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Publishing Market Watch Final Report

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1 Overview of the project

Publishing Market Watch is a 12 month project analysing the competitiveness of the European publishing industry. It was undertaken on behalf of the European Commission's Directorate General for Enterprise and Industry by a team led by Rightscom, a specialist consultancy based in London (www.rightscom.com), with a substantial contribution from the Turku School of Economics and Business Administration (Media Group) in Finland (www.tukkk.fi). The project is designed to help the European Commission understand the challenges faced by the publishing industry in Europe in the future, and will provide publishers with valuable statistical data that will help them focus their efforts to maintain or improve their competitiveness.

The project has the following objectives:

- Increasing the knowledge and understanding of the European Commission about the publishing industry
- Informing future policy formation within the European Commission with respect to publishing
- Improving knowledge and understanding of competitiveness issues in European publishing among a wider constituency, particularly within the publishing industry itself.

The project covers the industry in four sectors: newspapers; magazines and journals; books; and directories and databases. This is the final report, and draws together the major themes from the sectoral reports. For the first time, data of the new Member States are presented which allow a first analysis of the situation in these countries. It includes a summary of the key issues affecting the competitiveness of each individual sector as well as the industry as a whole.

The project has combined rigorous quantitative and qualitative analysis of the trends in publishing, building up an overview from reports on each of the main sectors of publishing and drilling down into sub-sectors to gain a surer perspective on the issues involved. An important part of this process has been the involvement of the industry itself, either directly or through its trade associations, both in helping to define the key issues and in providing input.

The quantitative analysis is based on a very wide range of specialist data resources; these have been identified by a team which has considerable experience of the publishing industries and knowledge of which measures most clearly show the competitive position of the publishing industry. As well as the four sectoral reports, the project is also delivering three special issues papers, looking in more depth at specific topics related to regulation and competitiveness, as these apply to publishing. These covered Corporate Social Responsibility and Innovation. These reports can be found on the website www.publishing-watch.org.

A workshop was held on 17 September 2004 in Brussels to test and validate the projects' findings at that stage with a substantial turnout of experts from across Europe, including from the new Accession States. This

group confirmed the cross-sectoral nature of many of the themes which have been identified in the report.

The primary outputs of the project are detailed analyses of the issues facing publishers in the area of competitiveness and a series of related recommendations. These recommendations are based on the identification of the main issues affecting the publishing industries' competitiveness and the ability to modernise and innovate at a time of enormous change in the technical, commercial and social environments within which publishing operates.

Although the publishing industry is susceptible to the same types of competitiveness analysis as any other industry, it has certain unique qualities, in particular in the impact of digital technology (both in production processes and in the distribution channel). The scale of this impact may be very difficult to identify from economic analysis of historical data alone. The capacity for, and effect of, successful innovation to meet the challenges of the digital revolution are also particularly difficult to measure.

A website for the project has been established (www.publishing-watch.org), giving more details about the project and team, and providing access to the project deliverables as these are published.

1.1 Statistical information

The statistics used throughout the Publishing Watch report series are derived from Eurostat, the European Union's official statistical service. Eurostat collects its data from national statistical services and processes it to ensure comparability between countries and industries. It is partly for this reason that Eurostat data has been used here - the other major reason is that Eurostat data is the only source of comparable information for measures such as value-added, employment and employment costs.

For industry data, much of Eurostat's information relies on information provided by firms themselves in response to enquiries made by the national statistical services. This can lead to some discrepancies, and it is not unusual to find Eurostat data differs from the results of other surveys.

2 Executive summary

The competitiveness of European industries is essential to the future strength of the European economy. The key to competitiveness of industries is their ability to provide “a sustained increase in real income and the standard of living”. Although the publishing industry is susceptible to the same types of competitiveness analysis as any other industry, it has certain unique qualities, in particular in the impact of digital technology (both in production processes and in the distribution channel). The publishing industry is made up of a number of relatively discrete sectors. The general definitions used for Publishing Watch project divided it into four sectors: newspapers, magazines, books and directories. In All these sectors, the nature of publishing as an activity is beginning to change, with significant parts of the value chain now lying outside the groups of enterprises that would normally be recognised as “publishing” companies. At the same time, many organisations that would not have been recognised primarily as “publishing companies” are now making information, education and entertainment content available, especially online. Some of this content competes directly with that produced by the traditional publishing industry.

Of the activities essential to the publishing process, the key areas that contemporary publishing enterprises regard as core and of which they have largely remained in control are:

- Product development
- Editorial strategy
- Content creation
- Brand identity and management
- Marketing

As the publishing industry moves further into digital delivery as well as digital production, the lines between “publishing” and other media are beginning to blur. However, it is still possible to distinguish very clear sectors in print-based publishing, which still remains the most important way in which publications are delivered.

The publishing industry, as defined by the statistical coverage of Eurostat and national statistical services, bears a decreasing resemblance to the reality of the contemporary publishing industry as a whole. It is probably even less like the publishing industry of the future.

Future analysis of the field will also need to consider the role that is played by services that cross conventional boundaries between “publishing” and “communications”. Perhaps the most important implication of this lies in the analysis of “media time” expenditure: time spent interacting with other people and creating content could also usefully be considered, as these will in effect compete with conventional media for time. At the same time, the frameworks in which they are carried out are creating commercial opportunities for both advertising and subscription revenue, especially in the mobile space.

2.1 Statistical analysis

The total number of employees in the publishing industries of EU25 Member Countries in 2001 was over 670,000. The number of employees has grown in most of the countries between 1995 and 2001. The growth of real employment costs has remained relatively stable in all countries.

The combined turnover of publishing in the EU25 states in 2001 was over €111.8 billion. The four largest industries -- German, British, French and Italian -- account for approximately 70 per cent of the total. The combined reported value added of EU25 countries in 2001 was over €40 billion.

The average operating margin of the combined newspaper, magazine and book publishing in EU25 in 2001 was 13.3 %. There are differences in the general levels of operational profitability between countries and in trends in profitability; this indicates that the markets are predominately domestic and that the effect of pan-European economic developments are not necessarily reflected at the national level in publishing.

Value-added per employee in real terms in the publishing industries shows a stable or declining trend between 1995 and 2000 in many of the EU25 countries.

2.2 Competitive indices

The competitiveness ranking of the European publishing industries that is included here has been developed using indicators that compare the national industries in terms of their market position, contribution to the national economy, productivity and profitability. The national industries are ranked according to the sum of their rank in each competitiveness category.

The newspaper publishing industries of Denmark, Ireland, Finland and Sweden exhibit above average competitiveness. These countries show different patterns in achieving their above average competitiveness. However, what the newspaper industries in these countries all have in common is that they have an above average share of the total advertising market in their country.

The magazine publishing industry shows above-average competitiveness in four member states -- Austria, Latvia, the Netherlands and Poland. The Latvian and Polish industries have above average profitability and productivity. Austrian and Dutch industries are strong in audience market penetration and the Austrian industry in the advertising market; the Dutch industry is particularly strong in its contribution to the national economy.

In book publishing, two national industries -- namely the Italian and the Polish -- showed above average overall competitiveness. Both these national industries enjoy above average productivity. In addition, the Polish industry has an above average score in profitability and the Italian industry in its trade balance.

There was insufficient data to compile a competitiveness index for the directory publishing sector.

2.3 Cross-sectoral business issues

Markets for publishing products are mature. There has been limited growth of both advertising and readership in all major publishing markets in recent years. There is no strong structural reason why this should change and competition between publishers is largely for market share. Attracting younger readers is a key challenge.

The comparative power of the retail channel has increased as retailers consolidate, changing relative percentage revenue share and affecting range of titles stocked.

There is a wider range of media to choose from and this diversity will tend to increase. There is evidence that people are spending less time on printed publications as their use of computers and online content grows, and younger people spend their more of their money on non-media services such as mobile phones.

There are very few instances where a new entrant, without a content-based brand, has been able to seriously disrupt a traditional publishers' market, although new entrants have forced publishers to adapt in a number of ways. Many publishers have developed their own online and digital products and services, but significant investment is required to develop and maintain interactive services and the risks associated with interactive services are very different from those associated with print publishing. Online advertising enables results-based business models.

Innovation and entrepreneurship will both be essential in developing sustainable businesses in the digital arena. Publishers have generally innovated incrementally, and this model has some limitations when faced with the more radical changes that digitisation and networks are creating.

The industry is classified from an historical perspective, rather than with a scheme that reflects the growing trend of offering branded services in both print and digital form. Statistical data gathered by Eurostat can differ from data collected by the industry itself, but it remains the only source of comparative data that allows the depth of analysis

2.4 Competitiveness analysis

Across all sectors of publishing, business planning is a much less certain activity than it once was. Technology developments are amplifying changes arising from social and economic forces; as a result, strategies may only be relevant for short periods of time before they need to be reviewed or replaced. The factors we have identified, both for publishing as a whole and for individual sectors, present publishers with a combination of both major strategic decision making and execution challenges.

Most European countries have both a falling birth-rate and increasing life expectancy. This is leading to a higher average age for the population, and to older people making up a higher proportion of the population. A second significant trend in Europe is the continuing expansion of the urban population, predicted to increase from 71% in 1985 to 82% in 2025. The third significant trend is the rise in the overall number of

households, with a reduction in the number of people in each household. By 2025 there will be 328 million households and the average household size will fall to 2.19.

Across member states, there has been a steady increase in the proportion of the population that has completed at least secondary education. The combined impact of demographic and educational changes is to create an ageing, better educated and more urban society across Europe. Leaving aside the issue of a long-term decline in market size, the main implication may be for newspapers and magazines as advertisers have been more interested in younger people than they are in older people. A failure to attract younger readers may disadvantage them against other media.

It may be significant to note that there is considerable diversity in reading habits within the European Union. In most of the EU-15 *magazine readership* (the percentage of the population that regularly reads one or more magazines) exceeds 70%. Nearly half of Europeans (46%) read newspapers every day (5 to 7 days a week). When asked whether people read "for reasons other than work or study" – which is usually taken as the critical factor to indicate a strong or weak reading culture in a given country – the EU average of 45% of the population masks some large differences between Member States.

A third important contextual element is the way in which users choose to spend their time. Overall, time spent on media appears to be rising, especially if internet use is included.

Although the internet has become the most high-profile competitor to traditional print publishing in recent years, it is television that takes most of the time that consumers allocate to media use. In both Europe and the US that time spent using the internet leads to a reduction in time spent on other activities, and watching television in particular. However, it does have an impact on a wide range of reading: across Europe, 29% of internet users said that they have reduced time spent on reading books, 26% magazines and 21% newspapers.

Global advertising trends have a profound effect on newspaper, magazine and directory publishing. After a difficult period, there has been a distinct recovery in advertising. Overall, forecasts suggest that annual growth across all media worldwide will be over 4% in Europe. Although starting from a smaller base, internet advertising in Europe is now the fastest-growing sector. There are many different forecasts for growth, ranging from annual forecast growth of around 15% between 2003 and 2008 to 22% over the same period. This should be contrasted with advertising in newspapers and magazines, with growth forecasts in the 2%-3% range.

