WHITE PAPER

Our Book Together – The Traditional Publishing Model

BACKGROUND

Publishing is the business of making money from the right to copy intellectual property in the form of the written word. Intellectual property is the ownership of the creations of one's mind – stories, inventions, art, etc. that are original (i.e., not copied from someone else). Copyright, or the ownership of the right to copy, is established in the UK once an author has written down their intellectual property – their book, their journal article, their poem or their textbook, etc. (In the USA authors have to formally register their copyright to establish their legal right to it.) If the author decides they want to sell copies of their work they can choose to do so themselves (what is now known as self-publishing) or they can try to find a publishing company that will join them in the risky process of publishing (what is known as traditional or mainstream publishing).

Publishing businesses have existed for at least two thousand years – there is evidence of Roman publishers who employed a team of scribes to make hand-written copies of scrolls, which they then sold in the marketplace – see http://www.nytimes.com/2009/04/19/books/review/Beard-t.html?_r=0 for more on publishing in ancient Rome. Self-publishing is also nothing new – it has always existed alongside so-called 'traditional' publishing because authors have always had the choice of whether to invest in the copying of their own work or whether to work with a publishing company in order to share the risks and, hopefully, the financial rewards. Indeed, many publishing companies that exist today began because authors decided to publish their own work, then moved on to publishing the work of their friends and finally established themselves as a fully-formed business. One example of a self-publisher becoming a publishing company is Virginia Woolf who self-published her books through the Hogarth Press, which she set up with her partner Leonard. Hogarth is now an imprint of Random House Inc. Of course, in addition to those authors who could not afford to publish their own books, many authors just wanted to write and had no desire to become business entrepreneurs. Until recently, the limiting factors for self-publishing authors have been money, time and business acumen. Today, the costs of publishing a book are much lower and ebooks bring self-publishing within reach of most authors. However, the need for business acumen is still just as important as ever if you are to make money from publishing books.

All modern publishing companies exist to make a profit, just like all other commercial businesses. There are a few charities that publish books but even charities have to make what is known as a 'contribution' (which is, in effect, a profit). Publishing is a particularly risky business and profit margins are generally small. Publishing companies exist to publish books for almost all markets – fiction, non-fiction, children's books, academic, scientific and medical books, school textbooks, academic textbooks, research monographs, religious books, business books, self-help books, and so on and so forth. Indeed, if a commercial opportunity arises to publish books for a new market it is very likely there will be a publishing company publishing for it quite soon! However, the risks are high because, in most market segments, buying a book is a discretionary rather than a 'must-have' purchase, books are chosen based on personal preference and such an individual decision is very hard to research and define. In all the publishing companies I have worked for the Pareto Principle (or the 80:20 rule) has applied to book sales – 80% of the revenue has come from 20% of the books published. This means that most of the books published don't make the publisher a profit or even cover their costs. This has always been true in publishing – you don't know how well a book is going to sell until you take a punt and publish it. Publishing companies do carry out market research, particularly if the books they publish require a great deal of up-front investment (for example, school textbooks). However, even with books that are more of a 'must-have' purchase like textbooks there are no guarantees. The government may decide to change the curriculum and, suddenly, the books you have spent a fortune producing become obsolete.

The Mutual Risk Model

The risky nature of publishing, the concept of intellectual property and copyright and the fact that, in the past, authors were often unable to afford to publish their own books led to the development of a business model for publishing companies that is very unusual in the corporate world. I describe this as the Mutual-Risk Model – i.e.:

- the author risks their time and reputation in writing the book and
- the publisher risks the up-front financial investment needed to produce, promote and sell it.

The author receives a share of the net receipts (i.e., the revenue left after retailer and wholesaler discount has been paid) from all sales as a royalty in return for assigning the publisher the exclusive right to produce and sell copies of their intellectual property for the period of copyright (which is, in the UK, USA and Europe, the remaining lifetime of the author plus 70 years). However, in most cases the author does not hand over their copyright to the publisher – they only license the publisher to use their copyright in the hope of mutual benefit. If the book sells well the publisher and the author make money and if the book doesn't sell well then both the publisher and the author lose, although the author will still receive royalties on any copies that are sold even if the publisher doesn't make a profit or cover their costs. This is because, while the book is still in print and being sold, the publisher is obliged to continue to pay the author for the rights that the author has assigned to them under the terms of the contract.

The relationship between the author and their publisher is therefore a partnership. The author is not employed by the publisher nor are they a supplier of goods to the publisher. On the other hand, the publisher is not a service provider nor do they work for the author because the author is not paying the publisher. It is a true partnership because both parties have a vested interest in the success of the book and success is most likely when the author and the publisher actively cooperate in both the production and the promotion of the book. This is why I have described traditional publishing as 'Our Book Together' as this defines the ideal relationship between author and publisher.

