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PASA
PUBLISHERS' ASSOCIATION
OF SOUTH AFRICA

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PASA ANNUAL INDUSTRY SURVEYS

Broad Trends over Three Years (2004-2006)

NOVEMBER 2007



**UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA**

Research Team

**SCHOOL OF INFORMATION TECHNOLOGY
DEPARTMENT OF INFORMATION SCIENCE
PUBLISHING STUDIES**

**Dr Francis Galloway
Dr Rudi MR Venter
Willem Struik**

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CONTEXTUALISATION

The analysis of data from the *PASA Annual Industry Surveys* (2004, 2005 and 2006) rests on the assumption that the data received from the individual participating companies is accurate.

It was difficult to make direct comparisons between the data available for the three years. Some of the reasons for this include:

- The **structure of the questionnaire** evolved over the three years in order to solicit more detailed information (e.g. during 2004 and 2005 the net turnover of the academic sector was sub-divided between academic textbooks, professional books and academic journals; during 2006 an additional production category was added for scholarly books).
- The **core list of companies targeted**, which is based on the PASA membership list of a specific year, differed year-on-year as the association's membership changed, or publishing houses moved between publishers' categories (which are based on turnover).
- Over the three surveys the **participant pool** changed. During 2006 the participating entities expanded significantly because (i) one large company participated on division level and (ii) four additional companies, which are not PASA members, participated in the survey.
- Since the 2004 survey the participating companies were divided into **three broad turnover categories**: "Small Publishers" included participating companies in Bands A to E (annual turnover of less than R5m); "Medium Publishers" included companies in Bands F to J (annual turnover between R5m and R49, 999,000) and "Large Publishers" included companies in Bands K and L (annual turnover more than R50m). The larger and medium pool of participating companies, however, changed in the 2006 survey because the total participant pool changed (see above). Therefore no year-on-year comparisons for specific publishers' categories can be made.
- The changing profile of the participants in the three surveys also impacted on **deductions about growth (or decline) over the period**. In order to make some useful year-on-year comparisons for the period 2004 - 2006 the researchers identified 26 entities that participated in all three surveys. The data provided by these entities were used to calculate comparative figures for the three-year period. The data utilized for calculating broad trends can not be compared with the figures in the individual annual reports.

PARTICIPATING PUBLISHERS (OVER 3 YEARS)

The following 26 entities participated in all 3 annual surveys (in alphabetical order):

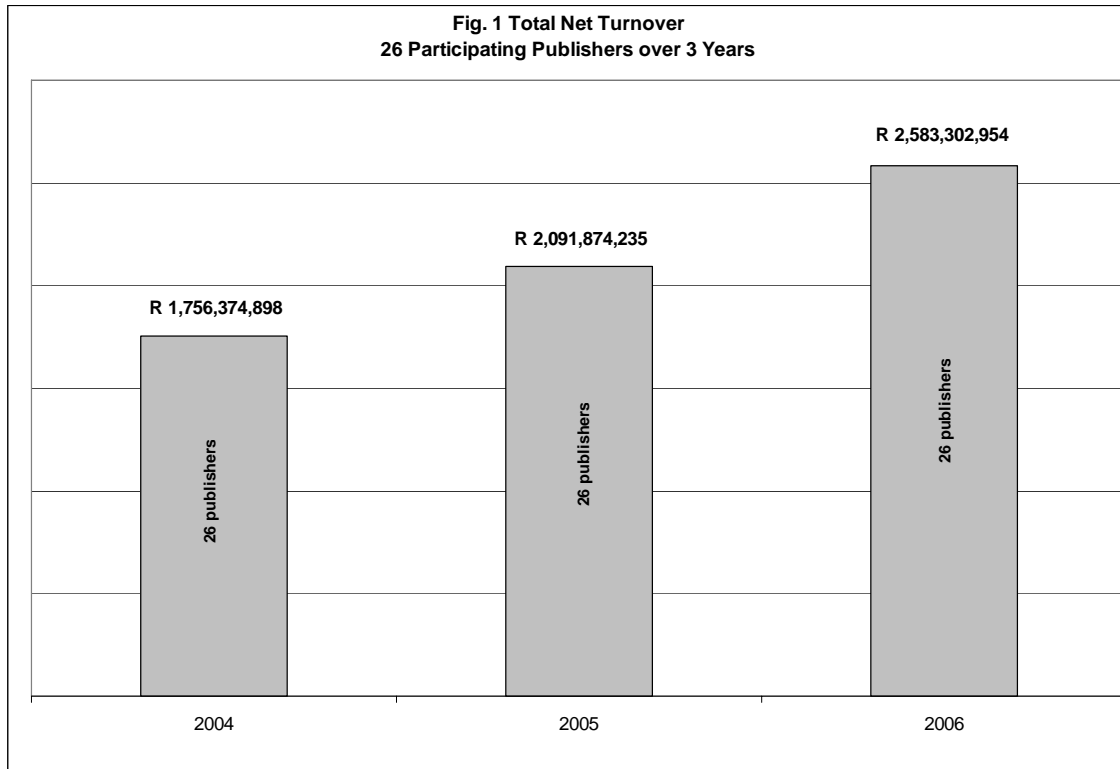
1. Book Promotions
2. Cambridge University Press: African Branch
3. Heinemann (Reed Elsevier SA)
4. John Wiley & Sons Ltd
5. Jonathan Ball Publishers
6. Juta & Company Ltd
7. Lectio Publishers (Pty) Ltd
8. Lux Verbi - BM
9. Macmillan South Africa (Pty) Ltd
10. Maskew Miller Longman (Pty) Ltd
11. Nasou Via Afrika
12. NB Publishers
13. New Africa Books (Pty) Ltd
14. New Holland Publishing (SA) (Pty) Ltd
15. New Readers Publishers
16. Nutrend Publishers
17. Oxford University Press Southern Africa
18. Palm Publishers
19. Pan Macmillan SA (Pty) Ltd
20. Penguin Group (SA)
21. Random House (Pty) Ltd
22. Shuter and Shooter Publishers (Pty) Ltd
23. Solo Collective
24. Van Schaik Publishers
25. Vivlia Publishers & Booksellers (Pty) Ltd
26. Wild Dog Press

Please Note

The analysis is based on the data provided by these 26 entities that participated in the three annual surveys, and not on the total results of the individual annual surveys.

TURNOVER PROFILE

26 Participating Publishers over 3 Years



Notes

- No comparisons could be made between publishers' categories (large, medium and small) because of disparities in the sample.
- The only true comparison over three years was a comparison based on the Total Net Turnover of the 26 entities (including large, medium and small publishers) that participated in all three years, as indicated in the table below.