However, even with such aggressive growth, internet advertising remains a comparatively small percentage of total advertising.

2.5 Competitiveness and cultural diversity

Newspapers, books and, to a lesser degree, magazines, are considered as core media serving the freedom of expression and the democratic – and cultural – exchange of information, ideas and views in an open society.

As such, they are dealt with both by authorities and by society at large as commercial products and at the same time as cultural items whose general importance deserve special attention and protection. The publishing industry itself often emphasises this view of its own work.

Diversity has come to be considered as a value in itself, enhancing the overall stability of both a company and the publishing industry in general. As a consequence, as industry consolidation and new information technologies started to reshape the whole sector of cultural media, and particularly newspaper and book publishing, there is a concern that this could have a negative impact on cultural or political diversity.

Digital media, and online services made available over the internet and on platforms such as mobile phones and interactive television, can have a beneficial as well as a negative effect on diversity, as a much wider range of content can be made available once barriers to physical distribution are removed. On the other hand, online access is still not universal. Elderly people and poorer communities are much less likely to have internet access and so find it harder to read the more diverse content.

The strongest dynamics in this field come from mergers and acquisitions which lead to considerable consolidation in a traditionally highly fragmented industry. All sectors of publishing have recently been subject to this type of expansion. Several recent studies raised concerns about this process and considered that these developments, particularly in newspaper publishing, might form a threat to cultural diversity. However, there is potentially some control of consolidation within the existing EU: a number of anti trust cases both at the European and at national level have set limits to projected takeovers in newspaper and book publishing.

Of some concern to cultural commentators in some Member States is the increasing availability of English language content when English is now frequently a second language in which EU citizens are very competent: the export of English language books to several European language markets has risen steadily over recent years, embracing not only literary fiction, but also reference and educational material.

Cultural diversity and economic competition can be seen as forming a dynamic balance that is essential for long term sustainability, particularly under specifically European conditions.

3 Overview of the project

Publishing Market Watch is a 12 month project analysing the competitiveness of the European publishing industry. It was undertaken on behalf of the European Commission's DG Enterprise by a team led by Rightscom, a specialist consultancy based in London (www.rightscom.com), with a substantial contribution from the Turku School of Economics and Business Administration (Media Group) in Finland (www.tukkk.fi). The project is designed to help the European Commission understand the challenges faced by the publishing industry in Europe, and will provide publishers with valuable additional intelligence that will help them focus their efforts to maintain or improve their competitiveness.

The project has the following objectives:

- Increasing the knowledge and understanding of the European Commission about the publishing industry
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We are covering the industry in four sectors: newspapers; magazines and journals; books; and directories and databases. This is the final report, and draws together the major themes from the sectoral reports. It includes a summary of the key issues affecting the competitiveness of each individual sector as well as the industry as a whole.

The primary outputs of the project are detailed analyses of the issues facing publishers in the area of competitiveness and a series of related recommendations. These recommendations are based on the identification of the main issues affecting the publishing industries' competitiveness and the ability to modernise and innovate at a time of enormous change in the technical, commercial and social environments within which publishing operates.

The competitiveness of European industries is essential to the future strength of the European economy. The key to competitiveness of industries is their ability to provide "a sustained increase in real income and the standard of living". This is distinct from the more specific concept of the competitiveness of individual enterprises, although the key factors affecting both types of competitiveness are closely interlinked. This study focuses on the competitiveness of publishing industry sectors, but it is likely that analysing these issues will also yield information useful to individual firms in assessing their own competitiveness.

Although the publishing industry is susceptible to the same types of competitiveness analysis as any other industry, it has certain unique qualities, in particular in the impact of digital technology (both in production processes and in the distribution channel). The scale of this impact may be very difficult to identify from economic analysis of historical data alone. The capacity for, and effect of, successful innovation

to meet the challenges of the digital revolution are also particularly difficult to measure.

Our project has combined rigorous quantitative analysis with expert qualitative analysis of the trends in publishing, building up an overview from reports on each of the main sectors of publishing and drilling down into sub-sectors to gain a surer perspective on the issues involved. An important part of this process has been the involvement of the industry itself, either directly or through its trade associations, both in helping to define the key issues and in providing input.

The quantitative analysis is based on a very wide range of specialist data resources; these have been identified by a team which has considerable experience of the publishing industries and knowledge of which measures most clearly show the competitive position of the publishing industry. As well as the four sectoral reports, the project is also delivering three special issues papers, looking in more depth at specific topics related to regulation and competitiveness, as these apply to publishing. These covered Corporate Social Responsibility, Better Regulation and Innovation. These reports are not digested in this report, but are available alongside it.

A workshop was held on 17 September 2004 in Brussels to test and validate the projects' findings. We had a substantial turnout of experts from across Europe, including from the new Accession States. This group confirmed the cross-sectoral nature of many of the themes we have identified.

A website for the project has been established (www.publishing-watch.org), giving more details about the project and team, and providing access to the project deliverables as these are published.

3.1 Statistical information

The statistics used throughout the Publishing Watch report series are derived from Eurostat, the European Union's official statistical service. Eurostat collects its data from national statistical services and processes it to ensure comparability between countries and industries. It is partly for this reason that Eurostat data has been used here - the other major reason is that Eurostat data is the only source of comparable information for measures such as value-added, employment and employment costs.

For industry data, much of Eurostat's information relies on information provided by firms themselves in response to enquiries made by the national statistical services. This can lead to some discrepancies, and it is not unusual to find Eurostat data differs from the results of other surveys.

4 Definition of the publishing industry and publishing sectors

The publishing industry is made up of a number of relatively discrete sectors. The general definitions used for Publishing Watch project divided it into four sectors: this was largely driven by the classification used by major statistical services in compiling data about the industry, and as we note elsewhere (see Section 4.5: Sectors of the publishing industry not covered in this report) it is not the only way of considering publishing as an industry. Indeed, the nature of publishing as an activity is beginning to change, with significant parts of the value chain now lying outside the groups of enterprises that would normally be recognised as “publishing” companies. At the same time, many organisations that would not have been recognised primarily as “publishing companies” are now making information, education and entertainment content available, especially online. Some of this content competes directly with that produced by the traditional publishing industry.

Of the activities essential to the publishing process, the key areas that contemporary publishing enterprises regard as core and of which they have largely remained in control are:

- Product development
- Editorial strategy
- Content creation
- Brand identity and management
- Marketing

However, these are managed in different ways: content creation in particular is carried out very differently across the sectors: for a newspaper it is mainly in the hands of people employed and managed by the newspaper and rewarded by salary. For the books sector, by contrast, content creation is very largely carried out by external authors who are often paid a royalty based on sales revenues.

Many publishers also regard it as essential to control the design of their products (including design for digital products and services); a smaller proportion are involved in undertaking their technical product development for digital products in-house.

As the publishing industry moves further into digital delivery as well as digital production, the lines between “publishing” and other media are beginning to blur, and indeed the different sectors of the industry itself are beginning to overlap. However, it is still possible to distinguish very clear sectors in print-based publishing, which still remains the most important way in which publications are delivered.

A notable feature of the sectoral structure is the general tendency to develop “cultures” for each sector. People working in each sector tend to stay within it. Obviously, this is not universally true, and there is, for example, movement between newspapers and magazines, especially of advertising sales staff. The tendency to stay within one sector is also breaking down for people working in online divisions and companies:

these are much less bound by the print publishing sector in which the online service originated (if indeed it originated in print publishing at all). Many of the particular skills required in online publishing are specific to online publishing in general, rather than to online newspapers, online magazines or online directories.

4.1 Newspapers

Daily newspapers include those published between four and seven times each week.

National newspapers are available throughout a country, but are not always high in circulation: in some countries, the leading regional papers can sell more than some national papers. In Germany, some newspapers published for major cities such as Berlin and Frankfurt are in effect national papers.

Regional daily newspapers are a significant force in several European countries. In major markets including Spain, Germany, France and Italy they have larger combined circulations than the national papers. They are usually supported by extensive classified advertising as well as income from circulation.

Non-daily newspapers are, for the most part, weekly local papers, sometimes carrying strong classified advertising content as well as local news. They are published between one and three times a week.

Sunday papers are published in six EU countries, including the large Germany and UK markets as well as France, Greece, Ireland and Luxembourg, and are modelled on national daily papers.

Free newspapers include weekly local free newspapers of the type published widely as advertising-based "shopping papers", as well as daily "commuter" newspapers such as the newspapers often distributed at transport nodes. The business models and performance indicators for these categories are very different.

Some European markets (notably Italy, France and Spain) sustain newspapers dedicated to **sport**. These have been classified with daily or weekly papers according to frequency.

The annual turnover of the newspaper publishing industry in the EU in 2001 was €43 billion.

4.2 Books

The book industry in different European countries does not conform to a standard classification: information has been gathered based on different views of the book publishing sectors. However, the industry in all countries falls broadly into four groups:

Consumer publishing (sometimes known as "trade publishing") covers both fiction and non-fiction books written for a general audience and usually sold through retail outlets.

Educational or schools publishing consists mainly of school textbooks and related materials, covering all levels from nursery to college (post-school) education.

Academic publishing includes both academic monographs and textbooks for university-level and above.

Business and professional publishing includes fields such as legal publishing and more practical technical works, as well as “general management” books.

In some countries, two **other categories** are sometimes also considered as significant enough to separate out in statistical analyses: these are children’s books and religious books.

Where these are not separated out, children’s books are usually considered part of consumer publishing as they are sold through the same channels on the same basis, and religious books as educational (although they are often retailed as consumer rather than educational books).

The annual turnover of the book publishing industry as a whole in the EU in 2001 was over €32 billion according the Eurostat figures, but €20 billion according to the Federation of European Publishers¹.

¹ The statistics used throughout the Publishing Market Watch report series are derived from Eurostat, the European Union's official statistical service. Eurostat collects data from national statistical services and processes it to ensure comparability both between different countries and between different industrial sectors. It is partly for this reason that Eurostat data has been used in Publishing Market Watch; the other reason is that Eurostat data is the only source of comparative information for critical metrics of competitiveness including value-added, employment and employment costs.

For industry data, much of Eurostat's information relies on information provided by firms themselves, in response to enquiries made by the national statistical services. Differences in methodological approaches can lead to discrepancies, and it is not unusual to find that Eurostat data differs from the results of other surveys.

In the case of the book publishing industry, the difference between Eurostat data and the results of an industry survey undertaken for the Federation of European Publishers (FEP) is particularly marked. FEP's study, which draws its information from the industry via national trade associations and is based on a well-founded process and methodology, suggests that the annual turnover of book publishers in Europe is approximately €21 billion. This must be compared with the data from Eurostat, also based on a well-established process and methodology, which suggests that the annual turnover of book publishers in Europe is nearer to €30 billion. It is the latter figure that we have used in the Publishing Market Watch report on book publishing.

It should be noted that the FEP believes that the *trends* that can be observed in the Eurostat data are correct: the discrepancy in the data concerns the total value of annual turnover.

