

THE ECONOMICS OF PUBLISHING

Robert W. Frase

Some fifteen years ago I gave a paper, "Economic Trends in Trade Book Publishing," under the auspices of the University of Illinois, as part of the 1952 Windsor Lectures. The over-all subject was Books and the Mass Market¹ and my two fellow lecturers were the late Harold Guinzburg, founder and president of the Viking Press, and Theodore Waller, now vice-president of Grolier, Inc.

The significance of book publishing economics lies not in its impact on the over-all economic life of the nation but on its intellectual, political and artistic life. If I may be permitted the luxury of quoting myself, the following was the opening paragraph of my 1952 Windsor Lecture:

The economics of book publishing, and more specifically "trade" or general book publishing is important primarily as it affects the kind of books which are produced and distributed. The industry is so small compared to most others that it has little or no influence on general economic developments. The direct economic value of the industry's products is an infinitesimal fraction of the total annual production of goods and services in this country. In terms of intellectual and artistic content, however, the annual production of general books would rank at the top of the scale. This discussion will deal, therefore, not with the economics per se of a small industry, but with the influence of economic factors on what books are published and how widely they can be distributed.²

A great many things have happened in book publishing in the last fifteen years, as I realized when I recently reread my 1952 lecture, and this paper will be devoted primarily to an analysis of the changes in this last decade and a half. It is, however, not as comprehensive as was the 1952 lecture and I would refer the reader to the earlier paper for details not covered here. Unfortunately the statistics on book publishing, although greatly improved in recent years, still leave a good deal to be desired. For one thing, annual statistics are still not available on many important aspects of the business, and therefore, in the statistical tables which follow, it is not possible in many

Robert W. Frase is Director, American Book Publishers Council, Inc., Washington, D.C.

TABLE 1
 RECEIPTS OF COMMUNICATIONS INDUSTRIES
 1947, 1954, AND 1963

(000 omitted)

Industry	Total Receipts			Receipts from Advertising Only, 1963	Growth Percentage of Total Receipts		
	1947	1954	1963		1947-63 (16 yrs.)	1947-54 (7 yrs.)	1954-63 (9 yrs.)
Newspapers	\$1,917,302	\$3,091,642	\$ 4,483,592	\$3,023,540	134%	61%	45%
Periodicals	1,085,616	1,469,759	2,295,716	1,242,000	111	35	56
Book publishing	463,851	708,943	1,534,632	—	231	53	116
Miscellaneous publishing	103,343	234,558	389,588	—	277	177	66
Radio networks and broadcasting stations	363,714	476,000	670,000	650,000	84	31	41

Television networks and broadcasting stations	\$ 8,700	\$ 943,000	\$ 1,597,000	\$1,440,000	17,357%	9,830%	69%
Motion pictures, income from film rentals	534,000	650,034	1,054,260	—	97	22	62
Total	\$4,476,526	\$7,573,936	\$12,024,788	\$6,355,540	168%	69%	59%

Sources: Census of Manufactures, 1947-1954, 1963; Statistical Abstracts of the United States, 1956, 1967; Census of Business; Selected Services, Motion Pictures, 1963.

cases to give figures which cover the whole span of time from 1952 to 1967.

The Communications Industries. Book publishing is only one of a group of activities of business, government and nonprofit organizations which Fritz Machlup of Princeton has called "the knowledge industry."³ In its broadest aspect this includes education and scientific and other research. Within that very broad group there is an important sub-category which may be called the communications industries—publishing, broadcasting and motion pictures. Table 1 above shows the relative growth in these industries in the period 1947 to 1963, which is the last year for which complete census data is available.

A number of interesting facts show up in this table. Book publishing has more than held its own in this sixteen-year period, with about 10 percent of total receipts in 1947 and 12.75 percent in 1963. In addition, the book industry shows up as the strongest in the group in terms of rate of growth in the 1954-63 period. It has also become the largest of the industries which sell only editorial content and derive no substantial revenue from advertising. The only other industry in this group with no significant advertising revenue is the motion picture industry, and it has failed to keep pace both with the communications industries as a whole and with book publishing.

The freedom from advertising revenue has a direct influence on editorial content, which does not have to be tailored to a mass audience and can be adjusted on a title-by-title basis for smaller groups. This point will be elaborated later in connection with an analysis of the cost of publishing individual titles.

Growth of Book Publishing. Various types of book publishing are influenced by conditions peculiar to each. There are similarities but also many variances in the economics of textbook and encyclopedia publishing, for example, as compared to general or trade publishing with which this discussion is primarily concerned. Before proceeding with the more detailed analysis, however, it will be desirable to consider what the relative volumes and growth rates have been in the various major categories of book publishing in recent years. This is shown in Table 2 which follows.

