THE ECONOMICS OF TEXTBOOK PUBLISHING IN SINGAPORE

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Singapore Book Publishers Association
Seminar on
"The Role of Educational Materials in Singapore Schools"
held on 14-16 March 1973

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a brief survey

by

S. Gopinathan

"In a modern society an educated man is one who keeps on learning. And books remain one of the major sources of new knowledge. Those who stop reading, once they leave school and university, help create a backward society. Its ultimate fate is impoverishment, stagnation and bondage."

(S. Rajaratnam, Minister for Foreign Affairs)

If we are ever to achieve the ideal set out by Mr Rajaratnam, it seems more than ever important that the economics of publishing in Singapore be clearly understood. This is so because one of the most frequent excuses given for refraining from buying a book or building a home library is that books are too highly priced. This complaint applies equally well to textbooks used in schools, though of course, different conditions apply here. As the large majority of publishers in Singapore are textbook publishers and textbook sales are by far the largest item in the publishing and bookselling trade, this paper will concern itself largely with textbook publishing.*

The first fact to be noted about textbook publishing in Singapore is the character of the market. The 1972 Yearbook gives the following figures. In 1971 there were 561 schools, comprising 205 Government schools, 233 Government-Aided schools and 63 private schools. Total school enrolment was 516,513 of which 362,991 were in primary schools and 153,522 in secondary schools. This market of slightly more than half million is fragmented by way of the four media of instruction school system that operates in Singapore and the increasing emphasis being placed in technical and vocational education which by adopting a do-it-and-learn methodology tends to cut down on the number of books bought and used. The system as

presently operated means that, by and large, only approved textbooks can be bought, the use of workbooks is discouraged and supplementary books are not readily used. The educative value of such material is not questioned but they are discouraged largely because they add to the total outlay on books every school year. For the publisher this means he publishes along a narrower range than he would in other nations. Also, as a result of the fact that Singapore is linked to the Cambridge Examination Syndicate, upper-level texts, especially in the Sciences, tend to be imported ones. Singapore is, of course, not a poor country for it has a GNP per head of population second only to Japan and the amount spent on education is second only to Defence—for the financial year April 1971 to March 1972 the budget for education exceeded S$200 million. But as the parent, not the state, has to pay for these books, price is evidently a major consideration.

To supply the school market with textbooks there are registered in Singapore no fewer than 30 (largely) English-language publishers and some 11 other (largely Chinese)publishers. Practically all the English-language publishers publish only for the English Language market. Something like half of the English-language publishers publish locally for the school market and it is not unusual to find an average of 5 courses recommended for each subject at each school level. If one remembers that the total English-medium market for Secondary 1 for instance is only about 25,000, one recognizes just how small and uneconomic print runs must be and this of course has a direct bearing on the final price of the book. Add to this the fact that publishers meet competition from the Educational Publications Bureau whose books are not subject to review and from booksellers-cum-publishers who sometimes are able to put in books that they publish into schools they supply, and from guide book publishers, and you have an idea of the sort of competition to be faced.

Operating within this particular context, the publisher in Singapore has in addition to work with certain other factors in mind:

i) that there are some factors i.e. printing costs which make up the price of the book which are outside the publishers' control.

ii) that in some instances those factors affecting the price of books that lie within the publishers' control are subject to certain external conditions.

Administration Costs in Textbook Publishing

Overhead expenses can be broken down into four main categories. They are i) administration ii) distribution iii) sales and publicity iv) editorial and production expenses.

i) Administration

These costs include the accounts department and administration departments' salaries and running costs. They also include rent, light and other necessary day to day costs. In a large firm the accounts department may use relatively expensive and sophisticated mechanical accounting systems.

The problem of bad debts and written off stock should be noted. It is true of course that all commercial companies suffer from bad debts to a greater or lesser extent. Booksellers as a group, however, tend to be more unreliable as credit risks—there are honourable exceptions—largely because they are undercapitalized to start with, then, due to inexperience and a lack of understanding of the school system, not to have a realistic stocking policy and, due to severe competition, to undercut each other and thus put up with very small profit margins year after year. When the inevitable crunch comes, publishers have little choice but to write off such bad debts or go to the courts for redress. Where school suppliers are concerned, profit margins are cut by the payment of per capita grants to schools for the privilege of operating a school bookshop, donations for a variety of school functions and other subsidies. For the publisher such bad debts have to be covered in overheads.

Written-off stock occurs when publishers have to publish for new syllabi which

makes useless a whole warehouse full of books written to conform to the old syllabus. Sometimes, new editions have to be published but the publisher often cannot wait for stock of the old to be exhausted. This problem can only in part be seen as being due to the publisher's inefficiency for in the system as operated at present, in which books are approved for a period of five years and schools once having adopted the books cannot change without good cause during that period, publishers attempt to be the first on the market with the new course or the new edition. Written-off stock therefore goes as a percentage into overheads.

ii) Distribution

These costs include stock control and warehouse departments. A stock control section is necessary to control stock received from printers and binders and stock going out to booksellers. For larger publishers it may mean keeping up to several thousand stock cards of imported and local titles. The warehouse is necessary throughout the year although educational publishers sell a very large part of their turnover in the two or three months of the school season, November to January. The distribution year starts in mid-year with the placing of reprint orders for the coming school year and reaches its climax in December when all the staff are working overtime despatching orders. Most publishers include freight as a free service in their overheads.

