hopeless in this respect. Also, the X book was beautifully produced, and we chose the typeface. Financially, the exercise is a non-starter for my kind of book. Financial terms are irrelevant."

"Quality of editorial advice, friendliness etc, varies enormously from the quality of A, though the friendliness of B, to the self-interest of C. Since publishing concerns much author-editor collaboration the nature of the working arrangement is very important."

"I do not write a book to make money but to boost my ego. So I want a publisher who will produce the book well at a sensible price, and then sell it."

It appears then that variations in contracts are one of many factors which influence author-publisher relations. Moreover, the importance attached to any particular factor may vary from author to author. Despite this multiplicity of variables, however, it appears that some publishers have a much better reputation with authors than others. This may be seen by comparing the

percentage of "mentions" accounted for by a given publisher in response to the questions, "Which publishers would you most wish to publish your next book?" and "Which publishers would you not wish to publish your next book?" Data relating to a selection of publishers are presented in Table III. Overall, attitudes are favourable towards publishers A, B, and C; neutral towards D and E; and unfavourable towards F and G.

TABLE III—Most and least preferred publishers: selected publishers (percentage of total mentions)

Publisher	Most preferred publishers	Least preferred publishers
A	9.2	3.4
B	8.2	3.2
C	4.4	0.5
D	6.7	6.6
E	1.4	1.0
F	0.3	4.2
G	2.2	8.6

The economics of publishing

DAVID DICKENS

I have been a publisher for 30 years, and managing director of a medical publishing company, and of a company concerned with higher education, for 24 of those years. I shall discuss the problems of all authors and all publishers, and, in that sense, I officially represent the Medical Group of the Publishers Association, and through them, the Publishers Association itself.

The Publishers Association is a forum in which publishers may meet to discuss and debate; it is a trade association and is not allowed by law to take collective action. It must not lay down any terms and conditions whatever. It may advise, for instance, on publishing contracts but it must not enforce. There is no effective standard contract. Any publisher is at liberty to propose any contract, and every author is at liberty to agree or disagree.

Printed contracts are mainly for convenience, because we do not want to have them typed every time. The economics of publishing are much the same for every book, the laws of copyright are the same. Most of the clauses are there because they have evolved from experience—often sad experience. I find that literary agents accept the usual sort of contract without demur—and literary agents are the authors' watchdogs.

Some of the matters being discussed at the Publishers Association at present are: closer liaison with academic librarians; copyright within the EEC; piracy in Singapore; a parliamentary lobby for tax relief on book purchases (we shall be asking the BMA to join us); evidence to the Wolfenden Committee on photocopying; and seeking counsel's advice on author's and publisher's liability. All these things are of potential benefit to authors, and things that SOMA and we could usefully discuss.

The economics of publishing are complicated and depend on a supply of money, but publishing is not only about economics. Publishing is many things and needs many skills: literary; editorial; aesthetic; technical; salesmanship; and economic. I

became a publisher because I was interested in the first five of these, and not interested at all in the last; but I have learnt that first and foremost I have to be a master of economics.

Few medical books have mass audiences. For most the market is between 1500 and 5000 copies. The subjects are diverse and complicated, and the information rapidly becomes dated. Some are good books but do not find the market; others are published at the wrong time. Some are competent, and some are downright bad. To get the necessary money I can ask my shareholders, or I can ask the bank for it. In either case I will have to account for my use of the money.

To give an example: my literary and editorial skills have prompted me to publish a specialised postgraduate book; it is to be crown 4to, 400 pages, with some pictures; I assess the market as 3000 copies. My printer tells me that it will cost £7200 to produce. By simple arithmetic this means that the cost of each copy is £2.40. Now I have to decide how to price it. Both the *Times Higher Education Supplement* (29 October 1976), in an article based on the findings of the Library Management Research Unit at Loughborough University, and the recent survey of the Price Commission on *Prices, Costs and Margins in the Publishing, Printing and Binding, and Distribution of Books* took as a model a five-times factor for calculating price. But, of course, it is no use pricing a book above what the market is prepared to pay.

Pricing by such a rigid factor assumes that the whole print-run will be sold. If it is not, then all our precious paper economics are useless. If, however, the book should be successful, and reprint, then our paper economics change again. Sometimes a publisher may choose—where he wishes to establish a certain book—to price it over several assumed printings to spread the cost and keep the price down so that a student can afford it. This is a gamble. The reward would be to achieve a large continuing sale over several years which, while it did not make much profit, would at least generate cash to run the business with. A great temptation is for a publisher to print more than he thinks he can sell. His unit cost comes down, but he is left with a warehouse full of books. More publishers have gone bankrupt for this reason than for any other.