Such discrepancies can be found between industry data and Eurostat data in other sectors, including other sectors of publishing. In this case, however, we believe that the difference is of a sufficient scale to warrant alerting readers to it and providing access to the alternative set of data. We have been unable to identify any clear single cause for the substantial difference: contributory reasons may include the range of firms classifying themselves as “book publishers” and the inclusion of non-publishing revenue by publishing firms in the Eurostat data, as well as different projections based on sample results.

The FEP has made its own statistical data available, and this can be found at <http://www.publishing-watch.org/documents/FEPStatsPRelease.pdf> . We recommend that researchers review this data alongside the official data used in the report.

We are grateful to FEP for its assistance and advice, and for its willingness to provide the additional set of data.

According to the Federation of European Publishers, the sectoral breakdown by annual turnover is:

- Educational (school) books: 16%
- College / Higher Education / University / Reference / Dictionaries / Encyclopaedia / Professional etc: 26%
- Consumer (Trade) Books (excluding Childrens'): 49%
- Childrens': 9%

4.3 Magazines and journals

The magazine and journal publishing sector falls into three sub-sectors:

Consumer magazines are aimed at individual buyers, usually with leisure or entertainment content. However, the sector also includes titles that concentrate on news, information and analysis. Consumer magazines are available both through subscription and through single-copy purchase (the proportion differing between Member States). Advertising provides a significant proportion of the revenue for consumer magazines.

Business-to-business magazines (also sometimes known as "the trade press" or "trade journals") are aimed at readers at work or at least in support of their professional lives: they usually focus on a particular industry or business sector, occupation or profession. Content is usually based on industry news and features. The business model can include single copy sales, but is mainly based on subscriptions and advertising. Some titles have only advertising revenue, and are sent to "qualified" readers ("controlled circulation" magazines). At the other extreme, some newsletter publishers (included within the business-to-business sector) have a subscription-only model and carry no advertising. Business-to-business publishers sometimes exploit a key brand across several channels such as exhibitions and directories as well as for a magazine.

Academic journals are mainly sold to libraries in universities and colleges and to research departments of large companies. The primary content model is refereed papers contributed by researchers: the content is not paid for. Revenue comes almost entirely from subscriptions, although leading titles carry limited advertising.

The boundaries between the categories are not rigid: some titles (for example, some computer magazines, financial magazines and news and analysis titles) have elements of both consumer and business models. Similarly, the line between business-to-business magazines and academic journals is not a sharp one and there are titles that include elements of both, with peer-reviewed papers but also journalistic content and advertising. However, the overwhelming majority of publications are recognisable through business model and content as falling into one category or another.

A fourth category, **customer magazines**, is also growing in importance in some countries: these are magazines produced for large companies (or other large organisation) that are distributed free of charge to customers or users. These will typically include professionally written content driven

by the marketing strategy of the organisation, and third party advertising as well as house advertising (for example, advertisers in the customer magazines of mobile phone network operators include handset manufacturers, and food manufacturers advertise in supermarket magazines). There is limited statistical information about this sector available at present.

The annual turnover of the magazine and journal publishing industry in the EU in 2001 was €37 billion.

4.4 Directories and databases

Directories exist to provide information allowing people or organisation to identify and contact one another, often as either buyers or sellers. Directories are important channels for buyers and sellers to identify one another. Directories provide information for a wide range of important non-commercial activities such as research and development, identification of expertise, and location of social and cultural resources.

The directories publishing industry comprises two main sectors, although they are not entirely discrete:

- Consumer directories
- Business-to-business directories

Consumer directories are mainly classified directories of business telephone numbers and addresses listing suppliers of products and services for a locality. These directories are distributed free of charge and are paid for through advertising, which accounts for nearly 100% of their revenue. However some extra revenue is achieved through "user pays" models: for example, voice-based services. Although these directories were originally created by telecom operators, many are now owned by other companies. Some localities may have competing titles, as independent publishers have also moved into the sector.

Classified directories used by consumers also act as a business-to-business channel, used by businesses to locate suppliers of products and services locally.

Most consumer directories now have an online version and in some cases CD-ROM. Voice services have the potential to become a significant channel.

"White pages" (unclassified alphabetic listings of telephone subscribers) also carry advertising, but are published by telcos as part of their service to subscribers.

Consumer directories are the larger part of the industry. Precise figures are not available, but according to estimates made by the EADP, consumer directories comprise around 80%-90% of the industry's revenue, with 10%-20% accounted for by business-to-business directories (see next section).

Consumer directories compete with a range of other local media for advertising revenue, including local newspapers and magazines as well as direct marketing.

Business-to-business directories for specialist business and professional sectors are published by a large number of firms: not all of these are primarily publishers.

Business-to-business directories operate a mixed business model, with many having copy-sales, electronic content sales and advertising revenue. A small number are copy-sales only; a rather larger number advertising only. On average, 60% on their revenue comes from advertising, split between print and electronic directories. Recent figures from an EADP survey suggest that electronic directory advertising accounts for just over 50% of advertising revenue in this sector. Copy sales account for 11% of revenues for this sector²

Many business directories have an online version, and some also have a CD-ROM version. Some have gone beyond their print origins to become extensive online services that are probably better considered as databases rather than directories.

Directories have traditionally been delivered on paper, and most still are. There are some pure online and pure CD-ROM directories, but at the moment the majority are either print-only or hybrids. Some business directories are also delivered through corporate intranets: this is becoming a significant source of revenue for some services.

CD-ROM directories seem are still produced by many publishers, but interest in them has begun to decline amongst both users and publishers as internet directories grow in significance.

Online delivery includes not only the internet, but also newer platforms such as mobile phones, PDAs and interactive TV. Although these are not generating significant revenue at the moment, some commentators believe that their potential to do so is high. Consumer classified directories are also offering voice-based services, of particular interest to mobile operators.

Print versions of business and specialist directories have traditionally sold to libraries (public, academic and corporate) and to organisations rather than individuals.

Many directory publishers make some of their revenue from sales of extracts from their data to third parties. This data is usually used for direct marketing purposes. It is not a large component of revenue: 3% for consumer directories, and 4% for business directories³.

Online-only directories: in addition to directories published in the traditional way, there is now a new generation of directories available only online. Most of these have been developed by online firms such as Yahoo! which are outside the traditional directory-publishing sector. These are a significant commercial force, and may be substituted for the use of traditional directories by both businesses and consumers.

² *Annual Report 2004: European Association of Directory Publishers*

³ *Annual Report 2004: European Association of Directory Publishers*

This is becoming a very varied sector. Many of the directories offered by portal services do not aim to be comprehensive, but may only offer entries to organisation that have paid for entry. Some are funded on the basis of either generating traffic to an advertisers website or even on through a percentage of transaction value resulting from a lead generated by the directory. These services can offer flexible business models that are very different to the traditional enhanced-entry or display advertising model available to printed directories, but lack the universal coverage of traditional printed consumer and business directories. They have tended not to challenge specialised business directories other than through substitution.

The annual turnover of the directory publishing industry in the EU is approximately €8.2 billion (based on industry and company data; data cannot be extracted from Eurostat with sufficient accuracy for this sector).

4.5 Sectors of the publishing industry not covered in this report

The publishing industry, as defined by the statistical coverage of Eurostat and national statistical services, bears a decreasing resemblance to the reality of the contemporary publishing industry as a whole. It is probably even less like the publishing industry of the future.

There are several points of difference. Many arise from the production of digital media products (such as online services) by organisations that would not traditionally have been regarded as publishers and are certainly not identified as publishers in the statistical surveys. Organisations including public sector broadcasters, news agencies, government departments (both local and national) and consulting firms all publish material that can compete with the content of traditional publishers.

The database publishing industry is excluded from current statistical analyses of the industry: this is a very varied sector that includes scientific information services publishing mainly secondary (abstracting and indexing) information, business and financial database services, covering both text and numerical data, and factual database services in a wide variety of fields, some of whose output is similar to that of directory publishers.

As online media take an increasing share of both advertising expenditure and users' time, this problem will become more pronounced. For example, the differences between news sites operated by newspapers and television companies are often already slight, with user choice being conditioned by brand-led preferences based on coverage, approach, political stance, usability and relevance as much as by preference for "a newspaper" or "a broadcaster" as our primary news provider.

The lack of statistical data for this sector of the publishing industry is not the only problem it represents in terms of understanding the future of publishing. It is also hard to draw boundaries between primarily text-based digital content with audio, video and interactive elements and fully-converged services where it is hard to determine which the "primary"

content is. Relying on branding derived from a traditional print product is no longer sufficient.

In some cases, the same company is able to provide all the content types from within its own resources, but this is unusual: many online services are built through alliances of media companies from different media and network providers, and content may be distributed through alliances of intermediaries and network providers. Such alliances are likely to become increasingly important both economically and strategically, but are not reflected in any of the current (or proposed) classifications of the "publishing" industry.

Future analysis of the field will also need to consider the role that is played by services that cross conventional boundaries between "publishing" and "communications". The importance of user-contributed content is increasing: many web sites now operate "blogs" that sit within their own brands, and these frequently include user feedback. However, there are also services that rely entirely on this form of content, operated either by companies, individuals or loose groupings of collaborators. These are essentially driven by the quality of the contributors, much like a conventional publication, but the format is that of a debate or dialogue. There are few forecasts for the commercial value of such services, but they are indicative of the way in which in the near future users may blend content and communication. Perhaps the most important implication of this lies in the analysis of "media time" expenditure: time spent interacting with other people and creating content could also usefully be considered, as these will in effect compete with conventional media for time. At the same time, the frameworks in which they are carried out are creating commercial opportunities for both advertising and subscription revenue, especially in the mobile space.

5 Statistical analysis

5.1 Market data

5.1.1 Newspapers

5.1.1.1 CIRCULATION

The trend in most Member States is either for circulation to remain static or to fall in all types of newspaper publishing. The falls are most noticeable in the two largest markets, Germany and the UK, where it has been a consistent trend over several years. Even a country like Ireland, with a growing economy, has not shown substantial growth in newspaper circulation.

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The circulation of daily papers has either fallen or remained static in most EU Member States for some years. No single country is experiencing either dramatic declines or dramatic growth. This may leave them at a competitive disadvantage compared to newer media such as the internet that are still growing their audience. The fact that the trend has been long-term suggests that it is going to be hard to reverse. On the other hand the fact that despite the proliferation of new media, the newspapers have relatively well held their ground in terms of circulation indicates that the newspapers still fill a role in the information needs of their audience.