Some publishers stock as wide a range of imported titles as possible for library, post-school and general use. In this instance, what happens is that a multiplicity of titles are stocked in much smaller numbers than in the case of approved textbooks. Often, warehouse staff are involved in looking after single copy orders, special orders, orders for agency books with a multiplicty of conversion rates and so on. Such activity is very seldom a very profitable one but publishers recognize this as a service they must render and, as it is not always possible to apportion overheads on the basis of type of books or orders

serviced, very often this activity is subsidized.

iii) Sales and Publicity

These overhead expenses include sales representatives' salaries, their travel expenses (car running, and salary will come to a minimum of S$1,000 per month per representative) and the cost of specimen copies to schools. No publisher can avoid giving away specimens nor tries to but some schools demand specimens year after year as 'desk copies' for teachers' reference. Quite often the distribution of specimen copies can reach 10% of the first printing of a secondary book. Such costs have to be included as overhead expenses but this means that they are spread over all books sold in one year; pattern on an individual book is a very considerable distribution of specimens in the first year and a levelling off thereafter. Publicity expenses include catalogues, prospectuses, mounting of and participations in exhibitions, advertising, maintenance of a showroom, etc.

iv) Editorial and Production Expenses

Production expenses include the salaries of staff engaged in designing, pasting up, illustrating and quality control of new books and reprints. Editorial expenses involve the salaries of editors, assistant editors, proof readers and typists as well as editorial advisers and readers.

The editor is the key person in a publisher's office—the person who has key contacts, who turns ideas into publishing manuscripts as well as being the editor and proof reader of the manuscript, the collector of photographs, the checker of maps and diagrams, the getter of permissions, etc. Most editors are at least graduates or trained teachers and more and more they are specialists—in the Social Sciences, in English language teaching, in science, etc. They seldom come to a publisher with experience and need expensive training, often abroad with specialist editorial units in large groups. (The

same is true of training for skilled production staff and publishers have sent their staff on design and production courses abroad.)

Educational research is expensive also. New syllabi mean not only retraining teachers but also rethinking for publishers. The introduction of new mathematics and language syllabuses, for example, has involved publishers in the problem of editions that have to be changed frequently, often each year, in the light of experience. In most educational publishing it is on the reprints that publishers expect to make a profit and trial editions do not allow this but prices have to be kept to a minimum. Keeping abreast with the latest developments of publishing in other countries in the same subjects and checking how presentation and content and language can be improved is also an additional expense. Publishers often feel it necessary to supplement a course that may be profitable with entirely unprofitable but worthwhile ancillary ventures like tapes, teachers' books, wall charts, etc. They are often essential to the course but have to be sold at cost or even less to back up the main course.

Efficiency and Quality in Educational Publishing

Manufacturing Costs

Here the publisher's or printer's efficiency is very important. It is difficult to single out any element of such efficiency, because any saving of paper, binding costs etc can be offset by any inefficiency in the printing and binding operation. Old equipment, not in proper repair, can offset any advantage in proper paper selection or utilization.

General rules for most efficient paper utilization would require that paper be ordered specifically from the mill for the size required rather than utilization of standard paper stocked by paper merchants. The wasting of two inches per sheet for example can be quite costly.

Paper

Paper quality should depend on the requirements of the book, the teaching situation and the subject covered. Show-through impressions and the subsequent blurred images have to be avoided and this means the use of quality paper.

It might well be thought that the price of books could be reduced by using cheaper paper (i.e. newsprint). But it must be remembered that:

newsprint is not durable—it tears easily, binds badly and will probably last for not more than a school year in the hands of a primary school child;

ii use of newsprint would therefore mean that the book could not be passed on from one child to another;

iii newsprint paper becomes yellow and fades;

iv it is difficult to reproduce black-and-white photographs and colour transparencies on newsprint.

If cheaper paper is used, the quality of books will definitely suffer, as can be seen from books produced in Pakistan, Indonesia and India.

Factors Affecting Publishing Costs

Factors affecting book prices which are outside publishers' direct control are mainly those concerned with the actual setting, printing and binding of the books plus what may be called 'distribution' costs—these involve discounts to booksellers and, marginally, freight and shipping, etc.

Printing

Most publishers, though not all, use a number of printers for the production of their books. Only a minority of publishers own and manage their own printing factory and even if this happens, one presumes that the printing side charges the publishing side at some form of a cost plus. Generally, however, printers

have to be able to make their own profits and publishers can therefore only marginally negotiate lower printing charges for their books.

