Community of Practice Workshop: Getting the right books to the kids

Books costs across the book chain

Project books for the other 90 per cent
Outline

Cost drivers per process- mindmap

1. Publication
2. Printing
3. Paper
4. Distribution

Recommendations

Project books for the other 90 per cent
Publication

1. Royalties
2. Marketing and sales
3. Risk
4. Cross subsidization

Project books for the other 90 per cent
Cost driver 1: royalties

<table>
<thead>
<tr>
<th>Cost breakdown of book retail price</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing, paper and binding</td>
<td>11.5</td>
</tr>
<tr>
<td>Origination</td>
<td>13.5</td>
</tr>
<tr>
<td>Royalties</td>
<td>10.5</td>
</tr>
<tr>
<td>Publisher’s overheads</td>
<td>29.0</td>
</tr>
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<td>Distributor/ distribution</td>
<td>5.5</td>
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<tr>
<td>Bookseller</td>
<td>30.0</td>
</tr>
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<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
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Table 3: Cost breakdown of the retail price of an educational book

Source: Industry role-players, 2006 and Genesis Analytics calculations

Project books for the other 90 per cent
Cost driver 2: Marketing & Sales

<table>
<thead>
<tr>
<th>Overhead cost item</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Human resource costs</td>
<td>1</td>
</tr>
<tr>
<td>Publishing costs</td>
<td>18</td>
</tr>
<tr>
<td>Warehousing and distribution</td>
<td>15</td>
</tr>
<tr>
<td>Administration</td>
<td>23</td>
</tr>
<tr>
<td>Marketing and sales expenses</td>
<td>42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
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Table 4: Educational publisher’s overheads

Source: Industry role-player, 2006

Project books for the other 90 per cent
### Cost driver 3: Origination costs

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**Table 3: Cost breakdown of the retail price of an educational book**

Source: Industry role-players, 2006 and Genesis Analytics calculations
Cost driver 3: Origination costs

Figure 1: Origination costs, printing economies of scale and print runs

Project books for the other 90 per cent
Cost driver 4: Risk

- 20% of books do well
- 40% will make a small profit
- 20% will break even
- 20% will make a loss

Project books for the other 90 per cent
Cost driver 5: Cross-subsidization

Cross-subsidization = “the conscious decision to publish a book that will probably never break even knowing that they can offset the losses against another book that is expected to do well”
## Production

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Source: Industry role-players, 2006 and Genesis Analytics calculations

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**Project books for the other 90 per cent**

[Paarl Media logo: paarlmedia]

[Blue Tree logo: BLUE TREE]

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[Images of children reading and studying]
Figure 1: Origination costs, printing economies of scale and print runs

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Cost driver 2: Nr. of color pages

- Each color own plate
- Set up individually
- Find color balance
  -> make ready time is longer

- Color press is more expensive
- Need for skilled labor

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Cost driver 3: lack of skilled labor

Project books for the other 90 per cent
Cost driver 4: physical dimension of a book

Determines the number of pages & paper usage/waste

Project books for the other 90 per cent
Paper: cost drivers

1. Purchasing power of the printer & stock
2. Timeliness of the order
Paper contribution grows with print run

Figure 1: Origination costs, printing economies of scale and print runs

Project books for the other 90 per cent
Paper costs % of total production price

<table>
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<tr>
<th>Print run</th>
<th>250</th>
<th>500</th>
<th>750</th>
<th>3000</th>
<th>5000</th>
<th>10000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper cost as percent of total paper, printing and binding cost</td>
<td>4.0%</td>
<td>7.3%</td>
<td>10.2%</td>
<td>34.0%</td>
<td>40.7%</td>
<td>46.6%</td>
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Table 1: Paper cost as percentage of total paper, printing and binding costs of a textbook.

Source: Industry role-player, 2006 and Genesis Analytics calculations

Note: The three smaller print runs are for a teacher’s guide and the three larger ones for a textbook. The teacher’s guide is printed on less expensive paper and has fewer pages than the textbook. The increase in paper cost from 750 copies to 3000 copies is thus overemphasised. Nevertheless, the trend remains clear.

Project books for the other 90 per cent
Distribution

Distributors:

1. Distribution companies
2. Couriers
3. Booksellers

Distribution relies on infrastructure and data

Project books for the other 90 per cent
Distribution: cost drivers

1. Freight costs
2. Staff costs
3. Rent
4. IT costs
5. Insurance

Project books for the other 90 per cent
Recommendations

1. Choose production process according to requirements of your order

2. Consult a graphic designer

3. Improve publisher-printer communication

4. Increase access to skilled labor

Project books for the other 90 per cent
Recommendations

5. Optimize marketing and sales opportunities

6. Stabilize book demand & reduce risks

7. Bulk orders

8. Introduce data collection systems

9. Include logistical experts

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Thank you!!

Maggie de Jongh
Human Rights Specialist blueTree Group B.V.
M: maggie.de.jongh@bluetree-group.com
T: +31630039860
Skype: maggie.de.jongh

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