Dailies	1995	1996	1997	1998	1999	2000	2001	2002
at	2088	2382	2500	2669	2896	2503	2438	2403
be	1628	1621	1605	1588	1564	1568	1541	1479
cy	64	68	53	53	45	46		
cz	2542	2224	2082	1802	1764	1704	1727	1690
de	25467	25217	25260	25016	24565	23946	23838	23240
dk	1613	1631	1617	1583	1528	1481	1456	1433
ee	243	255	260	254	273	262	258	255
es	4237	4180	4265	4300	4300	4300	4300	4300
fi	2367	2333	2323	2343	2320	2304	2309	2268
fr	9284	8820	8952	8799	8597	8182	8164	7844
gr	728	758	715	672	676	681	671	628
hu	1980	1646	1742	1700	1659	1625	1665	1595
ie	546	544	552	557	567	574	588	591
it	5988	5904	5869	5881	5914	6073	6100	5888
lt								
lu	135	135	121	124	124	120	120	118
lv	334	309	284	260	321	322	343	387
mt								
nl	4752	4753	4753	4522	4482	4443	4375	4311
pl	4846	4352	4194	3011	2958	2820	3695	3598
pt	610	697	634	673	686			
se	4041	3874	3871	3807	3721	3700	3685	3671
si				340	341			344
sk	966	934	1012	918	1116	541	503	511
uk	19742	19332	19150	18921	18602	19052	17899	18898

Table 5-1 Circulation of daily newspapers in EU25 1995-2002 (1000s)

Source: World Press Trends

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The circulation of non-daily papers, which include weekly local papers, has shown only slight growth or decline in most countries. The main exceptions are Spain and Ireland but recent data is not available to show if the trend continued in 2001.

Although non-daily papers are a major success in some countries (notably the UK), the overall trend is of concern as it suggests that non-daily papers may be competing against other local media that are becoming stronger as they mature.

Non-Dailies	1995	1996	1997	1998	1999	2000	2001	2002
at								
be								
cy	33	78	33	34	43	43		
cz	838	821	812	804	801	765	775	739
de	2174	2080	2205	2152	2028	2021	1913	1913
dk	50	53	60	60	63	66	66	64
ee	622	531	468	472	419	333	344	341
es	4980	4850	4971	4970	5827			
fi	1044	1006	1000	965	942	924	889	959
fr	3028			2204	2236			
gr	405	405	422	464		441	376	377
hu				25				
ie	872	885	990	1355	1372	1354		1400
it								
lt								
lu			10	73	86		100	91
lv			509	525	655	596	619	548
mt								
nl	585	590	564	520	337	317	313	361
pl						963	506	499
pt			1473	1434	1152			
se	404	406	360	366	379	389	388	392
si				330	424			
sk			13	15	15	6	6	
uk	6600	6220	6027	6166	6224	6246	6313	7330
Total	21635	17925	19917	22934	23003	14464	12608	15014

Table 5-2 Circulation of non-daily newspapers in EU25 1995-2002 (1000)

Source: World Press Trends

5.1.1.1.1 Free newspaper circulation

The availability of statistical information on free newspapers is largely dependant on the national relations between free newspaper publishers and national newspaper publishers associations. Information on free newspapers is usually available when free newspapers publishers are members of national associations.

Free newspaper circulation is growing in Germany, but is mainly static or even falling elsewhere. It should also be noted that the free newspaper sector comprises a very wide range of newspapers, ranging from local advertising weeklies to daily newspapers for commuters. This presents a real challenge to the conventional paid-for daily newspaper.

The fact that the circulations are flat or growing only slightly may reflect the free newspaper industry's need for cash to help it develop: circulation is at the publishers' discretion.

Free sheets	1995	1996	1997	1998	1999	2000	2001	2002
at								
be							320	156
cy								
cz	2800	3200	4300	4600	4700	4100	4000	3600
de	77617	80466	83961	88189	88540	88540	90753	88900
dk	6685	7200	7500	8142	8142	8142	8260	7378
ee	50	50	200	174	180	203	154	129
es								
fi								
fr	35920	36800	34925	34741	34839			
gr								
hu				160	190	210	270	322
ie								
it						200	1570	2100
lt								
lu	200	268	293	272	345		369	332
lv			200		250	253	265	263
mt								
nl	27000	28500		31194	31000	20750	20526	20392
pl							306	387
pt			75	433	582			
se		1067	1897	2390	2292	2592	1717	2313
si				640	640			
sk								
uk	31700	28020	27630	27420	26800	28133	25652	42078
Total	181972	185571	160981	198355	198500	153123	154162	168350

Table 5-3 Circulation of free sheets in EU25 1995-2002

Source: World Press Trends

5.1.1.1.2 Sunday newspaper circulation

Circulations of Sunday newspapers have been flat since 1995, with occasional good or bad years but no basic change of scale. The largest market for Sunday newspapers is by far the UK, where circulations are declining.

Sundays	1995	1996	1997	1998	1999	2000	2001	2002
at								
be								
cy	66	62	63	60	61	65		
cz	45	40	80	124	251	229	351	308
de	4765	4651	4437	4512	4475	4485	4481	4485
dk								
ee								
es								
fi								
fr	3663	3576	3736	3791	4124			
gr	891	950	901	934		848	881	870
hu	364	138	101	187	190	184	185	365
ie	666	750	831	816	827	826	809	846
it								
lt								
lu				8	8		6	0
lv								
mt								
nl								
pl								
pt								
se								
si				64	64			
sk			808	880	900			
uk	16524	16185	15660	14974	14678		14749	14166
Total	26984	26352	26617	26350	25578	6637	21462	21040

Table 5-4 Circulation of sunday newspapers in EU25 1995-2002

Source: World Press Trends

5.1.1.2 NUMBER OF TITLES PUBLISHED

Overall, the number of titles has not changed significantly over the period 1995 – 2003.

5.1.1.2.1 Daily papers

The total number of titles of daily newspapers in EU shows a very slow declining trend over the period from 1995 to 2002.

The largest market, Germany, shows a distinct decline in the number of daily titles published - a trend that has been seen over several years. Other European countries show a similar pattern or are steady: only a small number (but including the UK, the second largest market) show growth in titles. The trend of low or negative growth is a long-term structural one rather than a response to current economic circumstances.

The large change for the Czech Republic 1999-2000 is due to the change in statistical classification, when 57 local dailies were included in the category

Number of dailies	1995	1996	1997	1998	1999	2000	2001	2002
at	17	17	17	17	17	16	15	15
be	31	30	30	29	28	28	27	27
cy	10	8	8	8	8	8		
cz	25	22	21	18	18	75	67	73
de	406	408	403	391	387	382	381	374
dk	38	38	38	37	34	31	30	30
ee	15	15	17	16	17	13	12	12
es	126	126	128	130	135	136	136	134
fi	56	56	56	56	56	55	54	53
fr	87	86	85	86	87	84	84	84
gr	24	22	23	28	29	32	32	32
hu	43	38	43	40	39	40	39	38
ie	7	6	6	6	6	6	6	6
it	87	82	92	92	88	88	92	99
lt	19	19						
lu	5	5	5	5	5	5	7	6
lv	8		24	21	20	21	23	24
mt								4
nl	39	38	37	35	35	35	34	35
pl	75	70	67	56	50	59	46	46
pt	27	28	28	29	28			28
se	97	95	101	100	98	93	94	94
si	6	6	5	5	5		6	6
sk	20	19	20	19	23	29	21	19
uk	100	99	98	98	99	104	109	107
Total	1368	1333	1352	1322	1312	1340	1315	1346

Table 5-5 Number of titles of daily newspapers in EU25 1995-2002

Source: World Press Trends

5.1.1.2.2 Non-daily newspapers

Non-daily titles, including Sunday papers and local weekly newspapers, generally are decreasing in number: in part this may be due to consolidation of small local titles. The figures for France are not available for the last three years and Hungarian figures are only available from 1999, which makes it impossible to assess the total change at the EU level.

Number of non-dailies (including sundays)								
	1995	1996	1997	1998	1999	2000	2001	2002
at	128	121	125	128	121	120	118	123
be								
cy	17	14	16	13	17	17		
cz	82	79	78	76	73	63	88	84
de	38	35	33	34	31	32	31	30
dk	1	1	1	1	1	1	1	1
ee	71	59	56	60	50	49	52	50
es	14	12	10	10	10			
fi	167	162	158	155	151	149	146	146
fr	249	253	262	261	277			
gr	28	29	29	36	37	34	37	38
hu					169	167	188	195
ie	51	62	66	66	66	66	66	
it								
lt								
lu	6	6	7	9	10	11	10	10
lv	83	101	117	72	61	59	62	71
mt								
nl	63	63	58	54	54	49	48	46
pl						15	21	
pt			248	246	242	242	242	242
se	72	72	68	71	71	74	76	75
si	11	11	11	11	15			27
sk			2	2	2	2	1	
uk	492	497	478	494	487	488	456	501
Total	1573	1577	1823	1799	1945	1638	1643	1639

Table 5-6 Number of titles of non-daily newspapers, including sundays in EU25 1995-2002

Source: World Press Trends

5.1.1.2.3 Number of free newspapers

The number of free newspaper titles has fallen in two large markets (The Netherlands and the UK), but risen in Germany, the largest of all. Circulation has also fallen in The Netherlands and the UK and has risen in Germany, which suggests that consolidation is not a factor. There is no strong pattern discernable across the different European countries, and variations are likely to be due to local conditions as much as to general economic trends.

Number of free papers								
	1995	1996	1997	1998	1999	2000	2001	2002
at	26	25	26	30	31	73	75	75
be							1	1
cy								
cz	80	100	110	120	125	103	100	75
de	1282	1279	1319	1331	1311	1311	1336	1312
dk	276	293	295	281	280	281	278	278
ee	2	3	4	7	8	8	8	8
es	173	173	180	180	180			
fi	106	106	106	106	136	136	136	136
fr	387	386	387	387	390			
gr								
hu				1	2	21	22	22
ie								
it						1	3	8
lt								
lu	2	2	8	7	11	11	12	10
lv			3		1	1	2	4
mt								
nl	738	735	758	767	770	607	565	557
pl							12	8
pt			2	2	2			3
se	12	19	28	28	32	38	35	43
si		1	1	1	1			1
sk								
uk	713	630	603	598	605	581	523	556
Total	3797	3752	3830	3846	3885	3172	3108	3097

Table 5-7 Number of titles of free sheets in EU25 1995-2002

Source: World Press Trends

5.1.1.2.4 Average circulation per title

The development of average circulation per title is largely stable. Newspapers with a higher circulation per title should be more competitive, with central costs defrayed across a wider range of titles leading to higher operating margins. In some countries, circulation per title is declining in line with the general trend in the market. In countries where circulation is declining but the average circulation is steady or rising it is likely that some consolidation is taking place.

For daily circulation in some member states, the low numbers may reflect a more fragmented regional market with few large national newspapers; this pattern is found in both Spain and Germany, for example.

Dailies, circulation per title								
	1995	1996	1997	1998	1999	2000	2001	2002
at	123	140	147	157	170	156	163	160
be	53	54	54	55	56	56	57	55
cy	6	9	7	7	6	6		
cz	102	101	99	100	98	23	26	23
de	63	62	63	64	63	63	63	62
dk	42	43	43	43	45	48	49	48
ee	16	17	15	16	16	20	22	21
es	34	33	33	33	32	32	32	32
fi	42	42	41	42	41	42	43	43
fr	107	103	105	102	99	97	97	93
gr	30	34	31	24	23	21	21	20
hu	46	43	41	43	43	41	43	42
ie	78	91	92	93	95	96	98	99
it	69	72	64	64	67	69	66	59
lt								
lu	27	27	24	25	25	24	17	20
lv	42		12	12	16	15	15	16
mt								
nl	122	125	128	129	128	127	129	123
pl	65	62	63	54	59	48	80	78
pt	23	25	23	23	25			
se	42	41	38	38	38	40	39	39
si				68	68			57
sk	48	49	51	48	49	19	24	27
uk	197	195	195	193	188	183	164	177
Total	63	65	62	62	63	58	62	62

Table 5-8 Daily newspapers, circulation per title (1000) in EU25 1995-2002

Source: World Press Trends

5.1.1.3 NEWSPAPER ADVERTISING

Data on advertising revenue is only available for daily newspapers.