In the main sections of production—setting, printing and binding—the costs for setting are fairly fixed, and are not affected by the print number. But costs of materials and taxes on them for film and plate making have increased in recent years. The printing and binding charges are reflected in the number of copies produced and so affect the unit cost of the book. Paper is usually purchased from the printer and while the publisher can choose the quality of paper, the actual cost (and its periodic increase) is outside his control. Paper prices are continually rising and as this is the most important raw material for books it is a vital factor. Paper prices have increased by 28% in the last five years and are continually rising. If we take 100 as the base price of paper in 1967, the index had risen to 128 in 1971. The important point here is to compare this paper price increase with the actual prices of books over the same period.

Taking into account the fact that paper constitutes 50% of reprint costs, the price of books has not gone up by 14% as might have been expected. In fact, publishers have absorbed a percentage of the increased paper costs. The revaluation of the Yen has caused a further rise in the cost of paper from Japan. It will thus be seen that within the total price of a book, manufacturing costs account for 25% to 30%—though this will depend to a large extent on the type of book. And within these manufacturing costs, roughly 30% of the total can be allocated to the cost of paper—this being for a new book; for a reprint, the percentage of cost to be allocated to paper rises to approximately 52%. Paper costs are, therefore, of vital importance and are the main production factor over which the publisher has no control.

Distribution

This factor mainly involves discounts to booksellers and to a lesser extent carriage/freight costs. On average, the school supplier gets a minimum 20% discount on the published price and the retail bookseller 15% (as from this year). But this is only the tip of the iceberg. Most publishers have to give various other discounts in the form of quantity discount, prompt payment discounts etc. Further tied in with the discount structure are credit terms which are generally 60 days to 90 days,but it is very seldom the case that bills are paid promptly, meaning a credit term often exceeding 90 days. The practice of paying with post-dated cheques also,unfortunately, seems to be on the increase. The tragedy in this situation is not that discounts have to be paid, for publishers recognize that booksellers must have a fair margin of profit but that the booksellers retain, both through choice and force of circumstances, so little of it. For, as mentioned earlier, booksellers have to pass on varying amounts of this discount to schools and in selling below the published price, both actions being forced on them by the intense competition that prevails. Schools have shown a disturbing tendency to escalate their demands from booksellers asking more for funds obtained than service rendered. Booksellers, in this sense, are subsidizing some of the activities of the school in exchange for a rather dubious privilege—that of having the right to sell books in a particular school—for there is no compulsion for the pupils to buy the books in the school bookshop! In sum the general effect of the present system is:

i booksellers are forced to pass on to schools most of the discount they receive from publishers

ii this money goes into general school revenue and does not result in lower book prices

iii in effect this means that booksellers and parents (who may otherwise be buying books cheaper) are indirectly subsidizing other educational costs

iv in addition, because the bookseller makes so little on selling books, he is forced to increase the price of other educational supplies.

Publishing and the Cost of Education

The whole question of the cost of textbooks must be seen in its proper perspective in relation to expenditure on education. The budget allocation of over 200 million dollars does not include any allocation for the purchase of school textbooks and it has not been possible for the writer to estimate the total amount spent on textbook purchases but it cannot have been higher than 20 million. In fact it should be noted that the cost of sitting for the Singapore-Cambridge GCE is almost equivalent to the cost of all the textbook requirements for that level. Also, if one were to add up the cost of the range of other school items such as fees, pocket money, transport, uniform, exercise books, instrument boxes, materials for art lessons and technical work it would be seen that the cost of textbooks in the total sum would be around only about 15% in the secondary level. It is thus hardly fair to point an accusing finger at publishers when rises in the cost of education are discussed. True, the publishers make a profit but this is in no sense excessive and represents at best a modest return on service rendered, capital invested, and risks taken. No education system can do without textbooks and education in Singapore deserves the best that publishers can offer at prices that are fair both to the producer and the consumer. Publishers too go bankrupt—two in 1972—and the ultimate victim of an inadequate publishing industry will be the pupil. This is something that all concerned with education and educational publishing should seek to avoid.

Conclusion

From the points made in the foregoing paragraphs, it is hoped that I have shown that over the past decade publishers have not unreasonably added to the cost of

education via price increases, having in mind world increases in raw materials especially paper, nationwide rises in wages and standards of living. Publishers could be persuaded to keep prices stable if they did not come under pressure from booksellers to keep escalating discounts in order that booksellers may have sufficient margins to conduct their business. The booksellers will have sufficient margins if schools can be persuaded that it is in their best interests that school bookshop rental rates are fixed reasonably and standardized for all schools of a particular type and no further demands in cash or kind are made on the bookseller. Choice of a school bookseller will then depend on service he can render rather than the amount of money he can offer and schools in turn must accept the responsibility to see that pupils do in fact purchase their books from the school bookshop! The initiative thus must come from the educational establishment and the gain to them will be reasonably priced books. For the publishers and booksellers, the gain would be to bring order into chaos, thus enabling both to serve education with the quality it deserves.

* This paper is based, in part, on a paper prepared by the Malaysian Book Publishers Association. The author wishes to express his gratitude for being able to refer to the paper.