goal was to make the most consulted books available to the public at little or no charge by the end of the 20th century. Though subsequently criticised for a lack of scholarly rigour in its e-texts, it was an e-books project on a grand scale. Since 1971, access to digital technologies (and the technology itself) has improved considerably and for independent and very small publishers, there is often enthusiasm surrounding the possibilities of publishing online. For some, it promises solutions to many of the problems they face by virtue of their relatively small size. However, the extent to which these firms can take up digital technologies is again dependent on their limited resources.

While only a small number of publishers have taken the step to digitise and sell books online and to seize the opportunities of this delivery mechanism and reach a wider readership, many publishers also discussed 'being driven to manage the threat of digital delivery'. Publishers are now wary of their content becoming illegally available over the internet. Larger publishers are now ensuring that electronic rights are being incorporated into new author contracts. In addition, some have digitised their backlists and stored them electronically as an additional measure to manage the threat of online pirated content.

One Independent Publisher's Activity in E-Books

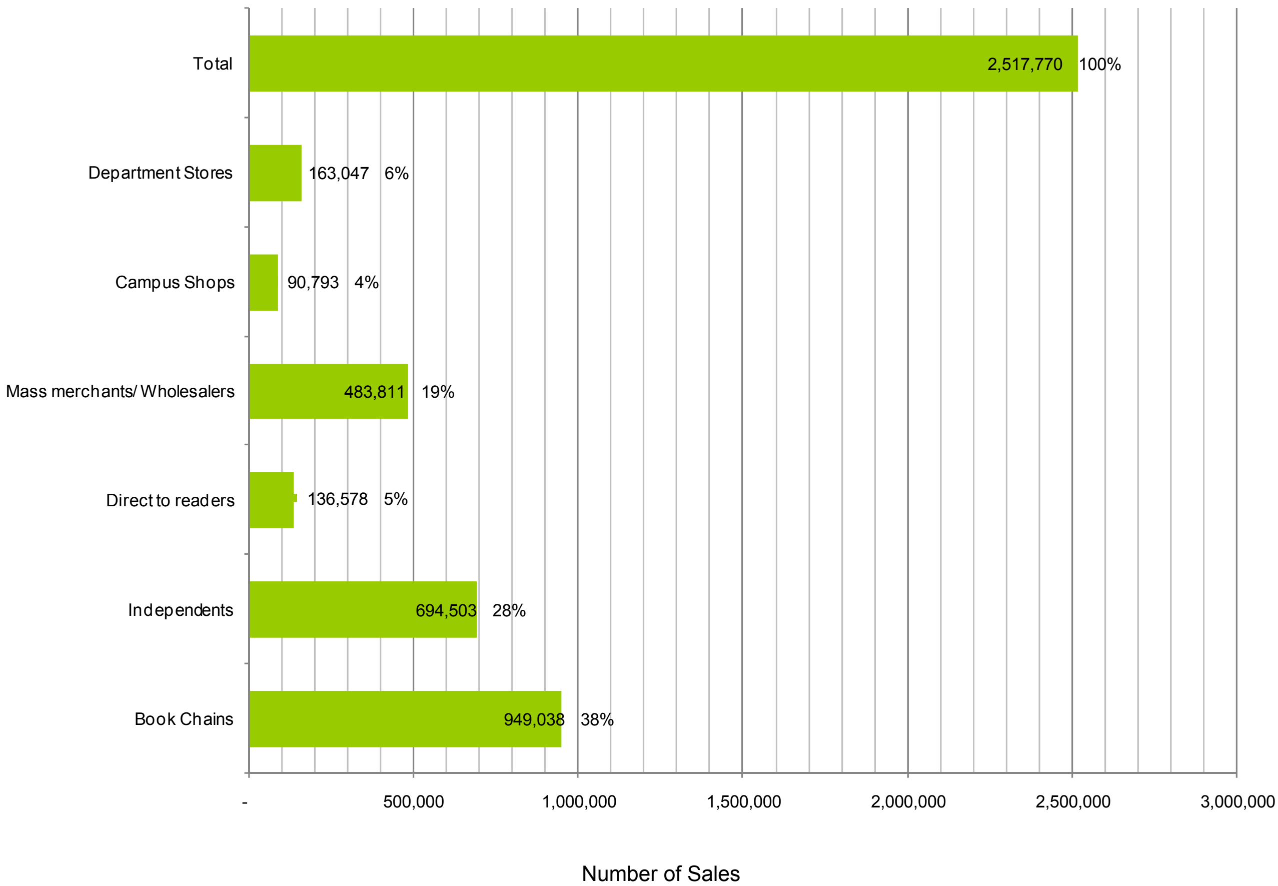
One independent publisher reported that it had already digitised all of its books, and sells e-books online. This publisher not only offers online previews of the books, but also a time-pay system. This system allows timed access to a particular e-viewable book over a specified period, dependent on the amount paid by the reader. This publisher is attempting to reduce costs associated with digitisation of books by outsourcing this task overseas.

5 Marketing and Distribution

5.1 Retail Distribution

Most Australian literary publications are sold via book chains (38%), followed by independent book stores (28%) and mass merchants/wholesalers (19%). Department stores (6%) and campus shops (4%) played a minor role (Figure 14). Over 136,000 books were sold directly to readers, accounting for almost 7% of total sales.

Figure 14. Sales Channels



Source: SGS Survey of Australian Literary Publishers (2007) * 26 responses were received to this question.

Implications of Retail Industry Consolidation

Many publishers suggested that being able to secure an effective distribution mechanism of books to retail outlets was critical to their publishing operation's success. Industry commentators have suggested that the Australian book retail industry is set to continue on a path of consolidation 'with bigger players dominating the scene to the detriment of smaller retailers'.[11] An increasingly consolidated book retail industry means that stocking decisions for books are made in a relatively closed and centralised manner by head offices of major book chains rather than individual book stores. It is suggested that stocking decisions are increasingly based on perceptions of book quality. This is largely driven by the reputation of the author, publisher imprint or publisher as the book's 'brand'. In this context, the relationship between publishers and retailers becomes critical.

The management of retail relationships is the focus of a significant level of investment by publishing firms. Larger publishers typically manage the distribution process and their relationships with retailers internally. Relationships with retail chains are managed via 'key account managers' while independent retailers are typically approached by in-house sales representatives.

Third-Party Distribution

Given the importance of the distribution step in the process of a literary work reaching its readership and the consolidation of the book retail industry, there is considerable incentive for the very small publishers to use the services of larger distribution companies.

Many independent publishers are not able to invest in in-house distribution services and as a result will use third-party distributors and sales representatives. These third-party distributors are usually the distribution arms of the larger publishers which will distribute third-party books to retailers alongside their own publications. However, in some cases the larger publishers will only distribute third-party books to overseas markets.

Very small publishers will rarely be able to afford in-house distribution and are often unlikely to have the unit volumes to make third-party distribution viable. Many very small publishers sell their books directly to retailers by sending out book releases. Some publishers in this category are able to employ staff as sales representatives who will approach independent book stores directly to stock the books. Other channels of distribution for very small publishers include direct sales at book fairs, book launches and writers' festivals as well as sales through their personal networks.