	2004	2005	2006
26 participating publishers over 3 years	R 1,756,374,898	R 2,091,874,235	R 2,583,302,954
% Growth / Decline		19.10%	23.49%
<i>TNT by above-mentioned publishers as % of total survey turnover</i>	97.82%	98.53%	86.10%

Fig. 2A Total Net Turnover of publishing industry as % of GDP Current

	2004	2005	2006
Total Net Turnover of 26 Participating Publishers (Nominal Terms)	R 1,756,374,898	R 2,091,874,235	R 2,583,302,954
Gross Domestic Product (GDP) Current	R 1,398,160,000,000	R 1,538,969,000,000	R 1,727,478,000,000
<i>Total Net Turnover as % of GDP Current</i>	0.126%	0.136%	0.150%

Notes

- The table above compares the Total Net Turnover of the 26 Participating Publishers (in Nominal Terms) with the annual Gross Domestic Product (GDP) Current, as retrieved from the website of the South African Reserve Bank on 14 September 2007.
- It is evident that the publishing industry, as a cultural industry, is making a relatively significant contribution to the economy of the country (0.150% during 2006).

Fig. 2B Economic indicators deflated by annual Production Price Index

	2004	2005	2006
Total Net Turnover of 26 Participating Publishers (Nominal Terms)	R 1,756,374,898	R 2,091,874,235	R 2,583,302,954
MINUS: Inflation: Production Price Index (% Growth in PPI per year)	2.320%	2.912%	7.600%
Total Net Turnover of 26 Participating Publishers (Real Terms - Deflated by PPI)	R 1,715,627,000	R 2,030,958,857	R 2,289,512,686

Notes

- In the table above, the Nominal Total Net Turnover is deflated by the Production Price Index (PPI – local) to account for inflation. 2003 was taken as the base year.
- The PPI was retrieved from the website of Statistics South Africa on 14 September 2007.
- The Total Net Turnover (in Nominal Terms) is compared with the Total Net Turnover (in Real Terms).

Fig. 2C Total Net Turnover of publishing industry as % of GDP at Constant Prices

	2004	2005	2006
Total Net Turnover of 26 Participating Publishers (Real Terms - Deflated by PPI Inflation)	R 1,715,627,000	R 2,030,958,857	R 2,289,512,686
Gross Domestic Product (GDP) Constant Prices	R 1,061,770,000,000	R 1,115,817,000,000	R 1,171,367,000,000
<i>Total Net Turnover as % of GDP Constant Prices</i>	0.162%	0.182%	0.195%

Notes

- The publishing industry, as a pivotal cultural industry, is making an even more significant contribution to the economy of the country in terms of the Total Net Turnover (in Real Terms) as % of GDP Constant Prices (0.195% during 2006).

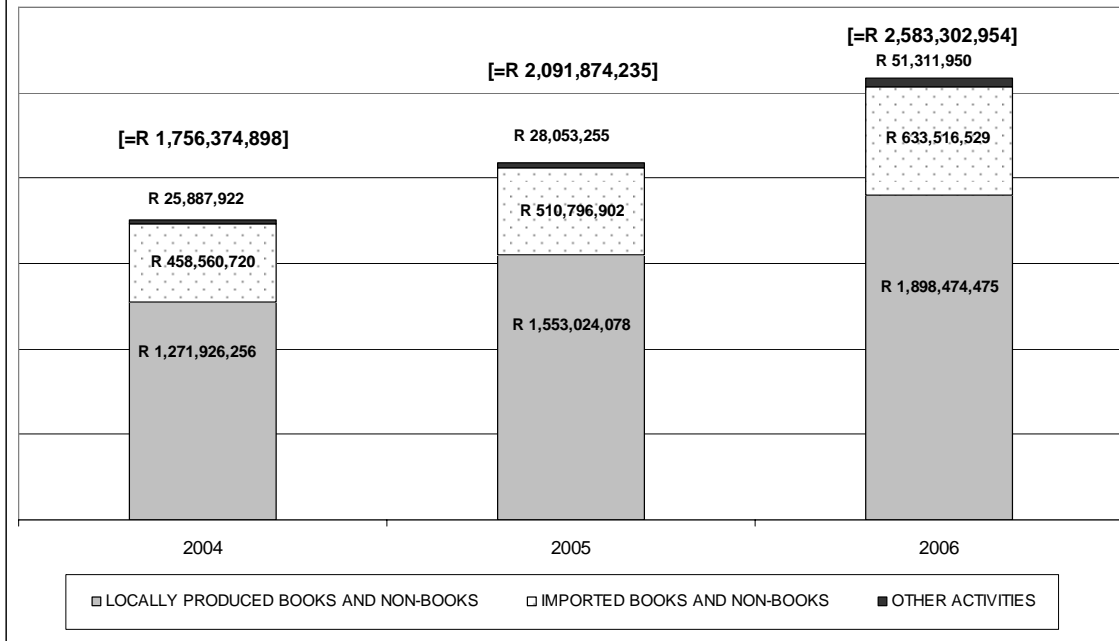
Fig. 2D Educational sector spend as % of total Government Spend on Education

	2004	2005	2006
Net Turnover of the 26 Participating Publishers - Educational Sector (excluding VAT)	R 963,021,536	R 1,193,606,922	R 1,489,635,611
Net Turnover of the 26 Participating Publishers - Educational Sector (including 14% VAT)	R 1,097,844,551	R 1,360,711,891	R 1,698,184,597
Government Spend on Education	R 82,566,000,000	86,677,800,000	Not available
<i>Educational Sector as % of Government Spend on Education</i>	1.330%	1.570%	n/a

Notes

- In the table above, government spend on education is compared with the Total Net Turnover of Participating Publishers involved in the Educational Sector. For the purpose of this comparison, 14% VAT was added to the Net Turnover of this sector (since the government pays VAT on school books).
- Between 2004 and 2005 there was a 4.98% growth in the Rand value of total government spend on education, of which books and non-book products made up only a small portion.
- Between 2004 and 2005 there was an increase of 23.94% in the net turnover of educational publishers, indicating that a larger portion of total government spend was allocated to the provision of textbooks and learner and teacher support materials.
- Between 2005 and 2006 there was an increase of 24.80% in the net turnover of educational publishers.
- Unfortunately, no official figures for government spend on education for 2006 was available by 14 September 2007.
- Participating publishers did not provide Total Gross Turnover figures. It was not possible to calculate this because the discounts to the book trade differ. Therefore the Total Net Turnover of the Trade Sector could not be compared with the Gross National Disposable Income.