CRITICISM OF TRADITIONAL PUBLISHING

If the Mutual Risk Model defines an ideal partnership between author and publisher, why has there been so much criticism of traditional publishing in recent years? There are several reasons.

Vanity Publishing

First, it is true that a few publishers have abused the partnership with their authors. These companies, often called vanity presses, take advantage of authors who do not understand how the relationship with a publisher should work and prey on the 'vanity' of authors. Vanity publishers flatter the author into believing their book is going to be a bestseller and then convince the author to pay for the production of their book. The author therefore takes on all the risk while believing they are entering in to a traditional publishing agreement. This is, of course, an abuse of trust and the 'publisher' is taking advantage of the naivety and vanity of the author. No reputable traditional publisher charges an author to publish their book. I have worked for nine different publishing companies and none of them charged their authors a penny. Under the Mutual Risk Model the author pays nothing if their work is accepted for publication. The existence of vanity publishers has damaged the reputation of traditional publishing companies and some work has been done to stamp out the vanity presses. These days there are, of course, many companies providing self-publishing services, which are not the same as vanity publishing. For more information on self-publishing see our White Paper: *My Book My Way*.

Rejection

Second, the issue of rejection means that traditional publishers have come in for a considerable amount of criticism. By rejection I mean that a proposal for a new book that an author has submitted to a publishing company has been turned down for publication by that company. Again, criticism of publishing companies for rejecting authors' proposals is based on a misunderstanding of the nature of traditional publishing. Publishing is a business and, therefore, commercial publishing companies have to make a profit. This profit is what enables a company to invest in new books, to compete effectively and take more risks in order to find the 20% of titles that will make money. If they didn't make a profit they would cease to exist. In order to make a profit a publishing company has to have a well-conceived strategy, a credible business plan and the appropriate resources, and, crucially, they must be selective in what they decide to publish. This business plan will set out the markets in which the company will operate, the genre(s) of books they will publish, the books that the company would like to publish over the next year, three years or even five years, the likely investment the company will have to make in order to secure a profit, and so forth. Therefore, decisions about what the company will publish are often made several years ahead. Also, like any commercial company, the publishing company will be competing with other companies in the marketplace. This competition will influence the price charged for books as well as the types of books published. Finally, producing a quality product is vital if the company is a) to make a profit and b) compete successfully in its chosen markets. 'Quality' is, of course, a complex matter and difficult to define but the quality of a book product is made up of several factors:

- Content quality – does the book's content meet the company's requirements for a quality publication?
- Production quality – is the book well-structured, is the text error-free, are the pages designed to the required standard, is it well-printed, etc.
- Market quality – does the book meet the company's requirements in terms of its suitability for the target market, audience, community?
- Profit quality – do all the other factors add up to a book that will make the company a profit?

Thus, when considering a proposal for a new book, the commissioning, acquisitions or submissions editor has a lot to consider. They will probably have to present the business case for a new book to the publishing board, which will consist of senior staff representing marketing, sales, editorial, production and management. A lot of preparation will be required before presenting to the publishing board so the commissioning editor will first decide whether the effort of doing this preparation is worth it based on the proposal in front of them. Commissioning editors make these judgements based on several factors:

- Does the proposed book fit in with the company's publishing plans for the next few years?
- Their experience of the performance of other titles aimed at the same market, audience or community;
- Sales figures of the company's own titles and sales of competitor titles;
- The quality of the proposal – is the proposal coherent and persuasive, is the sample material well-written and error-free, will the author make a good partner for the publishing company, does the author have a track record of successful publication, etc.?
- The likely costs of production and promotion;
- The unique selling points – is the title sufficiently new and/or different from books already available on the market?
- Given all the preceding factors, will the book make a profit for the company?

So, when commissioning or acquisitions editors are sifting through the latest pile of proposals for new books they are using their experience, market knowledge, business acumen, taste and judgement to make decisions about which proposals are worth the investment of their time in preparing for a publishing board meeting. If the proposal is submitted to the scrutiny of the commissioning editor's colleagues, how likely is it to be approved? Also, a commissioning editor may have performance-related pay targets based on the number of profitable books they commission for the company so the stakes for them are high. As a result, the decision to reject an author's proposal is a business decision and it may have been made for any number of reasons. However, none of these reasons are personal – i.e., because the commissioning editor doesn't like the author. Commissioning editors work with authors they don't like all the time because the books written by those authors sell well. It would not be professional to turn down a book because the author is difficult to work with.