Smaller Publisher Frustration with Third-Party Distribution

One independent publisher expressed particular frustration with distribution and the particular disadvantage of having to rely on third-party distribution. An example given concerned a Sydney-focussed literary book which was thought by the publisher to have significant commercial value in the Sydney market. The book was pitched to retailers via a third-party distributor but the retailers responded very poorly to this. The publisher in question felt that retailers would need to have looked 'beyond the brand' to see the book's potential, as the content was a departure from previous output. The publisher suggested that in-house marketing and distribution functions would have been able to properly address this with the retailers.

Many very small publishers suggested that current funding arrangements do not allow independent and very small publishers to easily afford investment in developing distribution relationships. Many

[11] Tony Pearson and Amber Rabinov (2007), Industry Report: Retail Trade, Economics@ANZ.

felt that support in this area, to assist in the development of retail and distribution networks, is a key area for policy intervention. However, the sophisticated nature of distribution relationships between publishers and retailers means that distribution is managed with large financial investments and with significant levels of expertise. The extent to which external government bodies have, or should have developed the expertise or resources to assist with distribution was greatly contested by the publishers consulted through this study.

5.2 Marketing and Product Differentiation

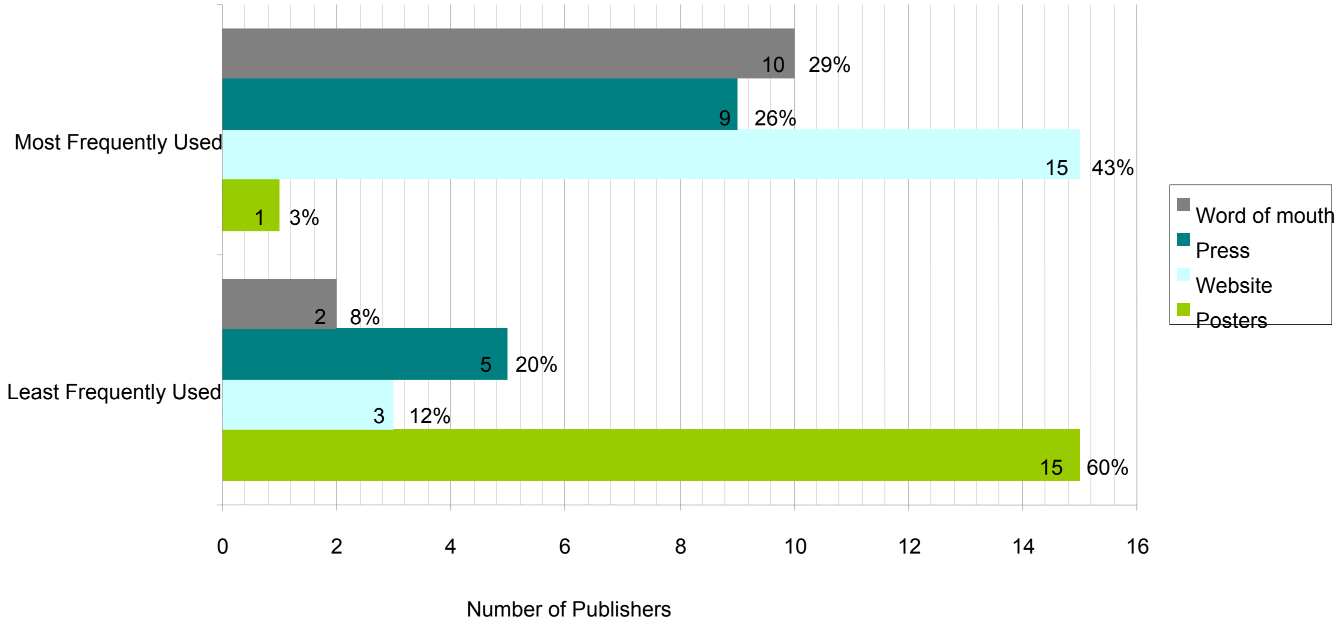
Marketing Operations

Effective product differentiation through marketing initiatives plays a critical role in enabling a new book to compete effectively in the market. Larger publishers incur significant marketing costs in this respect. Survey data shows that 12% of total expenditure is devoted to sales and marketing, compared with a total of 18% on staff salaries. This is consistent with data in the 2001 Accenture report.[13]

Online marketing, usually via company websites, is the preferred marketing mechanism with 43% of the sample stating that marketing via websites is the most frequently used mechanism (Figure 15). 'Word of mouth' marketing mechanisms were most frequently used by 29% of the sample, more than 'press' or 'posters'. Similarly, posters/print media were *least* frequently used by 60% of the sample.

13 According to a 2001 Accenture report, Sales and Marketing expenditure accounts for 6.5% of the retail price of a book, distribution 6.8%, wages and salaries 18.2%, printing 19.8% and profits account for 7.9% of the sale price of a book. Consultation with publishers revealed that significant marketing activities of a publishing house are also undertaken by salaried PR and editorial staff.

Figure 15. Marketing Mechanisms, 2006



Source: SGS Survey of Australian Literary Publishers (2007)

Independent and very small publishers suggested that marketing initiatives sometimes receive a mixed response, especially when marketing via traditional print media. While broadsheet newspapers usually respond favourably to reviewing literary books, these publishers suggested that wider publicity in the press rarely translates directly into sales. However, publishers of all sizes acknowledged that marketing activity plays an important role in the longer-term 'profile development' of both author and publisher.

Many publishers suggested that word-of-mouth marketing is by no means a cost-free or effortless process. Larger publishers will typically create individual marketing plans for each book published and the marketing expenditure and marketing mix decisions are made on a book-by-book basis.. In this way, the decision-making process does not follow a set formula, with marketing expenditures varying depending on the publisher's assessment of the sales potential of the book. The principal marketing activities of the larger publishers can be summarised as follows:

- strategic public relations activities, aligned with author-led publicity
- traditional PR activities such as soliciting book reviews
- author tours and book signing events
- participation at writers' festivals
- traditional marketing techniques such as online advertising, print advertising etc.

In contrast, the very small and independent publishers are generally unable to invest in individual marketing plans for each book. For these publishers, the following marketing activities dominate:

- personal contact through niche community and personal networks

- advertisements in other independent or specialist publications (such as Poet's Union newsletters)
- mailing lists
- book launches
- writers events and festivals.

6 Summary of Key Issues

6.1 Background

Summarised from the study brief, the scope of work is to analyse:

- the nature and structure of Australian literary publishing in terms of numbers of publishers, geographic distribution, size, ownership and corporate governance, profit-making status, etc.
- the operations of the sector in terms of number of publications by genre, authors published, financial status, marketing budgets, total expenditures, etc.
- formats/media including electronic and paper based publishing
- genres published by the category of publisher
- the publication of authors at different stages of their careers (first-time authors, experienced authors, etc.)
- marketing policies and practices
- barriers and constraints faced by the industry in the publishing, distribution, commissioning, selling and reading of titles
- on-demand publishing
- case-study anecdotes from publishers.

The study has been completed though a combination of qualitative and quantitative research methods including initial consultation with publishers and pilot survey, a postal survey to all Australian literary publishers identified by the Australia Council, and face-to-face interviews with publishers, agents and industry associations.