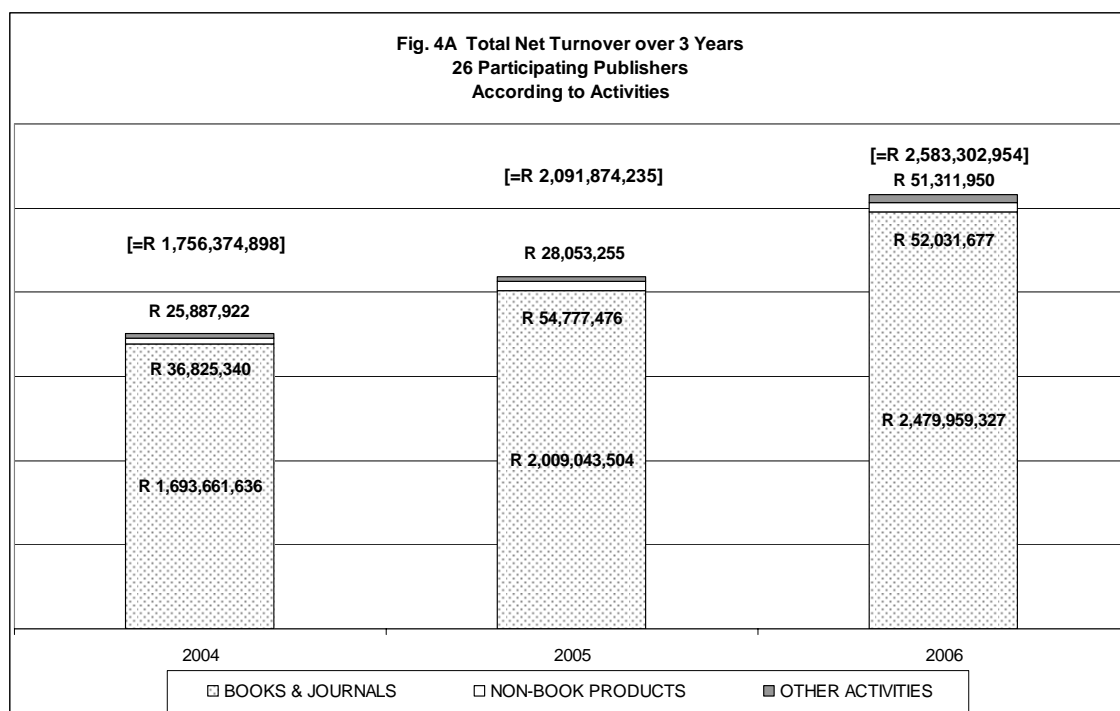
**Fig. 3 Total Net Turnover
26 Participating Publishers over 3 Years
Local vs. Imported Product vs. Other Activities**



	2004	2005	2006
Net Turnover for Local Product (Books and Non-Books)	R 1,271,926,256	R 1,553,024,078	R 1,898,474,475
% Annual Growth		22.10%	22.24%
Net Turnover for Imported Product (Books and Non-Books)	R 458,560,720	R 510,796,902	R 633,516,529
% Annual Growth		11.39%	24.03%
Net Turnover for Other Activities	R 25,887,922	R 28,053,255	R 51,311,950
% Annual Growth		8.36%	82.91%
Total Net Turnover for All Activities	R 1,756,374,898	R 2,091,874,235	R 2,583,302,954
% Annual Growth		19.10%	23.49%

Notes

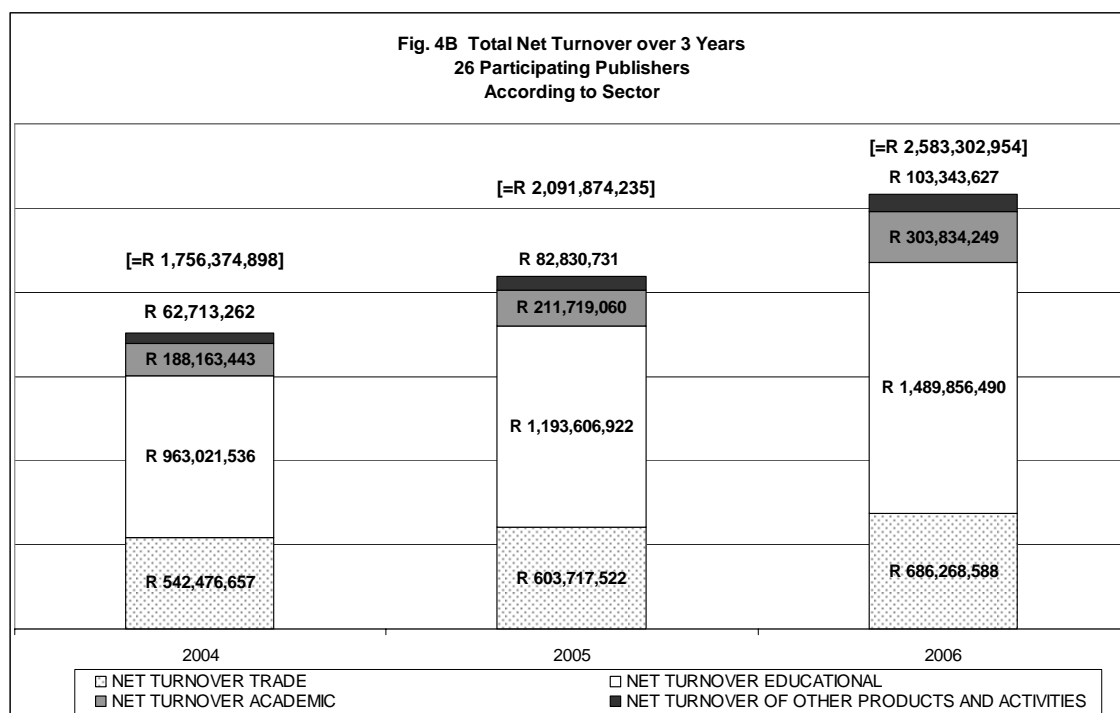
- The industry has been growing at a rate far exceeding both inflation and the annual growth in Gross Domestic Product.
- This growth is driven by all three activities: the production of local product, the import of overseas product, and other industry related activities.
- The significant increase in “Other Activities” in 2006 was due to increased warehousing income because of a change in agency activity.