Rejection is, of course, an unpleasant experience for an author. The author believes passionately that their book will be a bestseller – well, of course they do or they wouldn't have spent a great deal of time working on it. Also, many authors are not making a cold and objective business decision when they decide to write a book – their reasons for doing so are usually very personal, emotional and subjective. So, when a very short, often brusque, rejection letter arrives, it can be a painful experience that the author takes to heart. Experienced and professional commissioning editors will understand this and will make sure that their rejection letter makes it clear that the decision they have made is a business one and not a personal one. However, the fact that publishing companies have to be selective and reject proposals is not a reason to criticise them – it is simply business reality.

The Quality of Books Published

Another criticism that is levelled at traditional publishers is that they produce many poor-quality books. This angers those authors who believe that their work has been rejected by a publisher on the grounds of quality. As I have outlined above, the reasons for rejecting a proposal are almost always business ones, based on a range of factors. Also, of course, judgements about the 'quality' of a book from a reader's perspective are going to be subjective. Fans of science fiction books may regard romantic fiction as a load of sentimental twaddle, even though romantic fiction books sell in enormous quantities. The sci-fi fans are not making a business decision but a subjective and personal one and authors of romantic fiction may feel the same about sci-fi books. However, as far as publishers of sci-fi and publishers of romantic fiction are concerned, their market knowledge, expertise and business acumen tells them that they can publish profitably in their own market niches. As I have said above, a publisher's judgement about 'quality' ultimately relates to a book's potential to make a profit. Decisions about literary merit may be factored in to a publisher's decision-making process but such judgements may not carry the day when other factors are taken into account. For example, if an author already has a huge following then it is likely that their next book will sell in sufficient quantity to make a profit even if it isn't as good as their previous titles. Publishers are also playing a numbers game as they know that the Pareto principle applies so they will take a risk on what they publish because among all the titles they publish will be a few titles (the 20%) that will be profitable and have a long shelf life. These few titles will be enough to make the company profitable; the rest may not even cover their costs but there will have been reason enough to publish them.

Publishing is, in most markets and genres, more of an art than a science. In all but a few markets there is no scientific formula for a successful book. Readers' tastes change, literary fashions ebb and flow, markets for books grow and decline, sometimes without obvious explanation. Worries about these matters take up a great deal of publishers' time, they carry out market research and have long debates about the results. At the end of the day publishing companies are run by human beings and humans aren't always rational, they do make mistakes and they will continue to publish bad books. Ultimately, for any commercial company, the market decides so, as long as at least 20% of a publisher's titles are profitable, the company can continue to take risks, invest in new product and stay in business.

Publishers Don't Invest Enough Time and Money in Promotion and Sales

If a book has not sold well and the publishers have decided not to reprint it the first thing the author will say is that the publisher hasn't done enough to promote the book. However, in my experience, it is very rarely the case that more promotion will make a difference to sales of a book that has been on the market for a while. For a publisher, successful books continue to sell with minimal promotion because they develop their own momentum in the market – these are the 20% of titles that make a profit. Unsuccessful books do not develop this momentum so, from a business perspective, there is no point throwing good money after bad – it will impact on profitability. Market momentum builds through things like word of mouth, good reviews, a book that is leading a market trend rather than trying to follow an existing trend, an author that has a growing following rather than a static or declining following and so forth. The sad truth is that most books that are published don't sell enough copies to cover their costs and the hard fact for an author is that if a book doesn't show signs of being successful in the first year after publication then investing in more promotion is unlikely to make any difference.

Another fundamental truth of publishing is that the best person to promote a book is the author. If the 'Our Book Together' partnership is working well then the author is putting as much effort into promoting their own work as the publisher. If the author is part of the community for which they have written the book then they are better placed to generate the market momentum I describe above. The publisher may be seen as a corporate interloper, a cold commercial organisation just looking to make money. The author, however, is an insider, a member of the community, and they can talk to potential customers as a friend and ally. So, if the author is actively promoting their own book, they can achieve far more than any additional investment made by the publisher and at no cost. If the publishing partnership is working well then the author will keep the publisher informed of their promotional activity and recruit the publisher's promotion and sales staff when necessary in order to provide the necessary back up with leaflets, signing sessions, etc. If an author wants to raise the profile of their book in a publisher's list then actively promoting their own book in the market works wonders. Luckily these days a great deal can be achieved for free by using social media effectively.