6.2 Defining Literary Publishing

Information to help define literary publishing was gathered from baseline analysis and early consultation with both the client team and publishers. The key issues surrounding the definition of literary publishing are summarised as follows:

- **Many feel that the term 'literary' is subjective.** The problem with classifying 'literary' works is highlighted when considering mass-market fiction. While most publishers would agree that a separation is possible 'at the extremes', for most there is also a considerable grey area where works of fiction would be considered literary by some but not by others.

  In assessing the nature of the Australian literary publishing industry, accurately separating literary from non-literary fiction is vital in generating reliable quantitative data. Most publishers stated that the label 'literary publishing' was not used for their internal accounting systems or indeed their broader business processes. For the larger publishers, literary publishing (as initially defined) crosses over numerous book formats, genres and imprints. For the smaller publishers, their published books were typically focussed on a specific genre.

There are also important qualitative issues. Mass-market fiction is dominated by the larger publishers and so the problem of defining *literary* fiction is particularly acute for these businesses. Put simply, if 'mass-market' equals 'non-literary' then a substantial component of larger publishers' catalogues is excluded. As a result, these publishers disputed such simple distinctions.

- **For some, the term 'literary' has negative connotations.** Not only is defining this term difficult, but in Australia the term 'literary' carries with it a certain stigma. Some publishers felt that the term 'literary' reflects Australian society's obsession with distinguishing high culture from the mass market, purely based on market appeal, regardless of content.
- **Australian literary publishing operations are highly varied.** There is a wide variety of literary publishers, with a variety of skill sets and in-house resources. Publishers operate under a number of business models and often publish books for very different markets. In this respect, some groupings of literary publishers are very different from others in terms of both their mode of business operation and business markets, even though they are within the same broad industry category. To address these differences, much of the study separates the Australian literary publishers into groups. This study also accepts that some of the themes reported are more relevant to particular groups than others. Where this is the case, care has been taken to highlight the distinctions.

6.3 Australian Literary Publishers

The headlines emerging from this study of the structure of the Australian literary publishing industry are described below:

- **The small group of larger publishers dominate in terms of revenue generation.** The Australian publishing landscape is dominated by 20 large publishers. These publishers account for 77% of the total income and 76% of all sales generated. However, there are also high numbers of small firms in operation.

  The majority of survey respondents in this study had fewer than 20 employees and would fall under the ABS 'small business' category. These firms accounted for 21 (or 72%) of respondents. Six (21%) publishers were medium-sized businesses with more than 20 but fewer than 200 employees and only 2 of the respondents were large businesses with 200 or more employees.
- **Australian literary publications account for less than a quarter of total sales income**. Of the survey respondents, 26 publishers gave information about their income. When aggregated, these publishers generated an income of around $153 million from sales of Australian publications in 2006 (the year of assessment). Of this total income, $27.8 million (22%) was generated from Australian literary publications.
- **Royalties and sales of rights account for more than half of non-sales income**. Non-sales income is generated primarily through royalties and sales of rights ($1.7 million or 53%) as well as copyright agency income ($337,818 or 10%). Funding from Federal, State and/or Local government amounts to almost $340,000 (10%). Public lending rights accounted for

$141,892 (4%), education lending rights for $119,474 (3.7%) and charitable donations played a minor role in income sources with $6,936.

- **Printing is the highest operational cost**. Of total expenditure, printing costs were the highest, contributing almost $16 million (32%) towards total costs, followed by royalties and fees ($12.6 million or 26%). Publishers spent $8.7 million (18%) on staff salaries and $6 million (12%) on marketing and sales. Reprint production was the smallest category of expenses, accounting for $1.3 million (3%).
- **Literary publishing activity is concentrated in NSW and Victoria**. The majority of respondents were based in New South Wales and Victoria with 11 (37%) located in each State in 2006. South Australia (SA) was home to respondents 3 (10%) followed by Queensland with 2 (7%). The Australian Capital Territory (ACT), Western Australia (WA) and the Northern Territory had just one publisher (3%) respectively. No Tasmanian publishers were surveyed for this study.
- **Australian literary publishers are predominantly limited companies**. Business ownership is dominated by limited companies (21, or 70% of the sample). A small number of publishers were cooperatives (2, or 6.7%) and one respondent was in sole proprietorship. None of the survey respondents were in a partnership or trust arrangement.
- **ABS classifications of business size do not align with Australian literary publishing businesses**. The ABS classifies 'large businesses' as those with more than 200 employees. This was the classification used in the publisher survey. Consultation with publishers highlights that the ABS definition, while useful in the categorisation of other industries, does not fit neatly with the operation of Australian literary publishers. A more comprehensive list of features to distinguish the larger publishers has been developed which separates the industry into three broad groups: larger publishers, independent publishers, and very small publishers.
    - Larger publishers generally have large market shares of book sales, an ability to attract and retain established authors, high levels of marketing expenditure, strong distribution relationships with retailers, and an ability to cross-subsidise 'risky' books with big sellers. These firms will typically have a high level of consideration of a book's sales potential before the decision to publish is made. Firms in this category are typically in competition with other large publishers (rather than the very small publishers).
    - Independent publishers are typically financially sustainable, but will sometimes draw on external sources of income. These firms often have low levels of resources for marketing and distribution and often use the functions of larger publishers in this regard. These firms will generally publish a narrow range of genres and will sometimes be focussed on a single type of literary work.
    - Very small publishers are typically reliant on literary grants and are unable to generate enough revenue to invest significantly in marketing, distribution or author care. These firms will often rely on close networks to source new authors and to distribute publications. For very small publishers, involvement in this industry is rarely driven by profit motives. In the operation of the very small publishing businesses, the decision to publish a literary work is usually driven by a personal (and often specialist) interest. Many of the publishers interviewed in this category talked of the *need* for their kind of books to be published, regardless of their commercial viability.

6.4 Relationships with Authors

The key findings on the relationships between Australian literary publishers and authors are described below:

- **Small publishing firms published the greatest number of authors**. The Australian literary publishers in the sample published a total of 1,204 authors (in the 2006 calendar year) of which 644 (53%) were authors of literary titles. Using the ABS definition of publisher size, small publishers published the greatest number of authors (421), compared with 223 authors published by medium and large publishers.
- **Higher numbers of authors per title are published in Victoria.** Respondents in NSW published the greatest number of Australian literary authors (480), followed by respondents in Victoria (341 authors). However, more authors were published *per title* by the Victorian publishers surveyed than by those in NSW. It is assumed that this is due to the higher number of literary essays, short stories and poetry published in Victoria, and the likelihood that there were a significant number of anthologies published in these genres of literature.
- **Literary non-fiction and children's literature are the most common literary publications**. Most published authors were authors of literary non-fiction (175 authors or 28% of the total literary authors published by the survey respondents) or children's and young adult fiction/non fiction (173 authors or 28% of the total literary authors published by the survey respondents).
- **Poetry and essays are the most common literary genres for small publishers**. A high number of poetry authors were published by respondents (168 or 27%). The number of poetry authors published was far higher than the number of poetry titles published in 2006. Poetry and literary essays were the main types of literature published by the smaller publishers.
- **First-time authors make up over 20% of all authors published**. From the survey respondents, 23% of all Australian literary authors published in 2006 were first-time authors. Fourteen small publishers who responded to the survey published first-time authors, resulting in a total of 83 first-time authors being published in 2006. Seven medium or large respondents published first-time authors that year, resulting in a total of 53 first-time authors being published in 2006. This survey data shows that very small publishers were more likely to publish first-time authors.
- **Literary non-fiction and children's/young adult literature attract the highest advances**. The value of total advances paid to authors varies significantly by genre. The highest monetary values paid in advances were to authors of children's and young adult fiction/non-fiction followed by literary non-fiction, with a total of $2.6 million and $2.1 million paid to authors in these categories respectively. Authors of literary fiction received $1.2 million. In comparison, authors of poetry only received $15,055 (0.3%) in advance payments despite the relatively high number of published poetry authors in the year of assessment (2006).
- **There are wide disparities in the average value of author advances per sale**. The average value of advances per unit sale shows that, on average, authors receive $2.24 per book sale. However, there is wide variation across the literary publishing categories, with averages of $3.04 for literary fiction, $3.02 for literary non-fiction, $1.69 for children's and young adult fiction/non-fiction and just $0.75 for poetry.