It will be noted in this table that in the period 1954 to 1966 textbooks and encyclopedia sales have grown somewhat more proportionately than general book sales which comprise the remainder of the categories in the table. The difference has not been great, however, and as at the end of the period in 1966 general book sales were still very close to half of total sales.

Growth in Title Production. We turn now to changes in the industry in the last decade and a half in terms of title output rather than dollar

TABLE 2
ESTIMATES OF BOOK SALES
1954, 1963, AND 1966

(000 omitted)

Categories	1954	1963	1966
Adult trade, hardbound and paperbound	\$ 86,496	\$ 125,544	\$ 173,000
Juvenile books	37,253	103,935	160,000
Bibles and religious books	36,132	81,120	103,000
Technical and professional books	63,635	165,550	226,000
Book club books	75,235	143,418	202,000
Mass-market paperback books	46,621	87,380	119,000
University press books	4,295	18,274	28,000
Other books	20,008	102,056	124,000
Textbooks	186,550	464,900	705,600
Subscription reference books	129,650	379,750	455,000
Total	\$685,875	\$1,671,927	\$2,295,600

Sources: For 1954 and 1963 the data are a combination of Census of Manufactures and annual surveys for the American Book Publishers Council and the American Textbook Publishers Institute. For 1966 the data are solely from industry sources. The margin of error in the individual categories is greater in 1954 because the Census and industry surveys were then not yet using identical categories and definitions.

sales volume. Table 3 below gives some selected statistics on the publishing of new and substantially revised titles as reported by Publishers' Weekly in the years 1951 and 1966. Although only figures for these two years are given in the table, the trend was steadily upward throughout this period.

TABLE 3
BOOK TITLE PRODUCTION
1951 AND 1966*

Category	1951	1966
Total titles	11,255	30,050
Paperbound titles (est.)		
Popular priced	850 (est.)	2,006
Other	50 (est.)	7,340
Juveniles	1,072	2,713
Total fiction titles	2,135	3,018
Popular priced paperbound fiction titles	800 (est.)	1,545
Total fiction titles minus popular priced paperbound titles	1,335 (est.)	1,473
Percentage fiction of total titles	18.97%	10.0%
Percentage popular priced fiction of total fiction titles	37.47% (est.)	51.19%

*Includes new books and new editions

Source: Calculated from annual title production tables of Publishers' Weekly.

It should be noted that some portion of the growth in title output of roughly 250 percent in this period is not real but merely the result of better statistical coverage of book publishing output in the latter years of the period. A very large component in total growth has been in paperback books and particularly the higher-priced, predominantly nonfiction paperbacks which are not distributed primarily through magazine marketing channels. This latter category grew from an almost zero base in 1951 to over 25 percent of total title production in 1966. Fiction declined drastically as a proportion of total titles and by 1966 over half of the fiction titles were popular-priced paperbacks. This change in the internal composition of title production illustrates the shift in book markets that has gone on in the last decade and a half. Although growing vigorously, general book production has shifted more and more to serving an educational and institutional market and has given up a considerable part of its recreational functions to other

media such as television, and also a wide variety of other competing uses of leisure time such as travel, sports and do-it-yourself activities.

Size of Editions. Tables 2 and 3 have indicated that while dollar sales have increased steadily, so has title production; we should thus expect that the average size of trade editions would not have increased very much during this period. That this is a fact is shown in Table 4 which shows the average size of printings in 1953, 1958 and 1964 for a large sample of hard-cover trade books. In this sample the average size edition actually declined somewhat from 1953 to 1964.

TABLE 4
AVERAGE SIZE OF TRADE BOOK EDITIONS FOR BOOKS
PUBLISHED IN 1953, 1958 AND 1964*

Year	Number of Titles in Sample	Average Number of Copies Printed
1953	2,883	9,484
1958	2,551	9,268
1964	4,046	9,172

*Tabulation based on data supplied by 58 trade and university press publishers for 1953. The same firms reported for 1958 and 1964 but the number of companies reporting was smaller because of mergers.

Source: U. S. Congress, House Committee on the Judiciary. Hearings Before Subcommittee No. 3 on Copyright Law Revision (Printed Record of the Hearings). 89th Cong., 1st Sess., p. 1579. Testimony by Robert W. Frase, on H.R. 4347, H.R. 5680, H.R. 6831 and H.R. 6835.

Book Purchases by Libraries. An indication of the shift of general book sales toward the educational and institutional market is provided in Table 5, which gives estimates of book purchases by four major types of libraries from 1956 to 1965.