So, we have a unit cost of £2.40 and we multiply it by five,

to give us a price of £12.00. What happens? the *THES* and the Price Commission both took the proportions of the share-out as:

		Or:		
Booksellers discount	33%	Price	£12.00	
Cost	20%	Discount	4.00	33%
Authors royalty before tax	10%			
Publishers overhead	30%	Sale value	8.00	
Publishers profit before tax	7%	Cost	2.40	20%
	100%			
		Royalty	5.60	
			1.20	10%
		Overhead	4.40	
			3.60	30%
		Profit	0.80	7%

The elements of this share are as follows.

Discount and costs

In Great Britain we believe that the serious stockholding bookseller is the greatest asset to the academic community. To keep this valuable bookseller in business we must allow him at least a one-third discount. The export bookseller probably gets more, because he has extra costs of packing and shipping. The return on sales to a publisher depends on the "mix" of home and export sales. Export sales are a greater proportion than home sales.

Costs have been subject to vast inflation over the last few years, particularly costs of printing labour and of paper, and inflation continues so it is vital to keep costs under control (this is the responsibility of the production manager). They break down into artwork, 8%; composition, 20%; printing, 30%; paper, 17%; and binding (including covers) 25%.

The production manager must plan for the most effective format. He must choose the right type size so that the book makes an "even working." He must oversee the subediting to ensure the most efficient use of the available space. He must choose the right quality of paper and of binding. There is a popular misconception that the cost of paperback binding is dramatically cheaper than the cost of hardback. There is, in fact, very little difference. What has happened is that sometimes the hardback is published at an inflated price (on the assumption that libraries can pay) to subsidise the paperback (in the hope that students can pay). People are therefore conditioned to think that a paperback is cheap. Whether an academic book is bound in paperback or hardback is more a question of psychology than economics.

Royalty

Royalty is the fairest way yet discovered of remunerating the author. I have a familial connection with this, as my own great-grandfather was largely instrumental in achieving it—and he was no fool when it came to the business of authorship. The two authorities I have quoted take 10% of the published price as being normal, and I, too, would say that this is most usual. A royalty of 10% of the published price is sometimes more advantageous than the 15% of net receipts occasionally quoted. A royalty based on published price keeps the author in step with inflation, and a higher royalty means a higher price. If the price does not increase, our shareout looks like this:

Price	£12.00	brought fwd	5.60
Discount	4.00	Royalty 15%	1.80
Sale value	8.00		3.80
Cost	2.40	Overhead	3.60
carried fwd	5.60	Profit	0.20 (2%)

A 2% return to the publisher is manifestly impossible to support the economics of publishing. The price must therefore increase. But if it increases, the bookseller's discount also increases. If the publisher is to maintain his profit of about 80p on this venture, the price will have to rise from £12.00 to £13.25, as shown below on the left. The publisher is still not getting his return of 7%. To restore that percentage the price would have to rise to £13.50, as shown on the right:

Price	£13.25	Price	£13.50
Discount	4.42	Discount	4.50
Sale value	8.83	Sale value	9.00
Cost	2.40	Cost	2.40
	6.43		6.60
Royalty 15%	1.98	Royalty 15%	2.02
	4.45		4.58
Overhead	3.60	Overhead	3.60 (26%)
Profit	0.85 (6.4%)	Profit	0.98 (7.2%)

But here the percentage of the shareout available to cover overheads has fallen to 26%, whereas our model says that 30% is the necessary figure. The publisher would have to determine whether the price should be increased still further to restore his margins.

Overheads

The actual cost of the book is only part of the publisher's cost. He has to run the business and employ other people. The overheads are salaries, travel and subsistence, depreciation of fixed assets, agent's commission, advertising and publicity, distribution and warehousing, postage and telephones, rent and rates, professional fees, subeditorial fees, bad debts, stationery, light and heat, bank charges, and repairs and maintenance.

Advertising and publicity—One of the reasons that an author comes to a publisher is that, by himself, he has neither the professional skills and knowhow, nor the organisation to market his book around the world. More energy has probably been expended on the subject of publishers' advertising than on anything else. Whereas the author would like to see his book advertised in six full pages of the *BMJ*, the publisher knows that this is unlikely to sell the right number of books in proportion to the cost. Most of the money is better spent in maintaining contact with agents, wholesalers, booksellers, and librarians throughout the world by regular mailings, regular catalogues, and regular visits by representatives. A publisher maintains mailing lists for an enormous variety of specialists and mails leaflets to them about the sort of book they are interested in. As everyone knows, mailing is expensive. Finally, the name of the publisher, or his "imprint," is his most precious possession. A book bearing the imprint of one of the established publishers will command more attention around the world than one bearing an unknown name.