- **Reputation is a vital component in the attraction and retention of authors**. Publishers responding to the survey stated that their company's reputation was the most important way to attract authors. In contrast, high remuneration was considered to be the least important way to attract literary authors. For the majority of authors, the balance of power is very much in favour of the publishers. However, for the relatively small number of established authors who have developed a 'brand name', there is some degree of competition between the publishers (usually the larger publishers), and author attraction and retention relies on a relatively high level of investment from the publisher. For these authors at least, a reliance on reputation alone to attract and retain them is not enough. Indeed, many publishers suggested that many aspects of publishers' business operations were geared towards maintaining author relationships and upholding their reputation amongst authors. For the larger publishers, this meant significant financial investment into those activities falling under the 'author care' heading.
- **A small proportion of authors come to publishers through literary agents**. A relatively small proportion (22%) of the Australian literary authors published by the sample publishers were represented by literary agents. The majority of authors deal directly with their publisher. Consultation suggests that it is usual for only the large publishers to be approached by literary agents, while independent and very small publishers will typically deal directly with the author. Some publishers stressed the important 'assessor' role that literary agents can play in filtering out the highest quality manuscripts.
- **Author-publisher conflicts are typically driven by different expectations and perspectives**. When asked to state the main constraints facing the Australian literary publishing industry, many suggested that 'unrealistic expectations by authors regarding earnings' are a significant barrier. Sometimes this was thought to be driven by individual authors' 'unrealistic views of the quality of their own work'.

  Authors usually receive a fixed proportion of book sales revenue in the form of an up-front fee plus royalty payments from sales. Accordingly, their interests are in maximising copies sold of a book or maximising 'soft capital'. It is in the author's interest to push for more up-front investment in order to maximise the potential for book sales. The author's interest does not necessarily take into account the full range of commercial factors that the publisher considers – that is, the balance of revenue gained from book sales against the costs of printing, marketing and distribution. Where publishers may feel that authors often do not adequately consider the true balance of costs and revenue, authors may feel that publishers are too risk averse. Throughout the consultation process, publishers suggested that authors often expect higher levels of investment into a book than the publisher is willing to make.

6.5 Delivery Mechanisms

The key emerging points relating to delivery mechanisms are given below:

- **In broad terms, offset printing is still mainly used by the larger publishers.** The high threshold print numbers required to reduce unit costs to a point where publication becomes viable are a significant barrier to entry for smaller firms looking to print using offset printing. While some publishers suggested moving offset printing offshore, for most the shipping costs were prohibitive. On balance, other delivery mechanisms such as digital short-run printing were more attractive for smaller publishers.
- **Print-on-demand has low to moderate current usage.** Just eight respondents reported that they used print-on-demand. Of the copies of Australian literary publications sold as print-on-demand in 2006, the majority (95%) were sold in the category of children's and young adult fiction and/or non-fiction. Only a very small proportion sold were the fiction (1,245 copies or 2%), poetry (1,091 copies or 2%) or other categories (555 copies or 1%).

  Print-on-demand was thought to have a broader market than online delivery. While online delivery is suited to particular types of text, most publishers suggested that print-on-demand could be applied to all the literary genres. From the demand side perspective, print-on-demand may be attractive where costs are lower or where traditional hard-copy format simply is not available.
- **Soft-copy production was thought to have the highest potential for niche publishers.** The survey data shows that only two publishers (10%) published titles in electronic format. This represented a total of only three Australian literary titles published by these respondents in 2006. Online delivery for literary works is certainly not a new phenomenon. It is also not restricted to publishers who also publish works through more traditional printing methods. Online delivery does, however, favour certain literary genres. Niche interests proliferate online as the internet provides a mechanism by which users can quickly focus on narrow interest areas. Poetry, for example, is prolific on the internet. The reasons are not hard to fathom: limited revenue potential for this literary genre means that the relative costs of traditional publication methods (even digital short-run printing) are often prohibitive. Online publication offers the opportunity to publish at a minimal cost.

  There is considerable debate and some uncertainty among publishers around the way that digital content will impact on the tastes and preferences of consumers. For the larger publishers, the benefits of online delivery are often less clear-cut as most of their titles have relatively large print runs and low unit costs combined with relatively large markets on the demand side. There remains significant doubt among publishers that readers will seek out online content for titles that are in mass production anyway. The extended narrative structure of most literary fiction precludes easy navigation and ease of readability electronically. Most publishers agree that online delivery is most suited to reference material (obscure/niche material that simply cannot be sourced elsewhere) or short text volumes (such as short stories or poetry) as for the time being, in most instances, the web browser is still less convenient than a hard copy book.

Of course, e-books, while much discussed, have the same difficulty with content types and formats as online delivery. An e-book also requires a hardware electronic device to display the text. These are usually expensive, may be prone to faults, need power, and are much more fragile than a hard copy book. Digital rights management can also be a frustration to e-book users.

The responses to the prospects of digital publishing are varied. For many of the larger publishers there is some reluctance to focus on online delivery when large-scale publication is still profitable. In addition, there have been some high-profile examples of e-supply not being financially successful. This view is certainly not universally held, however, and some of the larger publishers discussed existing activity in digitising books for online delivery— that is, online sales in soft copy.

6.6 Distribution and Marketing

The key emerging points relating to distribution and marketing are given below:

- **The majority of literary books are sold through retail chains**. Most Australian literary publications are sold via book chains (38%), followed by independent book stores (28%) and mass merchants/wholesalers (19%). Department stores (6%) and campus shops (4%) played a minor role. Over 136,000 books were sold directly to readers, accounting for almost 7%.
- **'Brand' is becoming more important with retail consolidation**. Industry commentators have suggested that the Australian book retail industry is set to continue on a path of consolidation 'with bigger players dominating the scene to the detriment of smaller retailers'.[14]. An increasingly consolidated book retail industry means that stocking decisions for books are made in a relatively closed and centralised manner by head offices of major book chains rather than individual book stores. It is argued that stocking decisions are increasingly based on perceptions of book quality which are largely driven by the reputation of the author, publisher imprint or publisher as the book's 'brand'. In this context, the relationship between publishers and retailers is critical.
- **Very small publishers report difficulty with distribution**. Given the importance of the distribution step in the process of a literary work reaching its readership and the consolidation of the book retail industry, there is considerable incentive for the very small publishers to use the services of larger distribution companies. Many of the independent publishers are not able to invest in in-house distribution services and, as a result, use third-party distributors and sales representatives. These third-party distributors are usually the distribution arms of the larger publishers. Very small publishers will rarely be able to afford in-house distribution and are often unlikely to have the unit volumes to make third-party distribution viable. Many very small publishers sell their books directly to retailers.
- **Publishers typically devote a high proportion of total expenditure to marketing**. Effective product differentiation through a publishing firm's marketing initiatives plays a critical role in enabling books to effectively compete tin the market. The larger publishers incur

[14] Tony Pearson and Amber Rabinov (2007), Industry Report: Retail Trade, Economics@ANZ.

significant marketing costs. Survey data shows that 12% of total expenditure is devoted to sales and marketing compared with a total of 18% on staff salaries.