Advertising revenue has declined in some EU Member States since 2000 and stayed level or shown slight growth in others. Spain continued to grow in 2001. In the case of Germany the figures for years after 1999 have to be regarded with some caution, since there is a significant discrepancy between the different versions of the "World Press Trends" statistics. The 2002 edition suggests 9.6 % growth in advertising revenue from 1999 to 2002 whereas the 2004 edition suggests a decline of 7.0% for the same period. The figures for Germany in the table below are from the 2004 edition.

Dailies, advertising revenue M €	1995	1996	1997	1998	1999	2000	2001
at	395	407	418	459	543	590	571
be	267	266	277	298	335	350	350
cy							
cz	67	76	87	100	114	138	153
de	5721	5591	5353	5870	6066	6557	5942
dk	452	461	479	505	448	450	
ee	6	8	12	14	13	14	14
es	1534	1026	1040	1106	1214	1364	1594
fi	383	382	402	441	480	517	496
fr	1267	1270	1270	1360	1575	1691	1517
gr	72	68	76	96	137	141	117
hu			54	98	123	127	147
ie	114	138	164	204	230	274	
it	847	1002	1104	1235	1438	1642	1671
lt					7	6	7
lu	45	43	45	49	54	62	64
lv				15	15	16	18
mt							
nl	809	882	909	1064	1090	1146	1049
pl					178	245	282
pt	158	193	208				
se	902	965	973	978	968	1071	873
si	26	25	26	33	34		
sk		10	18	22	41	20	24
uk	2119	2292	2988	3269	3538	4030	4011
Total	17178	17100	17901	19214	20640	22450	20901

Table 5-9 Advertising revenue of daily newspapers in EU25 1995-2002

Source: World Press Trends

5.2 Magazines

5.2.1 Magazine production in Europe

The number of magazine titles in European markets totalled around 41,000 in year 2000. More recent data is less comprehensive, but it is may be assumed that the number of magazine titles has stayed quite stable. In most EU member states there has been an upward trend in number of magazine titles during the second half of 1990s and this trend is may be assumed to continue in the first three years this decade. The number of titles is a rather ambiguous indicator, since there is no unanimous definition of what should be included when counting magazine titles. There are clear national differences in practises adopted and the definitions change even within countries in different years.

All magazines	1995	1996	1997	1998	1999	2000	2001	2002
at	900	850	2717	2729	2861	3050	2866	2795
be	700	700	700					
cy	17	17	17	18	22	8		
cz		1650	1740	1845	2070	2112	2120	2210
de	6500	5400	5320	5390	5502	5630	5846	5783
dk	334	382	400	419	413	422	411	407
ee								
es		358	429	532	569			314
fi	2290	2315	2391	2378	2460	2473	2464	2497
fr		2761	2776	2511	3023	4037	4191	
gr	340	400						
hu			136	163	165	165		
ie	108	109				163	436	420
it	975	975	942	860	863	2872	2837	2782
lt								
lu								
lv				99	88	104		
mt								
nl	4561	4679	4711	4712	4730	4739	154	156
pl	0	2067	1874	2126		1384		1384
pt	0	479	480	488		4580		357
se	409	467	489	492	492	514	181	182
si	705	741	751	797	809			
sk								
uk	6800	6930	7088	7945	8768	8899	8462	8338
Total	24639	31280	32961	33504	32835	41152	29968	27625

Table 5-10 Number of magazine titles in EU25 1995-2002

Source: World Magazine Trends

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The greater proportion of the magazine titles in EU15 states is usually business titles, whereas in new member states the majority of the titles are consumer magazines. The business title sector includes all kinds of periodicals published for different businesses, which means that this sector is more fragmented than the consumer sector is. Consumer titles have a broader audience, but at the same time higher competition than business titles.

Consumer titles	1995	1996	1997	1998	1999	2000	2001	2002
at	50	50	56	60	61	61	62	
be		360	360					
cy				13	17			
cz		600	640	667	840	892	920	960
de	2000	1950	1970	2000	2012	2040	2200	2220
dk	50	85	82	83	85	80	87	88
ee								
es		168	207	257	284			314
fi	271	290	293	316	329	322	318	321
fr		1444	1239	1250	1538	2836	3000	
gr	25	30						
hu			110	135	138	138		
ie		37				156	419	398
it	975	975	942	860	863	872	837	782
lt								
lu								
lv				92	81	96		
mt								
nl	161	159	161	162	160	159	154	156
pl		2067	1874	2126		1384		1384
pt		273	276	280				357
se	139	150	178	174	177	189	181	182
si			41	39	37			
sk								
uk	2200	2310	2438	2794	3174	3400		3130
Total	5871	10948	10867	11308	9796	12625	8178	10292

Table 5-11 Number of consumer magazine titles in EU25 1995-2002

Source: World Magazine Trends

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Business titles	1995	1996	1997	1998	1999	2000	2001	2002
at	850	800	2661	2669	2800	2989	2804	2795
be		340	340					
cy				5	5	8		
cz		1050	1100	1178	1230	1220	1200	1250
de	4500	3450	3350	3390	3490	3590	3646	3563
dk	284	297	318	336	328	342	324	319
ee								
es		190	222	275	285			
fi	2019	2025	2098	2062	2131	2151	2146	2176
fr		1317	1537	1261	1485	1201	1191	
gr		130						
hu			26	28	27	27		
ie		72				7	17	22
it						2000	2000	2000
lt								
lu								
lv				7	7	8		
mt								
nl	4400	4520	4550	4550	4570	4580		
pl								
pt		206	204	208		4580		
se	270	317	311	318	315	325		
si			52	50	50			
sk								
uk	4600	4620	4650	5151	5594	5499	5342	5208
Total	16923	19334	21419	21488	22317	28527	18670	17333

Table 5-12 Number of business magazine titles in EU25 1995-2002

Source: World Magazine Trends

5.2.2 Advertising revenue of magazine industries

There has been a clear upward trend in total advertising revenue of European magazine industries. In year 2000 the total advertising revenue was almost €15 billion. Six years earlier it was about €9 billion. In the new member countries magazine advertising revenue is very small when compared to old member states. In year 2000 the total advertising revenue in the new member states accounted slightly above €600 million, but the trend has also been upward sloping.

The growth of magazine advertising revenues has had some substantial variation. While in most countries the growth rate during period 1997-2000 has increased substantially when compared to the period 1995-1997. In other countries it has declined rapidly.

Magazine Advertising, million €							
	1995	1996	1997	1998	1999	2000	2001
at	297	325	352	415	477	544	547
be	219	212	214	238	248	245	258
cy	6	7	8	10	12		
cz	57	67	105	116	139	165	202
de	2922	2825	2899	3029	3195	3514	3149
dk	50	49	49	51	55	56	49
ee	2	2	3	5	5	6	6
es	466	472	499	527	675	735	731
fi	104	111	134	158	170	180	184
fr	1753	1814	2702	2861	3064	3297	3243
gr	168	191	274	327	381	490	557
hu	58	58	72	88	104	123	148
ie	19	18	17	17	20	15	17
it	773	806	845	936	1034	1158	1206
lt	0	1	2	2	3	4	8
lu							
lv	1	1	3	2	3	4	6
mt							
nl	284	308	331	352	376	433	447
pl	65	97	141	189	263	315	364
pt	86	96	110	134	170	181	160
se	159	194	222	230	252	298	261
si	19	23	25	31	36		
sk			14	18	19	19	32
uk	1467	1672	2217	2397	2476	2813	2673
Total	8975	9349	11238	12135	13176	14594	14248

Table 5-13 Advertising revenue of magazines in EU25 1995-2002 (Million €)

Source: World Magazine Trends

5.2.3 Magazine share of total advertising

The share of total magazine advertising revenues to total advertising expenditure in EU25 has remained very stable at the level of 19-20% during the whole seven year period observed.

There are large national differences in both level and the trends in magazines' share of the advertising market.

Magazine share of total advertising							
	1995	1996	1997	1998	1999	2000	2001
at	26 %	27 %	26 %	28 %	28 %	29 %	29 %
be	20 %	19 %	16 %	16 %	15 %	13 %	15 %
cy	9 %	9 %	8 %	10 %	8 %		
cz	24 %	22 %	26 %	23 %	22 %	21 %	20 %
de	26 %	22 %	22 %	22 %	22 %	22 %	22 %
dk	4 %	4 %	3 %	3 %	4 %	4 %	4 %
ee	9 %	9 %	8 %	12 %	13 %	14 %	13 %
es	13 %	13 %	13 %	12 %	13 %	13 %	13 %
fi	14 %	14 %	15 %	16 %	17 %	16 %	17 %
fr	23 %	23 %	33 %	34 %	33 %	32 %	33 %
gr	13 %	21 %	26 %	27 %	26 %	27 %	30 %
hu	19 %	16 %	15 %	14 %	15 %	14 %	13 %
ie	6 %	5 %	4 %	3 %	4 %	2 %	2 %
it	16 %	16 %	15 %	15 %	15 %	14 %	15 %
lt	5 %	4 %	6 %	5 %	6 %	7 %	13 %
lu							
lv	6 %	5 %	4 %	6 %	7 %	8 %	10 %
mt							
nl	17 %	17 %	16 %	15 %	15 %	14 %	15 %
po	14 %	15 %	15 %	15 %	16 %	16 %	14 %
pt	20 %	19 %	18 %	19 %	20 %	19 %	18 %
se	11 %	12 %	13 %	13 %	14 %	15 %	15 %
si	24 %	22 %	20 %	18 %	17 %		
sk			10 %	9 %	10 %	9 %	11 %
uk	17 %	18 %	18 %	18 %	17 %	16 %	17 %
Total	19 %	19 %	20 %	20 %	20 %	19 %	20 %

Table 5-14 Share of magazine advertising to total advertising in EU25 in 1995-2001

Source: World Magazine Trends

5.3 Book publishing industries

5.3.1 Book production

There is a clear upward trend in the large publishing markets of the EU Member Countries. The number of published titles has risen steadily in UK, Spain and France. In German industry the number of published titles rose steadily until 2001 but 2002 shows a decline. In the smaller markets the situation is stable except in Portugal where the number of published titles is increasing and in Sweden where the number is decreasing.