Distribution and warehousing—Selling books is immensely complicated. A publisher needs to keep track of his stock, and keep an eye on all the accounts: these days this is done by expensive computers. Maintaining a large warehouse and its labour-intensive workforce is expensive, as are the costs of packing, postage, or other transport.

Subeditorial fees—With respect, the people who write scientific and medical books are not usually good at writing. There is no reason why they should be; their skills lie elsewhere. A medical or scientific publisher, therefore, has to maintain a large, skilled, and intelligent body of people on high salaries to translate what is written into something resembling literary communication. And it is not only the lack of knowledge of grammar or syntax that causes problems. Manuscripts are frequently inconsistent: columns of figures in tables which should add up don't; a reference quoted in the text is different from that in the list of references; figure 64 is referred to, but there is no figure 64.

As soon as I publish a book I have to pay my printer and papermaker, as well as maintaining my office. But I don't get

all my money back—the book may take three years to sell out, or it may not sell out at all. The one given below that sells 1000 copies a year each year for three years and then goes out of stock, may be considered a success.

Print 3000 at £2.40 each = £7200

	Year 1	Year 2	Year 3
Quantity sold	1000	1000	1000
	£	£	£
Total sales value	12 000	12 000	12 000
Booksellers discount	4000	4000	4000
Publishers sales value	8000	8000	8000
Royalty	1200	1200	1200
	6800	6800	6800
Production costs	2400	2400	2400
	4400	4400	4400
Overheads	3600	3600	3600
Net profit	800	800	800

But not all books do equally well. This sales picture is unusually ideal. A typical middle-of-the-road picture is this:

Print 3000 at £2.40 each = £7200

	Year 1	Year 2	Year 3
Quantity sold	2000	500	250
	£	£	£
Total sales value	24 000	6000	3000
Booksellers discount	8000	2000	1000
Publishers sales value	16 000	4000	2000
Royalty	2400	600	300
	13 600	3400	1700
Production costs	4800	1200	600
	8800	2200	1100
Overheads	7200	1800	900
Net profit	1600	400	200

Worse still, some books don't do well at all, and then the picture looks like this:

Print 3000 at £2.40 each = £7200

	Year 1	Year 2	Year 3
Quantity sold	500	250	250
	£	£	£
Total sales value	6000	3000	3000
Booksellers discount	2000	1000	1000
Publishers sales value	4000	2000	2000
Royalty	600	300	300
	3400	1700	1700
Production costs	1200	600	600
	2200	1100	1100
Overheads	1800	900	900
Net profit	400	200	200
Stock write down $1750 \times £2.40$			(4200)
Loss			(4000)

Here we come up against reality, because we have to cope with stock write-down. Under company law a business *must* use a realistic stock valuation, and not assume that all its stock is good. Let's take those three books as if they were, together, part of a publishing programme over three years. The authors' and publishers' returns work out as: original outlay $3 \times £7000 = £21\ 600$; publishers' receipts from sales = £54 000; stock write-down = (£4200); profit to publisher = £1200; royalty paid to authors = £8100.

We have to lay out our money in large chunks at one go, but we only get it back in small amounts over a long period. This means further borrowing, and therefore interest charges. Some of the people who buy from me don't pay, so I have bad debts. A simple trading account looks like this:

Summary of three titles

	Year 1	Year 2	Year 3
Quantity sold	3500	1750	1500
	£	£	£
Total sales value	42 000	21 000	18 000
Booksellers discount	14 000	7000	6000
Publishers sales value	28 000	14 000	12 000
Royalty	4200	2100	1800
	23 800	11 900	10 200
Production costs	8400	4200	3600
	15 400	7700	6600
Overheads	12 600	6300	5400
Net profit	2800	1400	1200
Stock write down			(4200)
Loss			(3000)

My cash flow looks like this:

	Year 1	Year 2	Year 3
	£	£	£
Receipts	21 000	15 750	11 625
Payments:			
Royalty	—	4200	2100
Original cost	21 600	—	—
Taxation	—	1460	735
Overheads	12 600	6300	5400
	34 200	11 960	8235
Brought forward	—	(13 200)	(9410)
Overdrawn	(13 200)	3790	3390
	(13 200)	(9410)	(6020)

I have taken these three imaginary books to give the simplest possible examples of the economic principles at work. One problem of medical publishing is that science does not stand still, and new editions may be needed after, say, four years. People say that out of 10 books, two will do well, three will be middle-of-the-road, and five will fail. Or the famous 80/20 principle applies: a publisher makes 80% of his profit from 20% of his books. The job is to know which those 20% are going to be.

Finally, the interests of the author and the publisher are one. Both want good books, both want to sell them effectively, and both want them to be successful.