	2004	2005	2006
Net Turnover Trade	R 542,476,657	R 603,717,522	R 686,268,588
Net Turnover Educational	R 963,021,536	R 1,193,606,922	R 1,498,856,490
Net Turnover Academic	R 188,163,443	R 211,719,060	R 303,834,249
Net Turnover of Book Sales (Locally Published & Imported)	R 1,693,661,636	R 2,009,043,504	R 2,479,959,327
Net Turnover of Locally Published & Imported Non-Book Products	R 36,825,340	R 54,777,476	R 52,031,677
Net Turnover for Other Activities (Rights Sales, Warehousing, Remainder Sales, etc.)	R 25,887,922	R 28,053,255	R 51,311,950
Total Net Turnover of 26 Participating Publishers	R 1,756,374,898	R 2,091,874,235	R 2,583,302,954

Notes

- All three industry sub-sectors experienced significant growth in book sales turnover values.
- The sales of non-book products recorded a slight decrease in 2006, after a significant increase in the preceding year.
- Other industry related activities also manifested an overall growth trend, partly as a result of increased warehousing activity driving the extraordinary 2006 increase.

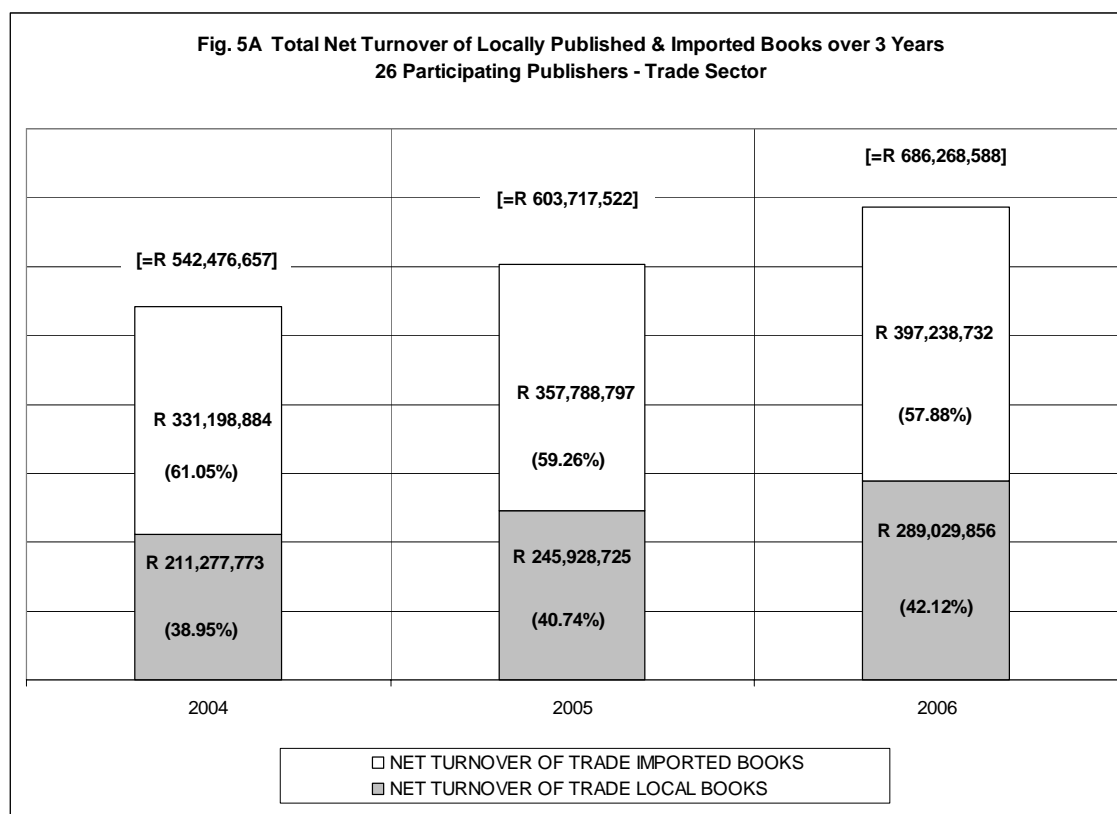


	2004	2005	2006
Net Turnover Trade	R 542,476,657	R 603,717,522	R 686,268,588
% Growth / Decline		11.29%	13.67%
Net Turnover Educational	R 963,021,536	R 1,193,606,922	R 1,489,856,490
% Growth / Decline		23.94%	24.82%
Net Turnover Academic	R 188,163,443	R 211,719,060	R 303,834,249
% Growth / Decline		12.52%	43.51%
Total Net Turnover of Sales Other Products & Activities (not divided into sub-sectors)	R 62,713,262	R 82,830,731	R 103,343,627
% Growth / Decline		32.08%	24.76%

Notes

- All three industry sub-sectors manifested growth between 2004 and 2005, with educational publishing contributing most to industry growth. The growth in the trade sector could be attributed partially to the sales of globally successful bestsellers such as the penultimate *Harry Potter* title, and the continued interest in the *Da Vinci Code* titles.
- Between 2005 and 2006 these growth trends continued. Trade books showed the smallest growth rate, but nevertheless manifested an overall growth rate well above the rate of inflation for this period.
- The educational sub-sector continued its growth trend due to the accelerated implementation of the new school curriculum.
- The conspicuous growth between 2005 and 2006 in the academic/professional sub-sector could largely be attributed to an extraordinary growth in Net Turnover reported by two specific publishers.

**Fig. 5A Total Net Turnover of Locally Published & Imported Books over 3 Years
26 Participating Publishers - Trade Sector**