Many publishers suggested that word-of-mouth marketing is by no means a cost-free or automatic process. Larger publishers will typically create individual marketing plans for every book published. Marketing expenditure and marketing mix decisions are made on a book-by-book basis by the publisher. This decision-making process does not generally follow a set formula and marketing expenditures vary significantly depending on the publisher's assessment of the sales potential of the book.

6.7 Potential for Market Intervention

Throughout the study, a number of points were raised relating to the potential for market intervention to improve the environment for Australian literary publishers. The key points are summarised below:

- **Government support for literary publishing is generally supported**. While government support for literary publishing is broadly supported, the extent to which government policy should assist under-resourced publishers was a contentious issue. Some publishers felt that government funds should simply not be spent on commercial ventures that would be commercially unviable without support. Most agreed however, that while government intervention should not have a role in perpetually propping up failing businesses, it should support the publication of work of merit.
- **Government intervention would be useful to stimulate demand**. Many publishers stated that demand stimulation was at least as important as any supply-side support and that, ultimately, the best outcome for very small publishers would be if their target audience increased, and that this is where most effort should be focussed.
- **Communication within the industry could be improved**. Some suggested that the health of the industry as a whole could be improved if there was a greater level of interaction between the larger and smaller publishers. On this point, some suggested that the facilitation of greater dialogue between the various parties involved in literary publishing is a worthy target for policy intervention.
- **Government intervention would be valuable in overseas marketing.** Some of the larger and independent publishers expressed frustration with attempts to effectively open up overseas markets. For many, the main difficulty was in changing attitudes that Australian literary output is of comparable quality to European or American output. The existing initiatives of the Australia Council were acknowledged as being useful here, and most thought that some additional government support in encouraging international skills/knowledge exchange would be beneficial.
- **There is a potential role in assisting very small publishers reach their market**. Very small publishers suggested that current funding arrangements do not allow many independent and very small publishers to afford investment in distribution relationships. As such, many felt that support for smaller publishers' distribution and retail is a key area for policy intervention.

Appendix A – Survey Instrument

Part A. Basic Business Details

A1	Please indicate the **City and State** in which your office is located	____________NSW ____________ACT ____________Victoria ____________Queensland ____________WA ____________SA ____________NT ____________Tasmania	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	Please write **City** in the space given.
A3	Business ownership	Limited Company Partnership Sole Proprietorship Cooperative Trust Other	❑1 ❑2 ❑3 ❑4 ❑5 ❑6	
A5	Size of firm (number of employees)	0–4 5-9 10-19 20-29 30-39 40-49 50-99 100+	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	
A6	Age of business	0-4 5-9 10-14 15-19 20+	❑1 ❑2 ❑3 ❑4 ❑5	

Part B. Categories of Publications

B1 Please detail the number of **Australian literary titles** published in 2006 for each of the following categories

	A	B	C	D
	fiction	poetry	Non-fiction (Biography, History, Memoir, Essay)	Children, Junior Young Adult Fiction/ Non fiction
0–4	❑1	❑1	❑1	❑1
5-9	❑2	❑2	❑2	❑2
10-14	❑3	❑3	❑3	❑3
15-19	❑4	❑4	❑4	❑4
20-24	❑5	❑5	❑5	❑5
25-29	❑6	❑6	❑6	❑6
30+	❑7	❑7	❑7	❑7

B2	What is the percentage difference in the number of Australian literary titles published (all categories) in 2006 compared to 2005?	negative 0% - 4% 5%-9% 10%-14% 15%-19% 20%-24% 25%-29% 30+%	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	minus ____ %
B3	What was the annual percentage increase in the number of Australian literary titles published (all categories) in the last five years?	negative 0% - 4% 5%-9% 10%-14% 15%-19% 20%-24% 25%-29% 30+%	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	minus ____ %
B4	In terms of format, what percentage of your Australian literary publications are electronic?	negative 0% - 4% 5%-9% 10%-14% 15%-19% 20%-24% 25%-29% 30+%	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	
B5	In your opinion, what are the broad barriers and constraints for the publishing industry?	________________ ________________ ________________ ________________		

Part C. Author Characteristics

C1	How many different literary authors have been published by your firm in 2006 in each of the following categories?					
		A	B	C	D	E
		Fiction	Poetry	Non-fiction (Biography, History, Memoir, Essay)	Children, Junior Young Adult Fiction/ Non fiction	Scripts of Plays for Stage, Radio and Multimedia
	0-4	❑1	❑1	❑1	❑1	❑1
	5-9	❑2	❑2	❑2	❑2	❑2
	10-14	❑3	❑3	❑3	❑3	❑3
	15-19	❑4	❑4	❑4	❑4	❑4
	20+	❑5	❑5	❑5	❑5	❑5

C2	Please indicate the experience of these literary authors				
		A	B	C	D
		First-time authors	Published once before	Published twice before)	Published more than twice before
	No. of authors				
	0-4	❑1	❑1	❑1	❑1
	5-9	❑2	❑2	❑2	❑2
	10-14	❑3	❑3	❑3	❑3
	15-19	❑4	❑4	❑4	❑4
	20+	❑5	❑5	❑5	❑5

C3	Where are these authors based?				
		A	B	C	D
		In the same city	Outside the city but in the same state	Outside the state but within Australia	Outside Australia
	0-4	❑1	❑1	❑1	❑1
	5-9	❑2	❑2	❑2	❑2
	10-14	❑3	❑3	❑3	❑3
	15-19	❑4	❑4	❑4	❑4
	20+	❑5	❑5	❑5	❑5

C4	What was the typical advance paid to each literary author in 2006 for a single title in each of the following categories?					
		A	B	C	D	E
		Fiction	Poetry	Non-fiction (Biography, History, Memoir, Essay)	Children, Junior Young Adult Fiction/ Non fiction	Scripts of Plays for Stage, Radio and Multimedia
	$0 - $19,000	❑1	❑1	❑1	❑1	❑1
	$20,00-$39,000	❑2	❑2	❑2	❑2	❑2
	$40,000-$59,000	❑3	❑3	❑3	❑3	❑3
	$60,000-$79,000	❑4	❑4	❑4	❑4	❑4
	$80,000 +	❑5	❑5	❑5	❑5	❑5

C5	What is the percentage change in payment to authors (for all Australian literary categories) in 2006 compared to 2005?	negative 0% - 4% 5%-9% 10%-14% 15%-19% 20%-24% 25%-29% 30+%	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	minus ____ %
C6	What was the percentage change in the remuneration to Australian literary authors (all categories) over the last five years (i.e. 2001-2006)?	negative 0% - 4% 5%-9% 10%-14% 15%-19% 20%-24% 25%-29% 30+%	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	minus ____ %