Royalties

Another criticism of publishing companies is that they make huge profits while the author only receives a tiny percentage as a royalty. In response to this criticism the first thing I would say is that in the Mutual Risk Model it is the publishing company that is taking the financial risk. The upfront financial investment in a book may be many thousands of pounds. The book they are investing in must recoup these costs, provide a royalty for the author and make a profit. As I have said above, the profit made by a publishing company on each book is comparatively small (i.e., when compared with profit margins made in other industries). Also, of course, on 80% of the books published, the company may not make a profit at all and may not even cover the costs invested. However, they will still pay the author royalty on any copies that have been sold. Remember that the author is not an employee of the publisher, nor is the publisher providing a service that is paid for by the author. With a Mutual Risk Partnership Model both parties bear the burden of risk. However, the financial risk is borne solely by the publishing company, while the author risks their time and reputation.

So, in these circumstances, what should the author receive? The publishing company, being a commercial business, is only going to take the financial risk if they can see that they are, at least, going to recoup their investment and, at best, make a profit. The author royalty is factored in to their calculations and, in most cases, it is not dissimilar to the profit margin that the publishing company may or may not make from publishing the book. Is that fair? Well, it is up to the author to decide. At least these days the author has the option to bear the financial risk themselves and self-publish their work.

CONCLUSIONS

Traditional publishing has existed as a business model for centuries because it works and because it meets the needs of authors. I believe that if the Mutual Risk Model did not already exist then someone would invent it today as a viable alternative to self-publishing. Much of the criticism to which traditional publishing has been subjected is unjustified and is based on a misunderstanding of the Mutual Risk Partnership Model. Of course, there are publishers who let the side down and are tempted to take advantage of authors – there are people like these in any industry – but in my experience the majority of traditional publishing companies operate to very high professional standards and do the best they can in extremely competitive markets.

The benefits of having your work published by a traditional publishing company are as follows:

- The publishing company will bear all the costs and toil of publication, allowing the author to focus on their writing.
- The author doesn't lose financially if their book doesn't sell as well as expected – royalties will continue to be paid on every sale made even if the publishing company does not make a profit.
- The author benefits from working with an organisation that has experienced professional employees working in editorial, production, promotion and sales. This knowledge and experience means that if an author's book is accepted for publication it will be because there is a fighting

chance of it being successful and, therefore, it will receive full backing from the whole publishing team.

- The author benefits from working with an organisation that can achieve efficiencies via economies of scale – i.e., cost savings achieved by buying in bulk or discounts achieved by providing steady work for suppliers. Economies of scale mean that publishing companies can produce books more cheaply than an author could do on their own. This also means that a high-quality book can be published at a competitive price.
- A publishing company is able to afford to invest in the latest technology and services that are unavailable to the individual author, so their authors will benefit both directly and indirectly from the use of these technologies and services by their publisher.
- An author's book will benefit from being part of a list of titles targeted at the same market – this means that the author's book will receive a higher profile than it would do if it was a single book on its own.
- Retailers and wholesalers are far more likely to stock a book if it is published by a reputable publishing company with a good track record. Booksellers are taking big financial risks when they buy books to sell in their shops so they like the comfort of knowing that the book they are buying has the backing of a professional publishing company.
- Publishing companies will do all they can to protect the author's intellectual property and copyright because it is in their interests to do so. Publishing companies are always on guard against the theft of intellectual property and the illegal copying of copyright material. Most publishing companies will use their company lawyers, at their own expense, to defend the rights they have licensed from the author.
- The author benefits from having professional and experienced staff actively selling subsidiary rights – translation rights, audio book rights, digest and abridgment rights, etc.
- Reputation benefits – despite the rapid rise of self-publishing and the undoubted successes of some self-published authors, there is still considerable kudos attached to being accepted for publication by a respected publishing company with a strong track record.

For all these reasons I would recommend that all authors try to find a traditional publisher for their work before they try self-publishing. Yes, you may have to face having your work rejected, but all the other options for authors are based on the author paying to have their work published (unless, of course, they decide to carry out all the necessary tasks themselves) and carrying all the risk. Rejection is tough but the pragmatic author will take it in their stride, understanding that the publisher is making a business decision not a personal one, and that the judgement is about profitability not quality. I am an insider and a traditional publisher so, you might say, of course I support this model. However, for authors who have very little money and/or who would rather spend their time writing than getting involved in production, promotion, distribution and sales, trying to get a traditional publishing contract makes sense. If you don't succeed then self-publishing, which used only to be an alternative for wealthy authors, is now available to a far wider range of people. For the benefits of self-publishing see our White Paper: *My Book My Way*. There is no getting away from it – publishing to make money is a business whether you are a traditional publisher or a self-publisher. Trying to find a professional business partner is an obvious choice for many authors as long as they enter into the relationship with their eyes open, with understanding and with realistic expectations.

Judith Harvey, MD, JLH Media Limited.

www.propubuk.weebly.com