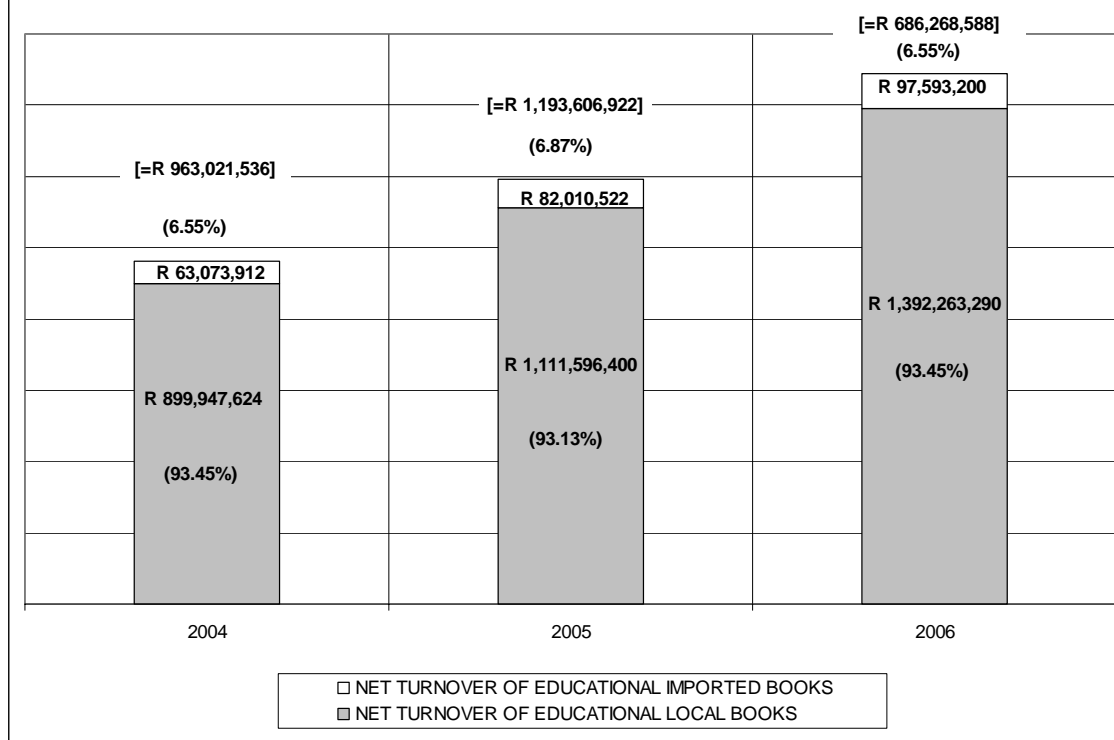


	2004	2005	2006
Net Turnover Trade Local Books	R 211,277,773	R 245,928,725	R 289,029,859
% Growth / Decline		16.40%	17.53%
Net Turnover Trade Imported Books	R 331,198,884	R 357,788,797	R 397,238,732
% Growth / Decline		8.03%	11.03%
Local Book Market Share	38.95%	40.74%	42.12%
Imported Book Market Share	61.05%	59.26%	57.88%

Notes

- The growth in the trade sub-sector was driven by locally produced books, which increased by 16.40% (between 2004 and 2005) and 17.53% (between 2005 and 2006) in sales value respectively.
- The rate of increase in turnover of the imported trade book was much lower than that of the locally produced book.
- The locally produced trade book is steadily gaining market share from the imported book.

**Fig. 5B Total Net Turnover of Locally Published & Imported Books over 3 Years
26 Participating Publishers - Educational Sector**

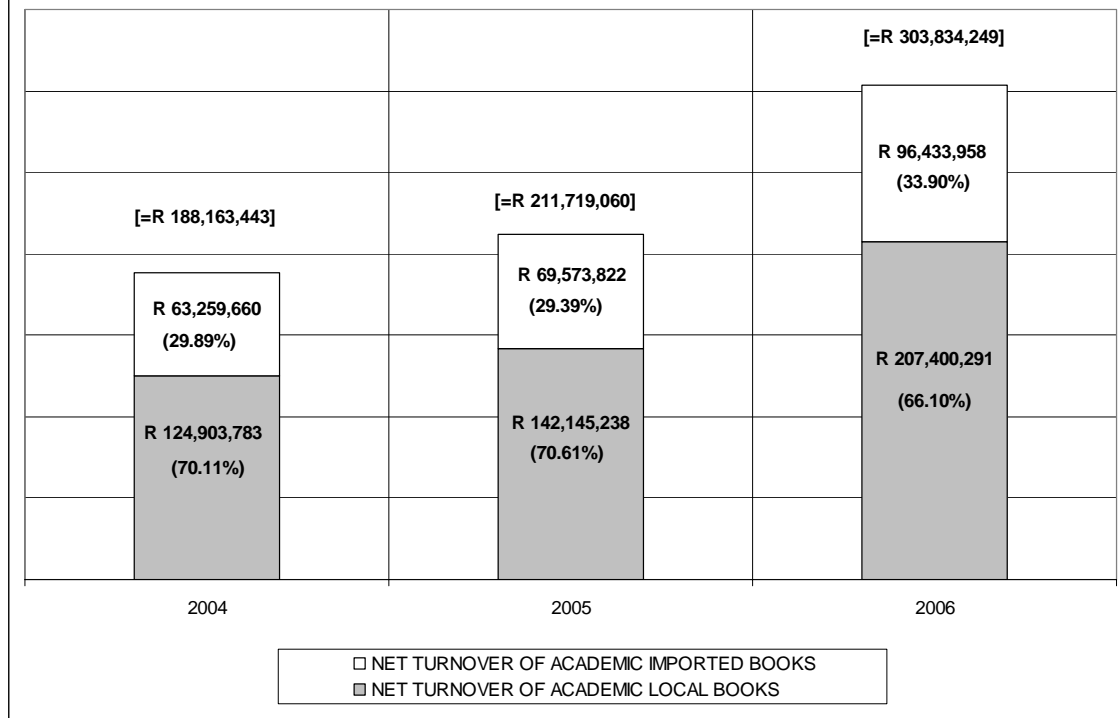


	2004	2005	2006
Net Turnover Educational Local Book	R 899,947,624	R 1,111,596,400	R 1,392,263,290
% Growth / Decline		23.52%	25.25%
Net Turnover Educational Imported Book	R 63,073,912	R 82,010,522	R 97,593,200
% Growth / Decline		30.02%	19.00%
Local Book Market Share	93.45%	93.13%	93.45%
Imported Book Market Share	6.55%	6.87%	6.55%

Notes

- Both the sales of local books and imported books manifested very high growth rates in the educational sub-sector.
- On average over the period of three years, local books made up about 93.5% of total sales of educational books.