C7	What is the general perception of Australian literary authors to the remuneration they receive?	Very Happy Happy Satisfied Dissatisfied	❑1 ❑2 ❑3 ❑4

C8	How do you attract authors?	High Remuneration Reputation Word of Mouth Other	❑1 ❑2 ❑3 ❑4	__________

C8	In 2006, what percentage of published literary authors were represented by a literary agent?	0-24% 25-49% 50-74% 75-99% All	❑1 ❑2 ❑3 ❑4 ❑5

C9	What are the barriers and constraints faced by your firm in 2006 while dealing with authors of literary titles?	____________________ ____________________ ____________________ ____________________ ____________________

Part D. Sales Channels

D1	How many copies of literary publications were sold in 2006 for each of the following categories?					
		A	B	C	D	E
		Fiction	Poetry	Non-fiction (Biography,History, Memoir, Essay)	Children, Junior Young Adult Fiction/ Non fiction	Scripts of Plays for Stage, Radio and Multimedia
	0 - 49	❑1	❑1	❑1	❑1	❑1
	50-99	❑2	❑2	❑2	❑2	❑2
	100-149	❑3	❑3	❑3	❑3	❑3
	150-199	❑4	❑4	❑4	❑4	❑4
	200-299	❑5	❑5	❑5	❑5	❑5
	300-499	❑6	❑6	❑6	❑6	❑6
	500-999	❑7	❑7	❑7	❑7	❑7
	1,000-1,999	❑3	❑3	❑3	❑3	❑3
	2,000-4,999	❑9	❑9	❑9	❑9	❑9
	5,000-9,999	❑10	❑10	❑10	❑10	❑10
	10,000-49,000	❑11	❑11	❑11	❑11	❑11
	50,000+	❑12	❑12	❑12	❑12	❑12

D2	What is the percentage difference in the copies of publications sold (for all literary categories) in 2006 compared to 2005?	negative 0% - 4% 5%-9% 10%-14% 15%-19% 20%-24% 25%-29% 30+%	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	minus ____ %

D3	What was the annual percentage change in the copies of publications sold (all categories) in the last five years (i.e. 2001-2006)?	negative	❑1	minus ____ %
		0% - 4%	❑2	
		5%-9%	❑3	
		10%-14%	❑4	
		15%-19%	❑5	
		20%-24%	❑6	
		25%-29%	❑7	
		30+%	❑8	

D4	How many copies were sold as "print on-demand" in 2006 for the following categories?				
		A	B	C	D
		Fiction	Poetry	Non-fiction (Biography, History, Memoir, Essay)	Children, Junior Young Adult Fiction/ Non fiction
	0 - 49	❑1	❑1	❑1	❑1
	50-99	❑2	❑2	❑2	❑2
	100-149	❑3	❑3	❑3	❑3
	150-199	❑4	❑4	❑4	❑4
	200-299	❑5	❑5	❑5	❑5
	300-499	❑6	❑6	❑6	❑6
	500-999	❑7	❑7	❑7	❑7
	1,000-1,999	❑3	❑3	❑3	❑3
	2,000-4,999	❑9	❑9	❑9	❑9
	5,000-9,999	❑10	❑10	❑10	❑10
	10,000-49,000	❑11	❑11	❑11	❑11
	50,000+	❑12	❑12	❑12	❑12

D5	How many copies of all categories of your Australian literary publications were sold to the following outlets?							
		A	B	C	D	E	F	G
		Book chains	Independents	Direct to readers	Mass merchants	Wholesalers	Campus Shops	Department Stores
	0 - 49	❑1	❑1	❑1	❑1	❑1	❑1	❑1
	50-99	❑2	❑2	❑2	❑2	❑2	❑2	❑2
	100-149	❑3	❑3	❑3	❑3	❑3	❑3	❑3
	150-199	❑4	❑4	❑4	❑4	❑4	❑4	❑4
	200-299	❑5	❑5	❑5	❑5	❑5	❑5	❑5
	300-499	❑6	❑6	❑6	❑6	❑6	❑6	❑6
	500-999	❑7	❑7	❑7	❑7	❑7	❑7	❑7
	1,000-1,999	❑3	❑3	❑3	❑3	❑3	❑3	❑3
	2,000-4,999	❑9	❑9	❑9	❑9	❑9	❑9	❑9
	5,000-9,999	❑10	❑10	❑10	❑10	❑10	❑10	❑10
	10,000-49,000	❑11	❑11	❑11	❑11	❑11	❑11	❑11
	50,000+	❑12	❑12	❑12	❑12	❑12	❑12	❑12

D6	Typically, where are these outlets located?							
		A	B	C	D	E	F	G
		Book chains	Independents	Direct to readers	Mass merchants	Wholesalers	Campus Shops	Department Stores
	NSW	❑1	❑1	❑1	❑1	❑1	❑1	❑1
	ACT	❑2	❑2	❑2	❑2	❑2	❑2	❑2
	Victoria	❑3	❑3	❑3	❑3	❑3	❑3	❑3
	Queensland	❑4	❑4	❑4	❑4	❑4	❑4	❑4
	WA	❑5	❑5	❑5	❑5	❑5	❑5	❑5
	SA	❑6	❑6	❑6	❑6	❑6	❑6	❑6
	NT	❑7	❑7	❑7	❑7	❑7	❑7	❑7
	Tasmania	❑8	❑8	❑8	❑8	❑8	❑8	❑8
	Outside Australia	❑9	❑9	❑9	❑9	❑9	❑9	❑9

D7	How many copies of all categories of your Australian literary publications were sold **electronically in 2006?**		
		negative	❑1
		0% - 4%	❑2
		5%-9%	❑3
		10%-14%	❑4
		15%-19%	❑5
		20%-24%	❑6
		25%-29%	❑7
		30+%	

D8	Which marketing method does your firm use most frequently and effectively?		
		Posters	❑1
		Events	❑2
		Direct mail	❑3
		Website	❑4
		Press	❑5
		Word of mouth	❑6
		Other	________________

D9	What are the key issues facing the sales and marketing of literary works?	________________

Part E. Financial Data

1. Income

E1	What is the total income from sales of Australian literary titles in 2006 for each of the following categories?					
		A	B	C	D	E
		Fiction	Poetry	Non-fiction (Biography, History, Memoir, Essay)	Children, Junior Young Adult Fiction/ Non fiction	Scripts of Plays for Stage, Radio and Multimedia
	$0-$99k	❑1	❑1	❑1	❑1	❑1
	$100k-$249k	❑2	❑2	❑2	❑2	❑2
	$250k-$499k	❑3	❑3	❑3	❑3	❑3
	$500k-749k	❑4	❑4	❑4	❑4	❑4
	$750-$999k	❑5	❑5	❑5	❑5	❑5
	$1m-$2.5m	❑6	❑6	❑6	❑6	❑6
	$2.6m-$5m	❑7	❑7	❑7	❑7	❑7
	$5.1m-$7.5m	❑8	❑8	❑8	❑8	❑8
	$7.6m-$10m	❑9	❑9	❑9	❑9	❑9
	> $10m	❑10	❑10	❑10	❑10	❑10