If Table 5 on library purchases is compared with Table 2 on receipts of book publishers it will be seen that library purchases of books grew substantially more in the last decade or so than total sales of general books. Library purchases of books increased by about 285 percent in the nine-year period 1956-65, while general book sales increased only by 207 percent in the twelve-year period 1954-66. It should also be noted that the calendar year 1965 did not include the

TABLE 5
ESTIMATED BOOK PURCHASES OF LIBRARIES
1956 AND 1965

Type of Library	1956	1965
School	\$20,000,000	\$ 93,308,000
Public	26,118,000	73,656,000
College and university	17,407,000	76,836,000
Special	4,265,000	17,317,000
	\$67,790,000	\$261,117,000

Source: The Bowker Annual of Library and Book Trade Information. New York, R. R. Bowker Company, 1967, p. 6.

large increase in library purchases of books which began only in the following calendar year as the result of the passage of the Elementary and Secondary Education Act of 1965 and the Higher Education Act of 1965.

Economics of the Trade Title. We have seen that although the general book market has grown and shifted in character, the edition size of the average hard-cover trade book has not changed very much. The result has been that the relative component costs of such books are very much the same as they were in the early fifties. Table 6 shows these costs in 1951 and 1966 for a large and representative sample of adult trade book publishers.

The table shows that wholesale and retail distribution expenses account for almost half of the total price of this type of book, and if to these expenses are added the costs of advertising, sales, shipping and warehousing, the distribution cost comes to almost 60 percent. This may seem high but is not out of line with other consumer goods industries. It is surprising that the distribution cost is not even higher in view of the fact that almost 200,000 individual book titles are in print and the volume of paper work and the amount of time involved for handling a single five-dollar book title may be almost as great as for a \$400 washing machine or electric range.

Cost of a Single Title. I pointed out in my 1952 lecture that:

As contrasted with newspapers, magazines, motion pictures, radio, and television, trade book publishing is composed of very small

TABLE 6

APPROXIMATE COMPONENT COSTS OF AN AVERAGE
HARDBOUND ADULT TRADE BOOK
1951 AND 1966

Component Costs	Percentage of Retail Price	
	1951	1966
Manufacturing costs, including inventory write-offs	23.0%	20.0%
Authors' royalties	10.8	8.6
Publishers' editorial and overhead expenses	12.3	10.2
Publishers' advertising, promotion, and sales expenses	10.0	9.6
Shipping and warehousing	2.3	2.5
Publishers' profit	-0.4	3.1
Distribution expenses—wholesalers' and retailers' margin, including transportation costs	42.0	46.0
Total	100.0%	100.0%

business units; and the individual book title can be produced and distributed at an infinitesimal fraction of the cost of these other media. The book is the pamphlet of our time. Ideas of an author can be placed before 10,000 readers in book form in an economically self-sustaining operation for an initial outlay of \$15,000 or so; and among the two or three hundred possible publishers, one can usually be found to finance the endeavor. The book publisher is not rigidly bound by the "formula" of the magazines; each book publisher may have a slightly different combination of subjects on which he specializes, but compared to magazines the output of individual houses is quite varied. This flexibility is in part the professional heritage of the book publisher, but it is also made feasible by the economics of the industry. In taking an individual

book, a "controversial book" let us say, the book publisher does not endanger the finances of a whole multimillion-dollar enterprise tailored to a continuing editorial formula or pattern. He takes a chance on finding a few thousand readers for the intellectually honest ideas in the book; tomorrow he may try to find another and perhaps different group of readers for an honest presentation of the other side of the same question. This is the essence of freedom of the press as it originally evolved in our culture. It has survived in its purest historical form in trade book publishing, in part because it is still economically feasible and in part because of the long professional tradition of the industry.⁴

These essential facts about the magnitude of the risks involved in publishing trade book titles remain true even though the absolute figures have changed somewhat. In 1952 I spoke of reaching 10,000 readers for an initial outlay by the publisher of \$15,000. This was an estimate based on conversations with experienced trade book publishers. In the fall of 1967 a well-known author's agent in an article in Publishers' Weekly detailed the costs of a specific trade title published in 1965. This was a better than average title with 16,647 copies produced in three separate printings, and the total out-of-pocket cost to the publisher, not counting overhead, was \$25,000.⁵ Thus it is still true that economically the book is the pamphlet of our time and that trade book publishers, far more than businessmen in other communications industries, can take the risk of publishing the new, the untried and the controversial.

REFERENCES

1. Guinzburg, Harold K., et al. Books and the Mass Market. Urbana, University of Illinois Press, 1953.
2. Ibid., p. 21.
3. Machlup, Fritz. Production and Distribution of Knowledge in the United States. Princeton, N. J., Princeton University Press, 1962.
4. Guinzburg, op. cit., pp. 29-30.
5. Reynolds, Paul R. "One Book's Earnings for Author and Publisher," Publishers' Weekly, 192:42-43, Sept. 11, 1967.