**Fig. 5C Total Net Turnover of Locally Published & Imported Books over 3 Years
26 Participating Publishers - Academic Sector**



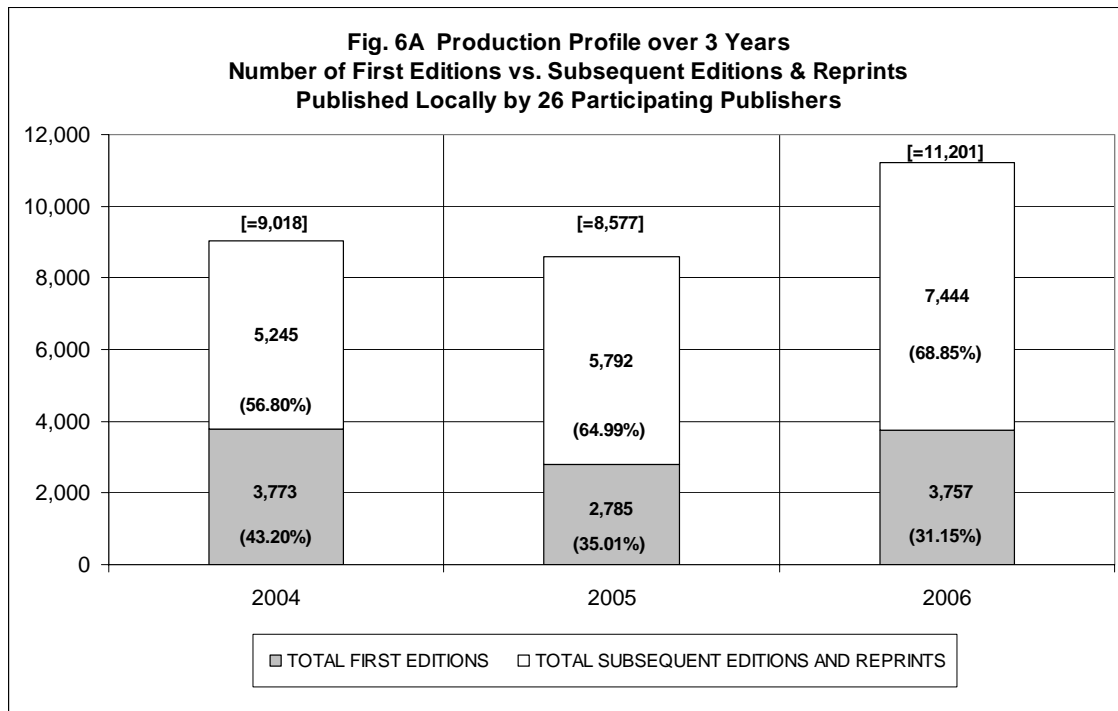
	2004	2005	2006
Net Turnover Local Books	R 124,903,783	R 142,145,238	R 207,400,291
% Growth / Decline		13.80%	45.91%
Net Turnover Imported Books	R 63,259,660	R 69,573,822	R 96,433,958
% Growth / Decline		9.98%	38.61%
Local Book Market Share	70.11%	70.61%	66.10%
Imported Book Market Share	29.89%	29.39%	33.90%

Notes

- The conspicuous growth between 2005 and 2006 in the academic/professional sub-sector could largely be attributed to an extraordinary growth in Net Turnover reported by two specific publishers.

PRODUCTION PROFILE

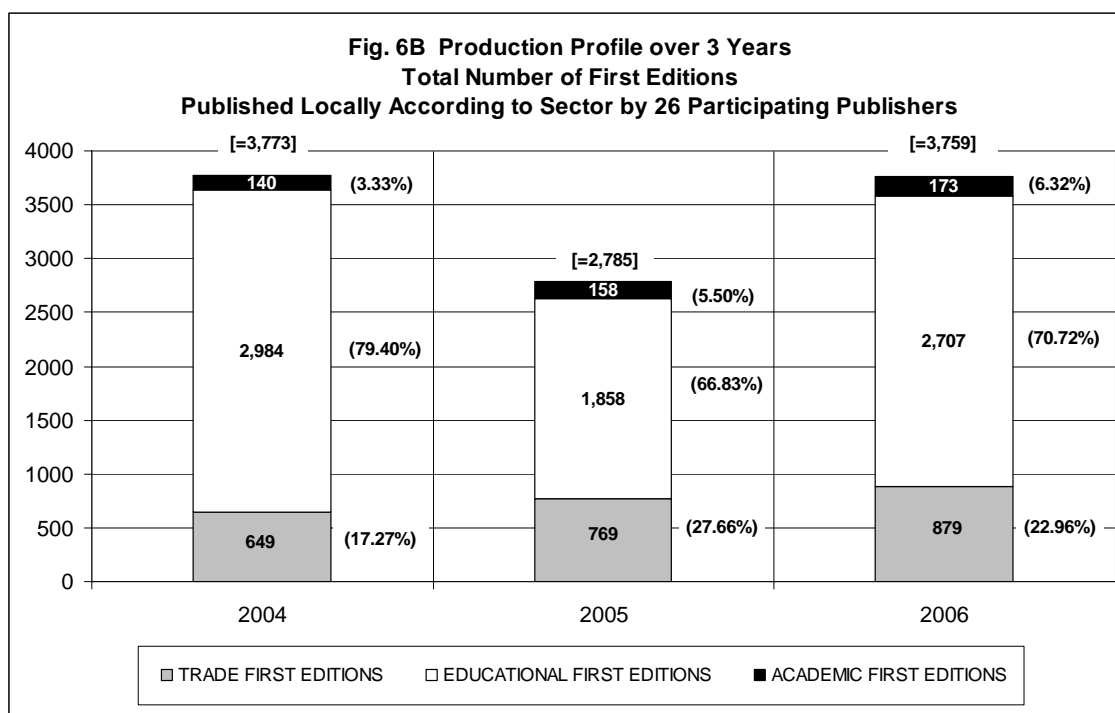
26 Participating Publishers over 3 Years



	2004	2005	2006
Total First Editions	3,773	2,785	3,757
% Growth / Decline		-26.19%	34.90%
Total Subsequent Editions & Reprints Editions	5,245	5,792	7,444
% Growth / Decline		10.43%	28.52%