E2	What is the percentage change in income from sales (for all Australian literary categories) in 2006 compared to the previous year?	negative 0% - 4% 5%-9% 10%-14% 15%-19% 20%-24% 25%-29% 30+%	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	minus ____ %
E3	What was the annual percentage change in income from sales (all Australian literary categories) over the past 5 years (i.e. 2001 to 2006)?	negative 0% - 4% 5%-9% 10%-14% 15%-19% 20%-24% 25%-29% 30+%	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	minus ____ %

E4	What was your approximate income in 2006 from the following sources?							
		Charitable donations	Royalties & sales of rights?	Funding from federal, state and/or local govts.?	Public lending right?	Copyright agency	Education lending right	Other
	$0-$99k	❑1	❑1	❑1	❑1	❑1	❑1	❑1
	$100k-$249k	❑2	❑2	❑2	❑2	❑2	❑2	❑2
	$250k-$499k	❑3	❑3	❑3	❑3	❑3	❑3	❑3
	$500k-749k	❑4	❑4	❑4	❑4	❑4	❑4	❑4
	$750-$999k	❑5	❑5	❑5	❑5	❑5	❑5	❑5
	$1m-$2.5m	❑6	❑6	❑6	❑6	❑6	❑6	❑6
	$2.6m-$5m	❑7	❑7	❑7	❑7	❑7	❑7	❑7
	$5.1m-$7.5m	❑8	❑8	❑8	❑8	❑8	❑8	❑8
	$7.6m-$10m	❑9	❑9	❑9	❑9	❑9	❑9	❑9
	> $10m	❑10	❑10	❑10	❑10	❑10	❑10	❑10

2. Expenditure

E5	What were the expenses incurred in 2006 for the following?							
		A	B	C	D	E	F	G
		Pre-print production	Staff salaries	Royalties & fees	Printing costs	Sales & marketing	Distribution	Other
	$0-$99k	❑1	❑1	❑1	❑1	❑1	❑1	❑1
	$100k-$249k	❑2	❑2	❑2	❑2	❑2	❑2	❑2
	$250k-$499k	❑3	❑3	❑3	❑3	❑3	❑3	❑3
	$500k-749k	❑4	❑4	❑4	❑4	❑4	❑4	❑4
	$750-$999k	❑5	❑5	❑5	❑5	❑5	❑5	❑5
	$1m-$2.5m	❑6	❑6	❑6	❑6	❑6	❑6	❑6
	$2.6m-$5m	❑7	❑7	❑7	❑7	❑7	❑7	❑7
	$5.1m-$7.5m	❑8	❑8	❑8	❑8	❑8	❑8	❑8
	$7.6m-$10m	❑9	❑9	❑9	❑9	❑9	❑9	❑9
	> $10m	❑10	❑10	❑10	❑10	❑10	❑10	❑10

E6	What is the percentage difference in expenses (for all categories) in 2006 compared to 2005?	negative	❑1	minus ____ %
		0% - 4%	❑2	
		5%-9%	❑3	
		10%-14%	❑4	
		15%-19%	❑5	
		20%-24%	❑6	
		25%-29%	❑7	
		30+%	❑8	

E7	What was the annual percentage increase in expenses (all categories) in the last five years?	negative 0% - 4% 5%-9% 10%-14% 15%-19% 20%-24% 25%-29% 30+%	❑1 ❑2 ❑3 ❑4 ❑5 ❑6 ❑7 ❑8	minus ____ %

Other Information

X1	Is there any other information you would like to provide about the nature of the literary publishing industry in Australia?	________________________________ ________________________________ ________________________________ ________________________________

X2	Would you be prepared to be contacted again to discuss the issues raised in this survey?	❑1 ❑2	Yes No

X3	Time taken to complete this questionnaire	_____Hour(s) ____Minutes

Appendix B – Summary of Previous Studies

	Summary of Information Data
Current Publishing Practice: An Australian Report (September, 2005)	This report was prepared by the Australian Society of Authors and presents a broad overview of the current status of publishing in Australia as it related to a global context, analysis of the different segments and some forecasting of different directions. The headlines from the report are summarised below **Australia in Context of the Global Market** While the entire Australian publishing market, including education, was worth A$1,560.6 million in 2003-04, the US publishing market in 2004 was worth US$24 billion and the UK market was worth about A$7 billion. Sixty per cent of the books sold in Australia originate from Australia itself. This is a vast change from 1980, when 63% of the books sold in Australia were imported. **The Australian Market** The Australian market is dominated by 20 top publishers who account for 77% of the total income and 76% of all sales generated. Pearson Australia is the largest publisher in Australia. It is a division of Pearson plc of the UK and is made up of Penguin and Pearson Education. After Pearson, others jockey for a position in the top 20 that dominates sales and market shares. The market is divided into specialist areas and publishers generally choose to operate in only one market segment, with the exception of a few large players. **Sales** Sales of books in Australia declined by 19% in 2000 after the introduction of the GST, but the decline cannot entirely be attributed to the introduction of GST. Sales surged back in 2001-02, but operating profit for publishers continued to decline, particularly for the top 20, and sales again declined in 2002-03. **Publishers and Direct Selling** Publishers in Australia, particularly educational publishers, are increasingly moving towards direct selling. Pearson Education initiated a direct-to-student sales website early in 2005 which offered students a 10% discount on RRP. **Remuneration in Australian Publishing** Publishers themselves are the main beneficiaries of the publishing industry in terms of receiving the greatest financial benefits. The main sources of their income are sales as well as payments from the Copyright Agency Limited (CAL), the Public Lending Right (PLR) Scheme and the Educational Lending Right (ELR) Program. Authors survive on royalties, payments for subsidiary rights, lending rights payments and payments for statutory reprographic rights (administered by CAL). In 2001-02, the proportion of royalties as a proportion of sales of Australian titles was 10.9%, which increased to 11.7% in 2002-03 before declining to 6.5% in 2003-04.

	Summary of Information Data
	Distribution The report states that there have not been any major changes to the distribution practices in the Australian publishing market though booksellers recognise that large chains such as Myer, Target, Kmart and Big W have been able to negotiate big discounts with publishers on titles used as loss leaders. **Readership** There is evidence that there is a lack of readers from 18 years to 35 years. The Australian Centre for Youth Literature commissioned a study of the reading behaviours of young Australians aged 10 to 18 years of age in 2000. The results showed that young people claim that they read for pleasure no less frequently than they play computer games or use the internet. However, primary school aged children are much more likely to read more frequently than are secondary school children and boys are less frequent readers than girls. **Data Gaps** The report gives a broad outlook of the Australian publishing industry, with data on sales of Australian and imported books in Australia. The report lists the top 20 major publishers in Australia and also presents data on profitability of the publishing sector in Australia. The report also highlights the changes in remuneration in the Australian publishing sector and discusses its future outlook. Most of the data in the report is sourced from the Australian Bureau of Statistics. It does not have any detailed breakdown of the *literary* publishing sectors as determined in the scope of the current study.
Australian Bureau of Statistics (ABS)	The Australian Bureau of Statistics conducted a Book Publishers Survey in Australia in 2003-04 covering businesses which either had book publishing as their main activity or generated $2 million or more in income from book publishing. The survey had been previously undertaken in respect of the years 1999-2000, 2000-01, 2001-02 and 2002-03. The survey has data on key variables of the Australian book publishing industry such as: ▪ broad aggregates of the book publishing industry, by business size ▪ summary of operations, by state and territory ▪ businesses, by category of book mainly sold ▪ components of income, by employment size ▪ components of expenses, by employment size ▪ capital expenditure, by employment size ▪ value of inventories, by employment size ▪ employment trends ▪ domestic and export sales of books by category of book ▪ export sales of books, by country or region of destination ▪ sales of books, by method of sale ▪ sales of books, by type of title ▪ sales of books, by origin of title and major category of book ▪ sales of printed books, selected Australian and imported – by category of book