Annual book title production								
	1995	1996	1997	1998	1999	2000	2001	2002
at	7153	4574	7291	7487	6487	8459	7652	7802
be	9835				9 816***			
cy								
cz	8994	10244	11519	11738	12551	11965	14321	14278
de	74174	71515	77889	78042	80 779	82936	85088	78896
dk	12478	14184	13450	13 175	14 455	14959	14319	14154
ee	2635	2628	3317	3090	3265	3466	3506	3458
es	51934	50159	54943	60426	61426	62224	67012	69893
fi	13494	13103	12717	12887	13173	11764	12090	12069
fr	42997	46306	47214	50937	49 808	51877	54415	58855
gr			5364	6622	7319	7514	6647	6596
hu	8749	8835	8941	10626	9 731	8 986	8837	9990
ie			7375		8352	8 325		
it	49080	51077	51866	52363	50262	55546		
lt	3164	3642	3827	4109	4097	3709	4402	4859
lu	218				878			
lv	1968	1965	2320	2596	2 652		2530	2546
mt	404	493	485	415	417	414	466	444
nl	18123	17544	17235		17 235	19050	19281	19061
pl	11925	14234	15996	16462	19480	22298	19760	19371
pt	6933	7868	8331	9196	10708	11490	11571	11331
se	12700	13496	13210	12547	11988	10976	10932	10092
si	5057	5389	6273	6308	6432	6722	6605	6006
sk		3800	2064	4386	3153			
uk	95064	102102	100029	102925	108744	116415	119001	125390
Total	437079	443158	471656	453162	327854	501784	468435	475091

Table 5-15 Number of published book titles in EU25 in 1995-2002

Sources: UNESCO, IPA, National publishers' associations, National libraries, National booksellers' associations, National statistical offices, National ISBN offices

5.3.2 Book sales

The sales statistics of Book Markets in Europe are mainly available from EU15 countries, but even with those countries there are some serious gaps in the data. In the case of new member countries Hungary is the only country where data is available from years 2001 and 2002.

There are several problems with the existing data. One of the biggest problem is the source used. The national branch associations of book publishers collect information only from their member companies and present a picture that usually underestimates the size of the national book markets, depending on the level of membership in each national association. More reliable data on sales is provided by the national associations of booksellers, but these are only available from a few nations. Some national statistical offices and governmental departments in the field of culture provide also information about book sales, but mainly they concentrate on book production and especially on title production. The lack of consistent and comparable data causes problems for further conclusions and therefore data must interpreted with caution.

The total reported sales value of books in European book markets totalled €26.6 billion in year 2000⁴. The value of sales has presumably changed only slightly, but due to a lack of data no precise figures can be presented. The Federation of European Publishers estimates the value of books sales at €29 billion, based on its estimate of the turnover of publishing companies and allowing for an average discount of 40% to booksellers.

⁴ Includes 1999 Data from Portugal and Greece

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Book sales, Million €	1995	1996	1997	1998	1999	2000	2001	2002
at				615	654	636		
be				1000		151		1100
cy								
cz								
de	8825	9023	8907	9100	9220	9410	9412	9224
dk					331	349	368	403
ee								
es						2529	2605	2630
fi	341	373	391	400	419	450	458	477
fr				2485		2496	2557	
gr					450			
hu							188	221
ie			50		63	63		78
it						3443	3477	3511
lt								
lu								
lv								
mt								
nl						607	633	
pl								
pt		252	284	290	363			
se	375	392	368	380	412	404	412	463
si								
sk								
uk					4636	5207	5194	5492
Total	9541	10040	10000	14269	16548	25745	25304	23599

Table 5-16 Annual book sales in EU25 in1995-2002

Sources: IPA, National booksellers' associations, National statistical offices

Despite the large differences in absolute market sizes between EU member countries, the book markets of the EU can be viewed in another way: when comparison is made by taking into account the size of the population in each member country, the relative size of the markets evens out. This also reflects how much money is used for books per capita in each nation. Germany is still the most significant book market in Europe and UK holds the second place, but such countries as Austria, Belgium, Denmark, Finland and Sweden rise in rank.

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Book sales per capita, €	1995	1996	1997	1998	1999	2000	2001	2002
at				76	81	79		
be				99		15		107
cy								
cz								
de	109	111	109	111	112	115	115	112
dk					63	66	69	76
ee								
es						64	66	66
fi	67	73	77	78	82	87	89	92
fr				43		43	44	
gr					43			
hu							18	22
ie			14		17	17		21
it						60	60	61
lt								
lu								
lv								
mt								
nl						39	40	
pl								
pt		25	28	29	36			
se	43	45	42	43	47	46	47	52
si								
sk								
uk					79	88	87	92
Total	73	64	54	68	62	60	64	70

Table 5-17 Annual book sales per capita in EU25 in 1995-2002

Sources: IPA, National booksellers' associations, National statistical offices

5.4 Directory publishing industries

5.5 Turnover

According to the sample data collected the total turnover of directory publishing industries in Europe was about €8.2 billion. The data collected indicates that the volume of directory publishing is quite evenly distributed among the five largest markets, Italy/Portugal/Greece/Spain, UK/Ireland, Germany, France and Scandinavia each producing over €1 billion turnover. The figure somewhat underestimates turnover in UK/Ireland because, especially in the UK, there is a large number of businesses that are mainly operating in fields other than directory publishing, but which also publish directories (in most cases electronic). A choice was made not to include the turnover of those firms in the figure, because, in most cases, it proved to be impossible to distinguish the income from directory publishing from other income and the inclusion of the entire turnover would have misleadingly expanded the reported volume of UK/Irish directory publishing. The figure should therefore be interpreted as the volume of directory publishing as the core business.

Turnover 2003	
Germany	1242
Austria / Switzerland	286
Benelux	608
France	1223
UK / Ireland	1274
Italy/Greece/Portugal/Spain	1409
Scandinavia	1189
Croatia/Czech Republic/Hungary/Russia/Poland/Ro	922
Total	8152

Table 5-18 Turnover of the Directory publishing industry by region 2003

(Source: Amadeus database)

The turnover growth figures from the EADP annual reports indicate that the fastest growing directory publishing business is found in Croatia/Hungary /Lithuania/Poland/Russia/Slovakia-region where the turnover has grown over 10 per cent annually and between 1997 – 1999 directory publishing grew 25 per cent annually. The lowest growth rates are in Germany where the growth rate has been under 5 per cent annually during the period observed, and negative in 2003. UK/Ireland shows a clear declining trend in growth.

Median turnover growth	96-97	97-98	98-99	99-00	00-01
Austria / Switzerland	8,0%	9,5%	10,0%	11,0%	6,0%
Benelux	9,8%	4,3%	10,5%	7,2%	7,0%
France	5,0%	5,5%	3,5%	7,0%	5,0%
Germany	2,3%	1,0%	1,2%	1,5%	2,0%
Italy / Greece / Portugal / Spain	-1,0%	9,0%	8,4%	5,3%	8,5%
Scandinavia	10,6%	7,2%	11,0%	11,0%	8,0%
United Kingdom / Ireland	9,0%	8,5%	7,4%	4,0%	3,0%
Croatia / Hungary / Lithuania / Poland / Russia / Slovakia	12,0%	25,0%	25,0%	15,0%	20,0%

Table 5-19 Median⁵ turnover growth among the EADP member publishers 1997 – 2001

(Source: EADP annual reports)

Advertising accounts for about four-fifths of the total income in directory publishing. There is a slight trend downwards mainly due to the fact that business-to-business directory publishing is gaining a growing share of its income from selling directory services. The advertising share of total income of telecommunications directory publishing has remained rather constant at about 90 per cent. It is likely that the share of business-to-business directory publishing income that remains uncategorised also comes from customers of the directory services.

⁵ Median is the middle value in the observed set of values.

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Share of advertising to total income	1995	1996	1997	1998	1999	2000	2001
Total	76,5%	76,0%	81,4%	83,5%	81,2%	79,8%	79,2%
Business to business directories	65,8%	66,1%	70,2%	72,7%	71,5%	64,1%	62,8%
Telecommunications directories	93,4%	91,5%	90,2%	92,9%	95,0%	95,7%	91,4%

Table 5-20 Share of advertising in the total income of directory publishing industry 1995 - 2001

(Source: EADP annual reports)

5.6 Employment related measures

5.6.1 Employee numbers

The number of employees measures the number of people involved in the operations of an industry. When this number is compared to total employment it indicates the relative importance of that industry in employment terms. This indicator should preferably be counted from the full-time equivalent number of employees. However, this number is rarely available from the statistical sources. In these tables, the number of employees includes temporarily employed and part-time employed in a given year.

The total number of employees in the publishing industries of EU25 Member Countries in 2001 was over 670,000. The number of employees has grown in most countries between 1995 and 2001. The notable exceptions are Italy and the Nordic countries where the consequences of the recession of the early 1990s can be seen to be having an effect throughout the last decade.

Number of employees							
	1995	1996	1997	1998	1999	2000	2001
at	6824		7535	6964	7104,5	7088	7981
be	8788	8952	8737	8863	9967	11030	
cy						661	
cz							
de					176593	184582	178388
dk	31508	33154		31632	32542	32475	30908
ee							
es	34470	36148	39866	39924	39007	44306	45441
fi	16650	16322	15851	16083	15916	16634	16635
fr		78627	78905	77836	77836	80926	81487
gr							
hu				6365	6395	6775	7155
ie					3839	4036	
it	41178	39945	39213	38749	35346	34800	35076
lt							6022
lu							
lv			4414	4574	5022	4554	5089
mt					511	528	698
nl	27659	32258	33021	32161	33718	36097	37145
pl		20191	20240	22838	26147	27132	28082
pt		9506	8686	10201	9889	10466	10488
se	29398	29133	26329	26418	26266	25158	24570
si	3261	3544	3449	3546	3701	3046	2943
sk	2112	2585	2576	2646	2875	3961	4056
uk		131157	136214	138124	139540	141764	148644
Total	201848	441522	425036	466924	652215	676019	670808

Table 5-21 Combined employment of newspaper, magazine and book publishing industries

1995-2001, EU25

Source: Eurostat NewCronos

5.6.2 Employment costs

The employment costs of a particular industry depend upon the work intensity of value creation, the value created and the bargaining power of the workforce in the labour market. In the single market environment the differences in the work compensation levels tend to decrease. The PPP adjusted personnel costs / person employed in the EU25 in 2001 were between €11,000 and €53,000. The growth of the real employment costs has remained relatively stable in all countries.

Personnel costs / employee, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	38		40	42	45	50	50
be	44	45	46	44	47	47	
cy						26	
cz							
de					37	35	38
dk	16	17		20	21	21	22
ee							
es	35	37	37	38	42	42	42
fi	29	30	32	33	33	34	36
fr		44	45	48	49	51	53
gr							
hu				16	18	21	24
ie					39	39	
it	51	53	53	54	55	59	59
lt							11
lu							
lv			12	11	12	12	12
mt					16	16	12
nl	41	37	38	41	41	43	42
pl					26	27	26
pt		27	29	29	32	33	36
se	27	29	32	32	34	38	37
si	35	34	36	37	37	41	41
sk	13	14	17	17	17	16	18
uk		34	33	35	36	41	40
Total	33	33	34	33	34	35	33

Table 5-22 Combined personnel costs/person employed in newspaper, magazine and book publishing industries 1995 to 2001, EU 25

€ million, PPP view

Source: Eurostat NewCronos Database

5.7 Financial Measures

5.7.1 Basis

There are a number of possible ways of reporting financial data to allow for inflation and variations between the overall economic performance of different countries. The enlargement of the European Union with ten new member states has made it more difficult to compare the performance of industries on pure nominal exchange rate basis. In order to allow the comparability between the countries a Purchasing Power Parity (PPP) adjustment has been used to present the monetary values of each national industry. Purchasing Power Parity exchange rate is set at a level where the prices of certain commodities are equal in all countries thus giving a more comparable picture of the industries' financial position.