Notes

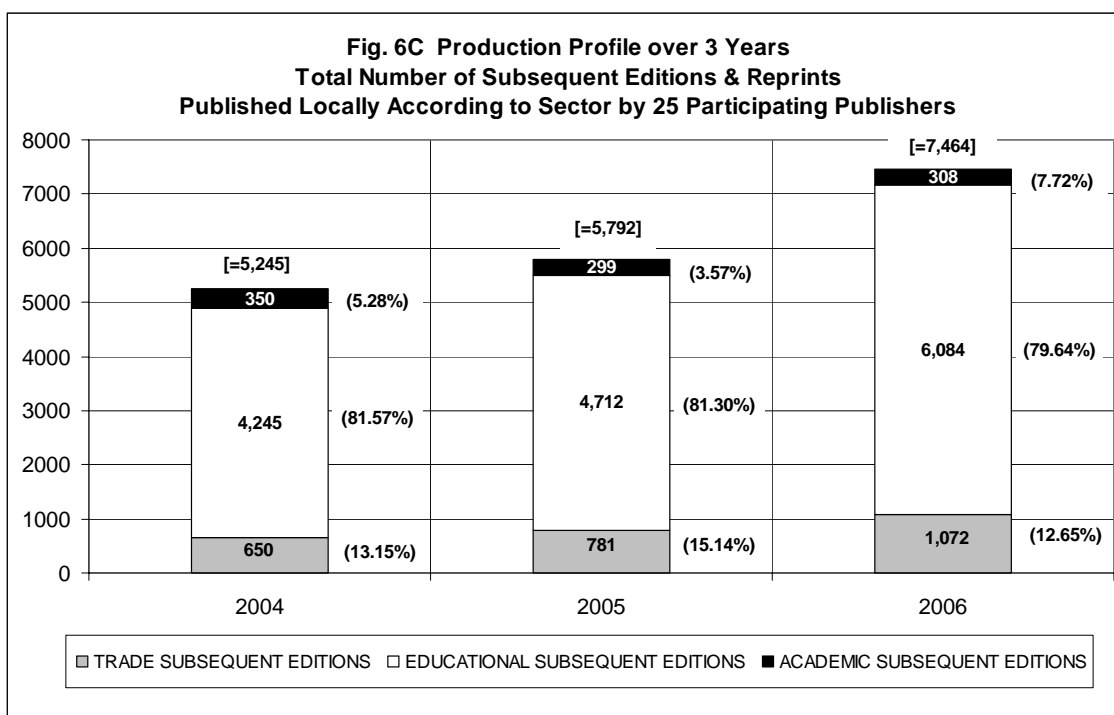
- The total number of new titles published in 2006 returned to the annual levels prior to 2005, indicating that the smaller number of new titles published in 2005 was an exception to the medium term pattern and not a new trend.
- There was a significant growth in the total number of subsequent editions and reprints over the three years.
- The increase in new titles published in 2006 could largely be attributed to the accelerated implementation of the grade 9 curriculum. This change brought about that new textbooks for three grades (8, 9 and 11) were produced in 2006 (for implementation in 2007) as opposed to only two new grades in the previous year.



	2004	2005	2006
Trade First Editions	649	769	879
% Growth / Decline		20.15%	37.26%
Educational First Editions	2,984	1,858	2,707
% Growth / Decline		-37.73%	45.69%
Academic First Editions	140	158	173
% Growth / Decline		12.86%	9.49%

Notes

- The increase in the number of locally produced trade titles can directly be linked to the growing market share of locally produced trade titles (as expressed in Fig. 5A).
- The production of new titles in the educational sub-sector is directly related to the implementation of the new curriculum and varies from year to year (see third note under Fig. 6A).
- There is a modest growth in the production of new local academic/professional titles.



	2004	2005	2006
Trade Subsequent Editions & Reprints Editions	650	781	1,072
% Growth / Decline		20.15%	37.26%
Educational Subsequent Editions & Reprints	4,245	4,715	6,084
% Growth / Decline		11.00%	29.12%
Academic Subsequent Editions & Reprints Editions	350	299	308
% Growth / Decline		-14.57%	3.01%

Notes

- Fig. 6C is based on feedback provided by 25 participants as one of the publishers provided inconsistent feedback on the number of subsequent editions and reprints and could therefore not be included in the sample.
- The substantial growth in subsequent editions of trade titles during the reporting period supported the positive growth in the production of new editions. This is a healthy trend, indicating backlist development for local trade titles.
- There was a growth of 11.00% in the publication of subsequent editions and reprints for the education sector between 2005 and 2004, and a significant growth of 29.12% between 2006 and 2005. This trend can be linked to the implementation of the new curricula (see time-scale below). One large educational publisher did not provide consistent data on subsequent editions and reprints and was not included in this analysis.
- The striking decline between 2004 and 2005 in subsequent editions of academic titles (14.57%) and the partial recovery between 2005 and 2006 (3.01%) could be linked to the impact of market segmentation caused by changes in curricula and the mergers of tertiary institutions.

Time-scale for Implementing Curriculum 2005 & the National Curriculum Statement (NCS)

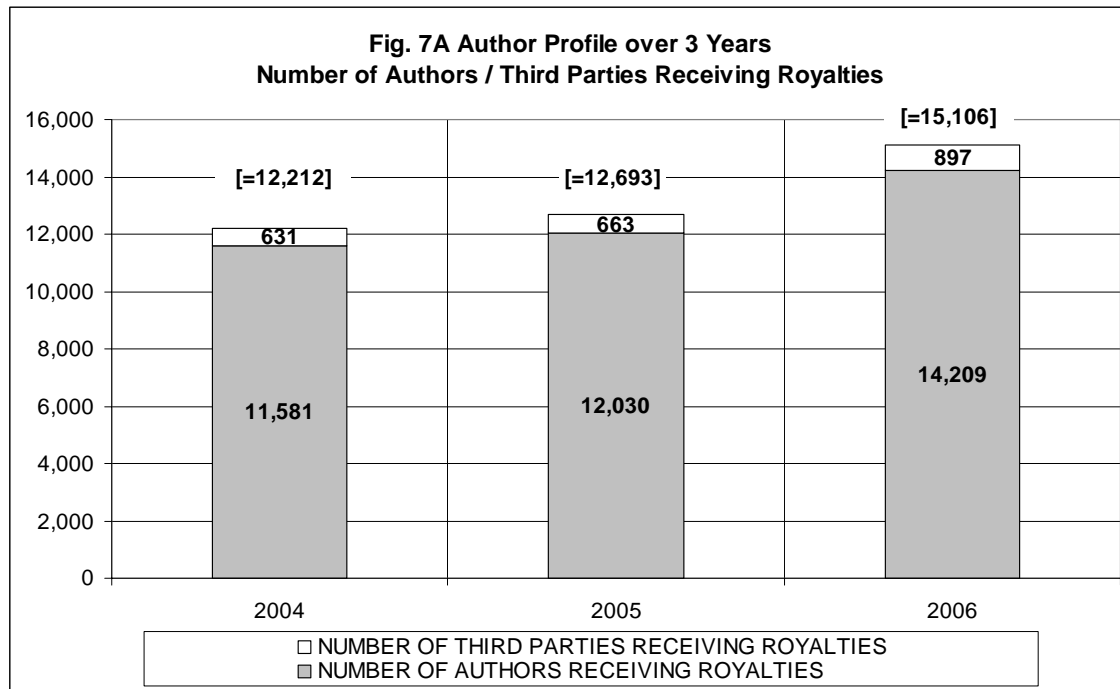
Year	Actual Implementation of new Curricula	Envisaged Implementation of Curriculum 2005	Envisaged Implementation of NCS
1998	Grades 1	Grades 1 & 7	
1999	Grades 2	Grades 2 & 8	
2000	Grades 3 & 7	Grades 3 & 9	
2001	Grades 4 & 8	Grades 4 & 10	
2002	Grades 5 & 9	Grades 5 & 11	
2003	Grades 6	Grades 6 & 12	
2004	Grades R*, 1, 2 & 3		Grades R*, 1, 2 & 3
2005	Grades 4, 5 & 6		Grades 4, 5 & 6
2006	Grades 7 & 10		Grades 7 & 10
2007	Grades 8, 9** & 11		Grades 8 & 11
2008	Grade 12		Grades 9 & 12