	Summary of Information Data
	▪ new Australian titles published, by category of title and employment size ▪ selected aggregates, historical comparisons. **Data Gaps** The ABS survey as detailed above does not have a specific category for the literary publishing sector in Australia as defined in Section 1.2 of this report. It also does not list publishers according to the category of titles published.
Australian Publishers Association (APA)	The annual Australian Publishers Association Bestsellers Survey provides a calendar-year snapshot of the bestselling titles in Australia. The categories include Adult: Hardback, Paperback, Fiction, and Non-fiction, and Children's Paperback: Fiction and Non-fiction. **Data Gaps** This survey does not have any data pertaining to the literary publishing sector in Australia.
Nielsen BookScan (NB)	Nielsen BookScan is the international sales data monitoring and analysis service for the English-language book industry worldwide. Nielsen BookScan was established in May 2002 by combining the BookTrack business in the UK, the BookScan business in the US and the BookTrack/AC Nielsen joint venture in Australia. The change is part of a move to standardise the UK, Australian and US book sales products allowing for future global integration of book sales data. Nielsen BookScan in Australia collects total transactional data at the point of sale directly from tills and despatch systems of all the major book retailers. It is the world's first continuous retail sales monitoring service for books. In a typical week, BookScan Australia collects sales information on over 60,000 different titles representing more than $14 million from over 1,000 retailers in Australia. **Data Gaps** This does not have any data pertaining to the "literary publishing" sector in Australia as defined in Section 1.2 of this report.
DeGros Marsh Consulting (2006) *Essential Support for Literary Publishing in Canada:* A review of the Canada Council's Programs in support of book publishing	The Canada Council for the Arts engaged DeGros Marsh Consulting to conduct an independent review of its programs to support book publishing. The aim of the review, titled *Essential Support for Literary Publishing in Canada: A Review of the Canada Council for the Arts' Programs in Support of Book Publishing*, was two-fold: ▪ to propose alternative ways to improve the design of the Canada Council's programs; and ▪ to provide an assessment of program effectiveness and their intended and unintended impacts. The review used the following methodology:

SGS Economics & Planning

	Summary of Information Data
	• analysis of longitudinal (1998-2005) data of the financial contribution to various funding programs developed by the Canada Council (including the Block Grant, Emerging Publishers, Author Promotion Tours, Translation Grants and Art Books programs); • consultation with Francophone and Anglophone book publishers and their industry associations, staff at the Canada Council and officials at Canadian Heritage – including a brief mini-survey of publishers, key interviews and focus groups. Key challenges of the review are broadly identified within the report. A key issue was that the Canada Council's funding programs have not been evaluated in their entirety for a significant period of time and that the 'climate for Canadian-owned book publishing has changed considerably [since] the Canada Council's programs were first introduced'. The review concludes with 30 recommendations to address both substantive and detailed administrative issues in relation to the Canada Council's funding programs.
Hayes, A (2006) *Is Literary Publishing in Crisis? Report of Cle's Literary Publishing Survey,* Irish Book Publishers' Association, Dublin	*Is Literary Publishing in Crisis* is a report on Clé's (the Irish Book Publishers' Association's) Survey of 21 Irish Publishers (Clé 2006). The survey sought to understand the reasons for publishing Irish literature, the current and future situation for publishers and writers, the perceived benefits and difficulties of publishing literature and the role of industry partners and their work. The questionnaire was distributed to 21 Irish publishers (an email subset list of Clé's literary members). The definition of 'literary publishing' is described as a 'stumbling block' for publishers who responded to the survey. 'A number of publishers queried what is meant by the term 'literary publishing'… It was strongly stated that 'literary merit' seems to have different meanings at different times, and is interpreted differently for different publishers' (Clé 2006: 4). The study found that Irish publishers encounter significant hurdles in their attempts to disseminate new Irish literature; that 'few Irish literary writers can make an acceptable living out of their craft' – particularly new writers, and women writers. The report emphasises the need to 'safeguard and develop' Irish literary publishing (Clé 2006: 10).
National Endowment for the Arts, (no date) *The Future of Literary Publishing in the US: A Symposium Organised by the National Endowment for the Arts* (2004) *Reading at Risk: A survey of literary reading in*	In March 1999, the National Endowment for the Arts and the Centre for the Book at the Library of Congress conducted a symposium on the future of literary publishing in the United States. Representatives from 30 commercial and not-for-profit organisations in the book industry attended the symposium. Discussion at the meeting was structured around key points raised in interviews with attendees prior to the symposium. It is noted that for the purposes of the symposium, the definition of 'contemporary literature' used was 'fiction and poetry by living writers'. The main achievements of the symposium identified in conclusion are summarised below:

	Summary of Information Data
America, Research Division Report #46, Washington DC	▪ input from both the commercial and non-profit sectors ▪ sharing of common concerns, opportunities and discussion of mutual goals ▪ identification of opportunities for the NEA to intervene in the literature field, and ▪ identification of opportunities for strategic partnerships with other organisations and opportunities for the 'Challenge America' program to support community initiatives. A 2004 study by the National Endowment for the Arts, *Reading at Risk: A survey of literary reading in America* reports on national trends in adult literary reading and assesses the decline of reading's role in American culture. The study is based on data collected through the Survey of Public Participation in the Arts (SPPA) conducted by the US Bureau of the Census over the past 20 years. The survey sample size is large (more than 17,000 respondents) and covers most demographic groups in terms of age, gender, education, income, region, race and ethnicity. Within the SPAA, no distinctions were made with regard to the quality of literary works. Respondents were asked whether they read novels, short stories, plays or poetry. This included popular genres, such as mysteries, as well as contemporary and classic literary fiction. The study findings paint a 'bleak' picture of the decline in reading's role in the US, with less than half of the adult population now reading literature.
Tranter, S (2004) *Independent Publishing in the North West,* Report for the Arts Council England, North West	The Arts Council England, North West, commissioned a study into north-west England's independent publishing sector in early 2004. For the purposes of the report, independent publishing refers to the publication of literary work (fiction, poetry and literary biography) by independent companies or not-for-profit organisations (both established independents and independent presses and magazines). The study excludes large multinational publishers such as HarperCollins and the Penguin Group (UK). The independent publishing sector in the northwest is largely made up of small, unregistered businesses. The tension between the role that the sector plays in developing new writing talent and its economic viability is identified as a key issue facing the sector. The study recognises this and aims to: ▪ ensure the long-term artistic and economic sustainability of the sector; ▪ to raise the profile of the sector, and ▪ to increase opportunities for resource sharing and working collaboratively across the sector. Results of industry consultations and key issues are presented. The report also focusses on initiatives in comparative regions through case study examples.