5.7.2 Turnover

Turnover measures the industry's value of sales in a particular year, adjusted for stock changes. It measures the volume of operations, but overestimates an industry's contribution to national income because it includes the value of inputs produced by other industries.

The combined turnover of publishing in the EU25 states⁶ in 2001 was over €111.8 billion. The four largest industries - German, British, French and Italian - account for approximately 70 per cent of the total. There is an increasing trend in real growth with the notable exception of the largest market, Germany, which has shown a real decline since 1999, the earliest year for which there is statistical data available from the German publishing industries.

Turnover	1995	1996	1997	1998	1999	2000	2001
at	1077		1235	1266	1409	1614	1833
be					2499	2762	
cy	41	42	41	43	52	61	
cz							
de					27732	26603	25495
dk	1559	1633	1802	1895	1979	2068	2069
ee							
es	6155	6456	7273	7238	8004	8384	8105
fi	1606	1721	1853	1927	1950	2118	2193
fr		14429	15033	15921	16574	17429	17815
gr							
hu				756	970	1164	1324
ie					494	534	
it	10107	10245	11179	11797	10628	12318	12459
lt							286
lu							
lv			197	225	233	219	231
mt					24	30	24
nl	4602	5013	5108	5715	5959	6723	6733
pl					3457	3693	3765
pt		1304	1451	1408	1479	1556	1439
se	2968	2864	2924	3065	3195	3446	3197
si	363	390	398	424	434	360	348
sk	144	206	222	231	243	315	458
uk		18993	20558	21389	21615	23772	24082
Total	28622	63297	69272	73299	108928	115166	111857

Table 5-23 Combined turnover of newspaper, magazine and book publishing industries
(€ million, PPP view)

Source: Eurostat NewCronos Database

⁶ The 10 new member countries that joined EU in spring 2004 are counted among the EU25 for industry figures retrospectively.

5.7.3 Value-added

Value added is the measure of the total annual output of goods and services produced by the residents of a particular country. This is the value of turnover less the value of inputs from other industries. On a single firm level it means the value that is created by the factors of production of that firm.

The sum of value added of all industries and households is equal to the Gross Domestic Product (GDP). Therefore the share of an industry's value added of a country's GDP measures directly that industry's contribution to the national economy.

Value-added is an important measure as it has a considerable impact on the ability of an enterprise to pay a workforce and generate a profit. The value added needed for a profitable operation depends on the amount and unit price of the factors of production employed.

The combined reported value added of EU25 countries in 2001 was over €40 billion.

Value added	1995	1996	1997	1998	1999	2000	2001
at	327		395	426	499	578	605
be	607	610	608	553	783	834	
cy	16	17	19	19		27	
cz							
de					10272	9962	9132
dk	664	700	761	790	836	894	850
ee							
es	2122	2303	2793	2785	3021	3417	3018
fi	647	717	789	808	789	836	835
fr		4329	4593	4755	5073	5428	5336
gr							
hu				164	164	242	321
ie					292	311	
it	2996	2999	3132	3514	2956	3740	3742
lt							107
lu							
lv			73	92	133	105	133
mt					12	17	15
nl	1949	2124	2309	2453	2572	2857	2749
pl					1557	1669	2724
pt		426	473	460	449	517	456
se	1018	914	1029	1097	1114	1162	998
si	127	134	139	148	156	141	135
sk	32	60	76	66	55	82	132
uk		7911	8549	9527	10237	10443	10810
Total	10506	23244	25737	27656	40970	43263	42097

Table 5-24 Combined value added of newspaper, magazine and book publishing industries
(€ million, PPP view)

Source: Eurostat NewCronos Database

When the value created is compared to GDP, the publishing industries in the EU25 contribute 0.45% to European GDP in total.

VA/GDP 2001	
at	0,29 %
be	0,33 %
cy	0,21 %
cz	
de	0,47 %
dk	0,59 %
ee	
es	0,38 %
fi	0,66 %
fr	0,36 %
gr	
hu	0,26 %
ie	0,28 %
it	0,28 %
lt	0,36 %
lu	
lv	0,72 %
mt	0,24 %
nl	0,65 %
pl	0,73 %
pt	0,27 %
se	0,45 %
si	0,43 %
sk	0,23 %
uk	0,75 %
Total	0,45 %

Table 5-25 Value added to GDP, 2001, combined newspaper, magazine and book publishing industries

Source: Eurostat NewCronos Database

5.7.4 Operating margin

This indicator measures the profit after operational costs (goods and services; and personnel costs) as a percentage of turnover. The need for operating profit depends largely on the investment intensity of the industry.

The result of turnover, less value added and personnel costs is the operating profit. The average operating margin of the combined newspaper, magazine and book publishing in EU25 in 2001 was 13.3 %. The development of operating margin in Table 5-26 shows that there are differences in the general levels of operational profitability between countries and in trends in profitability; this indicates that the markets are predominately domestic and that the effect of pan-European economic developments are not necessarily reflected at the national level in publishing.

The level of operating margin is a result of the ratio of value creation to the turnover and the personnel costs to the value added. In countries with a high operating profitability, the value added to turnover ratio is typically high.

Operating margin %							
	1995	1996	1997	1998	1999	2000	2001
at	6,2 %		7,3 %	10,5 %	12,9 %	14,0 %	11,4 %
be					12,5 %	11,6 %	
cy	40,1 %	39,5 %	45,2 %	44,3 %		16,2 %	
cz							
de					13,4 %	13,0 %	9,5 %
dk	9,9 %	9,3 %	9,3 %	8,7 %	8,4 %	10,0 %	8,6 %
ee							
es	14,6 %	15,1 %	18,3 %	17,2 %	17,2 %	18,5 %	13,7 %
fi	10,6 %	13,0 %	15,2 %	14,5 %	13,2 %	12,7 %	10,6 %
fr		6,0 %	6,8 %	6,6 %	7,5 %	7,5 %	5,7 %
gr							
hu				8,0 %	4,9 %	8,3 %	11,5 %
ie					28,5 %	29,0 %	
it	8,7 %	8,8 %	9,6 %	12,1 %	9,6 %	13,6 %	13,5 %
lt							13,5 %
lu							
lv			11,4 %	18,5 %	30,4 %	23,1 %	31,7 %
mt					18,9 %	27,9 %	28,7 %
nl	17,8 %	18,3 %	20,9 %	20,0 %	19,7 %	19,3 %	17,9 %
pl		17,0 %	22,7 %	24,4 %	25,7 %	25,1 %	53,3 %
pt		12,7 %	15,2 %	11,9 %	9,2 %	11,1 %	5,6 %
se	7,7 %	2,5 %	6,8 %	8,0 %	6,9 %	6,3 %	3,1 %
si	3,4 %	3,8 %	3,9 %	4,2 %	4,1 %	4,5 %	4,0 %
sk	4,1 %	10,9 %	15,0 %	9,4 %	2,8 %	6,1 %	13,1 %
uk		18,3 %	19,4 %	22,1 %	24,2 %	19,7 %	20,3 %
Total	12,3 %	12,3 %	14,1 %	15,1 %	14,8 %	14,4 %	13,3 %

Table 5-26 Operating margin of the combined newspaper, magazine and book publishing industries in EU25 1995 to 2001

Source: Eurostat NewCronos Database

5.8 Per employee measures

Measures of competitiveness can be related to employment. The "per employment" indicators can be used to reveal both the value created and the compensation paid per employee.

5.8.1 Labour productivity

The most significant measure of competitiveness is value-added per employee: this reflects productivity in an industry.

Value-added per employee in real terms in the publishing industries shows a stable or declining trend between 1995 and 2000 in many of the EU25 countries.

Value added / employee							
	1995	1996	1997	1998	1999	2000	2001
at	48		52	61	70	82	76
be	69	68	70	62	79	76	
cy						41	
cz							
de					58	54	51
dk	21	21		25	26	28	28
ee							
es	62	64	70	70	77	77	66
fi	39	44	50	50	50	50	50
fr		55	58	61	65	67	65
gr							
hu				26	26	36	45
ie					76	77	
it	73	75	80	91	84	107	107
lt							18
lu							
lv			17	20	26	23	26
mt					24	31	22
nl	70	66	70	76	76	79	74
pl					60	62	97
pt		45	54	45	45	49	43
se	35	31	39	42	42	46	41
si	39	38	40	42	42	46	46
sk	15	23	29	25	19	21	33
uk		60	63	69	73	74	73
Total	52	53	61	59	63	64	63

Table 5-27 Combined value added per employee in newspaper, magazine and book publishing industries in EU25 1995 to 2001

(€1000, PPP view)

Source: Eurostat NewCronos Database

5.8.2 Ratio of value-added to personnel costs

The ratio of value-added to personnel costs is an alternative way of looking at the relationship between the costs of people employed in the industry and the value generated. It is a relative measure, and so is not subject to issues such as variation in exchange rates or inflation. Rather than being a direct measure of productivity, it is a measure of the effectiveness that the industry makes of the money it spends on people (regardless of the number employed).

Using this analysis, there appears to be an improving trend in most of the EU15 countries until 2000 with a move backwards in 2001; while for many of the New Member States 2001 seems to mark an advance in real productivity.

Value added to personnel costs							
	1995	1996	1997	1998	1999	2000	2001
at	1,26		1,30	1,45	1,57	1,64	1,53
be	1,56	1,51	1,53	1,43	1,66	1,62	
cy						1,57	
cz							
de					1,57	1,53	1,36
dk	1,30	1,28	1,28	1,26	1,25	1,30	1,26
ee							
es	1,74	1,74	1,91	1,81	1,84	1,83	1,59
fi	1,35	1,45	1,56	1,53	1,49	1,48	1,38
fr		1,25	1,29	1,28	1,32	1,31	1,24
gr							
hu				1,58	1,41	1,67	1,90
ie					1,94	1,99	
it	1,41	1,43	1,52	1,69	1,53	1,81	1,81
lt							1,56
lu							
lv			1,44	1,82	2,13	1,92	2,23
mt					1,56	2,02	1,84
nl	1,73	1,76	1,86	1,87	1,84	1,83	1,78
pl		1,93	2,18	2,31	2,33	2,25	3,79
pt		1,64	1,87	1,57	1,43	1,50	1,22
se	1,29	1,09	1,24	1,29	1,25	1,23	1,11
si	1,11	1,12	1,13	1,14	1,13	1,13	1,11
sk	1,22	1,60	1,78	1,48	1,14	1,31	1,83
uk		1,79	1,88	1,99	2,04	1,81	1,83
Total	1,48	1,51	1,60	1,66	1,64	1,61	1,55

Table 5-28 Value added to personnel cost in the combined newspaper, magazine and book publishing industries in EU25 1995 to 2001

Source: Eurostat NewCronos Database

5.8.3 Turnover per employee

There are great differences in the development of the turnover per employee development across the EU25. 2001 showed a decrease in many countries.