Notes

- The table above summarises the implementation of Curriculum 2005 and the National Curriculum Statement (NCS), comparing the envisaged implementation dates of specific Grades with the actual implementation dates.
- Educational titles were produced and submitted to the Department of Education approximately 12-18 months before the actual implementation. The timeframe for producing these titles might differ between specific publishers.
- * Grade R is gradually implemented, to be finalised by 2010.
- ** The production of Grade 9 titles was fast-tracked in order to be implemented with Grades 8 and 11.

AUTHOR & ROYALTY PROFILE

26 Participating Publishers over 3 Years

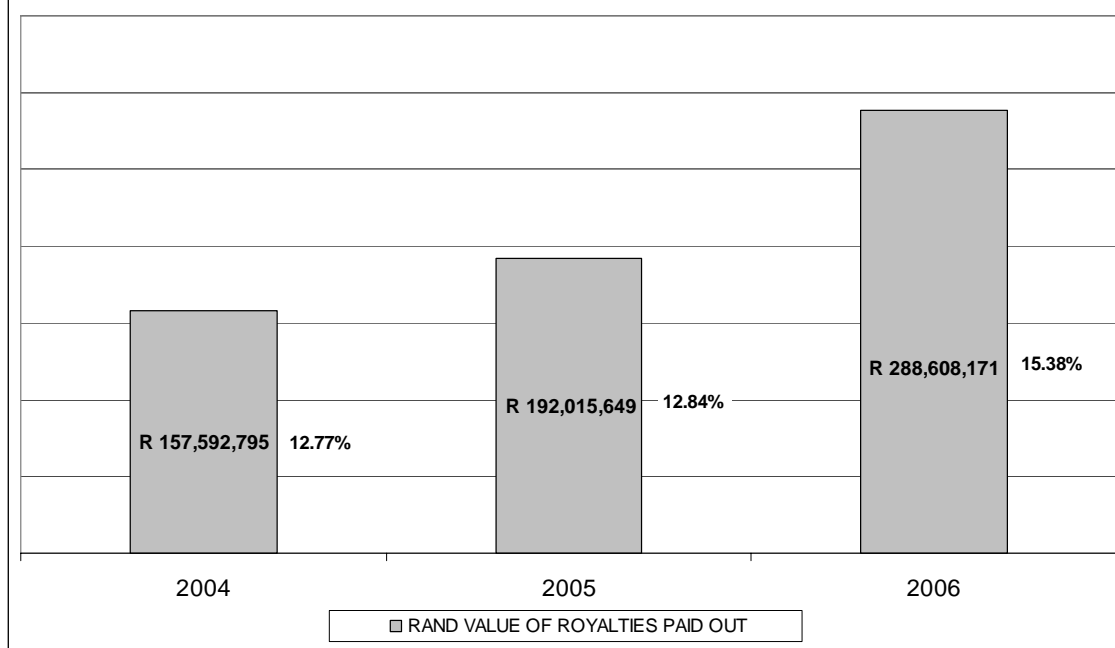


	2004	2005	2006
Number of Authors Receiving Royalties	11,581	12,030	14,209
% Growth / Decline		3.88%	18.11%
Number of Third Parties Receiving Royalties	631	663	897
% Growth / Decline		5.07%	35.29%

Notes

- There was a continuous growth in the number of authors over the period. This indicates a positive trend of new authors contributing to the creation of new product.
- More third parties (including legal third parties, trusts, joint ventures and estates) received royalties over the period.

Fig. 7B Royalty Profile over 3 Years
Rand Value of Total Royalties based on Total Net Turnover



Royalty Profile	2004	2005	2006
Rand Value of Total Royalties	R 157,592,795	R 192,015,649	R 288,608,171
% Growth / Decline		21.84%	50.30%
Average % Royalties as expressed in terms of Total Net Turnover.	12.77%	12.84%	15.38%
% Growth / Decline		0.55%	19.78%

Notes

- Publishers reported on the percentage paid (royalty on applicable turnover) and the applicable turnover (net sales figure of products that are linked to the payment of royalties). This information was utilised to calculate the Rand Value of royalties paid by individual participants and also the Total Royalties of the 26 participants.
- Some of the participants indicated high percentages on applicable turnover (in the large publishers' category the highest percentage indicated was 17,01% and in the medium category 19,5%).
- Since most of the participants did not report per sub-sector it was not possible to calculate the Rand value of Total Royalties per sub-sector or the Average % Royalties per sub-sector.
- The rand value of royalties paid out by publishers in 2006 increased at a faster rate than the increase in Total Net Turnover, indicating an increase in the average royalty percentage.

FINAL REMARKS

- One challenge for future surveys is to strike a balance between standardizing the current survey questionnaire and sample (in order to make true comparisons between succeeding years possible) and expanding the survey questionnaire and sample (in order to extract more generic industry related information from more participants).
- Current profiles should be revisited in order to define the kind of data needed for more in-depth analysis of the three sectors (educational, academic and trade publishing).
- Active participation by all PASA members should be encouraged, including the members in the small publisher category.
- CEOs / MDs of participating publishers should take personal responsibility for the year-on-year accuracy of the data provided, because this impacts directly on the analysis of broad trends.
- The participation of important non-PASA members in the PASA Survey 2006 added value to the project. It is important to ensure their future participation so that they can form part of future broad trend analysis. Other non-PASA members should also be encouraged to participate.
- An advisory committee from industry could provide input into the qualitative contextualization of specific statistical trends, based on industry-specific developments.

**Dr Francis Galloway
Dr Rudi MR Venter
Willem Struik**

November 2007