Turnover / employee							
	1995	1996	1997	1998	1999	2000	2001
at	158		164	182	198	228	230
be					251	250	
cy						92	
cz							
de					157	144	143
dk	49	49		60	61	64	67
ee							
es	179	179	182	181	205	189	178
fi	96	105	117	120	123	127	132
fr		184	191	205	213	215	219
gr							
hu				119	152	172	185
ie					129	132	
it	245	256	285	304	301	354	355
lt							47
lu							
lv			45	49	46	48	45
mt					46	57	34
nl	166	155	155	178	177	186	181
pl					132	136	134
pt		137	167	138	150	149	137
se	101	98	111	116	122	137	130
si	111	110	115	119	117	118	118
sk	68	80	86	87	84	79	113
uk		145	151	155	155	168	162
Total	142	143	163	157	167	170	167

Table 5-29 Combined turnover per employee in the newspaper, magazine and book publishing industries in EU25 1995 to 2001

(€1000, PPP view)

Source: Eurostat NewCronos Database

5.9 Competitiveness indices

The competitiveness ranking of the European publishing industries that is included here has been developed using indicators that compare the national industries in terms of their market position, contribution to the national economy, productivity and profitability. The national industries are ranked according to the sum of their rank in each competitiveness category.

Each ranking is on a scale from 1 to 3, where 1 indicates competitiveness *below* one standard deviation of the European average on this measure; 2 indicates competitiveness within one standard deviation of the European average; 3 indicates competitiveness *above* one standard deviation of the European average.

5.9.1 Newspaper publishing

In the 21 EU countries where there is sufficient data available to make a useable comparison, the newspaper publishing industry shows a fairly even position. Among these countries, the newspaper publishing industries of Denmark, Ireland, Finland and Sweden exhibit above average competitiveness. These countries show different patterns in achieving their above average competitiveness. However, what the newspaper industries in these countries all have in common is that they have an above average share of the total advertising market in their country.

The two countries in this group which show below average competitiveness are Portugal and Slovakia. Both make a below average contribution to national GDP and both enjoy low advertising market share.

Country	Circulation/100 0 population	Rank	Value added/ gdp	Rank	Operating margin %	Rank	Share of total advertising	Rank	Value added to personnel costs	Rank	Sum of ranks	Rank
at	302	2	0,21 %	2	10,1 %	2	30 %	2	1,44	2	10	2
be	150	2	0,14 %	1	7,7 %	2	21 %	2	1,38	2	9	2
cy	203	2	0,17 %	2	5,1 %	2			1,14	2		
cz	670	2					18 %	2				
de	1469	3	0,33 %	2	9,5 %	2	43 %	2	1,31	2	11	2
dk	1825	3	0,33 %	2	3,1 %	2	47 %	2	1,08	2	11	2
ee	559	2	0,36 %	2	4,4 %	2	50 %	3	1,14	2	11	2
es	107	2	0,22 %	2	14,4 %	2	30 %	2	1,52	2	10	2
fi	616	2	0,54 %	3	13,9 %	2	58 %	3	1,40	2	12	3
fr	808	2	0,16 %	2	2,1 %	2	17 %	2	1,07	2	10	2
gr	192	2					15 %	2				
hu	213	2	0,17 %	2	11,6 %	2	14 %	1	1,95	2	9	2
ie	364	2	0,27 %	2	29,7 %	3	56 %	3	1,99	3	13	3
it	132	2	0,13 %	1	7,0 %	2	22 %	2	1,28	2	9	2
lt	668	2	0,15 %	1	9,5 %	2	37 %	2	1,31	2	9	2
lu	272	2					59 %	3				
lv	478	2	0,33 %	2	29,4 %	3	36 %	2	1,89	2	11	2
mt			0,29 %	2	33,1 %	3	38 %	2	1,93	2	9	2
nl	1572	3	0,31 %	2	12,0 %	2	22 %	2	1,42	2	11	2
pl	98	2	0,33 %	2	52,5 %	3	11 %	1	3,13	3	11	2
pt	242	2	0,14 %	1	6,4 %	2	11 %	1	1,22	2	8	1
se	653	2	0,38 %	3	3,0 %	2	55 %	3	1,09	2	12	3
si	737	2	0,32 %	2	5,0 %	2	11 %	1	1,13	2	9	2
sk	94	2	0,07 %	1	4,7 %	2	12 %	1	1,20	2	8	1
uk	1072	3	0,33 %	2	18,5 %	2	42 %	2	1,73	2	11	2
Average	562		0,26 %		13,3 %		31 %		1,5		10,2	
Standard deviation	489		0,11 %		12,5 %		17 %		0,5		1,4	

Table 5-30 Competitiveness indicators, newspaper industries

Source: Worlds Press Trends, Eurostat

5.9.2 Magazine publishing

For the magazine publishing industry, there was sufficient data available from 18 countries to compile competitiveness indices. Of these, four national industries – namely the Austrian, Latvian, Dutch and Polish – show above average competitiveness. The Latvian and Polish industries have above average profitability and productivity. Austrian and Dutch industries are strong in audience market penetration and the Austrian industry in the advertising market; the Dutch industry is particularly strong in its contribution to the national economy.

The Portuguese magazine publishing industry is the only one to show below average competitiveness. The reason was poor value creation in 2001 which led to an overall operating loss for the industry.

Country	Titles per million population	Rank	Value added per GDP	Rank	Operating Margin	Rank	Advertising share of total advertising	Rank	Value added to personnel costs	Rank	Sum of ranks	Rank
at	363	3	0,07 %	2	7,8 %	2	29,1 %	3	1,40	2	12	3
be	69	2	0,02 %	2	6,6 %	2	14,6 %	2	1,39	2	10	2
cy	60	2	0,04 %	2	4,7 %	2			1,20	2		
cz	215	2		1		2	20,2 %	2				
de	70	2	0,12 %	2	8,8 %	2	22,3 %	2	1,37	2	10	2
dk	77	2	0,20 %	3	9,9 %	2	4,4 %	1	1,32	2	10	2
ee							13,0 %	2				
es	69	2	0,08 %	2	10,3 %	2	13,4 %	2	1,48	2	10	2
fi	483	3	0,17 %	2	9,3 %	2	17,2 %	2	1,34	2	11	2
fr	72	2	0,16 %	2	7,8 %	2	33,3 %	3	1,34	2	11	2
gr	38	2				2	29,7 %	3		1		
hu	20	2	0,05 %	2	10,2 %	2	13,5 %	2	1,81	2	10	2
ie	111	2	0,07 %	2	30,4 %	3	1,9 %	1	2,04	2	10	2
it	48	2	0,06 %	2	11,1 %	2	15,5 %	2	1,83	2	10	2
lt	116	2	0,04 %	2	14,6 %	2	13,1 %	2	1,79	2	10	2
lu			0,03 %	2	0,5 %	2			1,03	2		
lv	42	2	0,33 %	3	34,1 %	3	10,3 %	2	2,44	3	13	3
mt			0,01 %	1	7,7 %	2			1,25	2		
nl	303	3	0,24 %	3	22,9 %	2	14,7 %	2	2,14	2	12	3
pl	80	2	0,12 %	2	51,6 %	3	14,3 %	2	4,61	3	12	3
pt	49	2	0,06 %	2	-6,5 %	1	17,6 %	2	0,78	1	8	1
se	58	2	0,08 %	2	0,1 %	2	14,5 %	2	1,01	2	10	2
si	377	3	0,11 %	2	2,6 %	2	16,9 %	2	1,11	2	11	2
sk			0,04 %	2	12,1 %	2	11,0 %	2	1,77	2		
uk	140	2	0,32 %	3	21,8 %	2	16,6 %	2	1,87	2	11	2
Average	136		0,11 %		12,7 %		16,2 %		1,65		10,6	
Standard deviation	132		0,09 %		12,9 %		7,4 %		0,78		1,1	

Table 5-31 Competitiveness indicators, magazine publishing industries

Source: World Magazine Trends, Eurostat

5.9.3 Book publishing

In the book publishing industry, there was sufficient data available to compile competitiveness indices for 19 countries. Two national industries – namely the Italian and the Polish – showed above average overall competitiveness. Both these national industries enjoy above average productivity. In addition, the Polish industry has an above average score in profitability and the Italian industry in its trade balance.

There were four national industries with below average overall competitiveness – the Austrian, French, Swedish and Slovenian. These industries showed below average performance in one category, with the exception of Slovenia which enjoys average per capita title production, but is below average in both profitability and productivity.

Country	Titles per million population	Rank	Value added to GDP	Rank	Operating margin	Rank	Value added per personnel costs	Rank	Trade balance	Rank	Sum of ranks	Rank
at	942	2	0,06 %	2	23,9 %	2	2,09	2	-162	1	9	1
be	971	2	0,13 %	2	21,8 %	2	2,19	2	-11	2	10	2
cy		1			12,5 %	2	1,33	2	-18	2		
cz	1400	2							10	2		
de	1034	2	0,10 %	2	10,2 %	2	1,48	2	336	3	11	2
dk	2677	3	0,14 %	2	15,6 %	2	1,69	2	-3	2	11	2
ee	2565	3	0,10 %	2	12,2 %	2	1,63	2	-4	2		
es	1670	2	0,14 %	2	15,3 %	2	1,74	2	463	3	11	2
fi	2333	3	0,08 %	2	9,2 %	2	1,38	2	-7	2	11	2
fr	922	2	0,08 %	2	6,3 %	1	1,37	2	43	2	9	1
gr	629	1							-25	2		
hu	866	2	0,09 %	2	12,0 %	2	1,87	2	-25	2	10	2
ie	2236	3	0,02 %	1	19,8 %	2	1,82	2	-82	2	10	2
it	963	2	0,12 %	2	20,0 %	2	2,71	3	282	3	12	3
lt	1265	2	0,21 %	3	15,1 %	2	1,70	2	-5	2	11	2
lu	536	1							-17	2		
lv	1070	2	0,14 %	2	30,2 %	3	2,52	2	-2	2	11	2
mt	1191	2	0,02 %	1	14,3 %	2	1,50	2				
nl	1206	2	0,17 %	2	19,0 %	2	1,99	2	37	2	10	2
pl	517	1	0,38 %	3	54,2 %	3	4,11	3	-25	2	12	3
pt	1127	2	0,10 %	2	17,5 %	2	1,87	2	-20	2	10	2
se	1231	2	0,09 %	2	6,7 %	1	1,30	2	-51	2	9	1
si	3319	3	0,12 %	2	2,8 %	1	1,09	1	28	2	9	1
sk	585	1	0,08 %	2	21,0 %	2	3,20	3	22	2	10	2
uk	1988	2	0,18 %	2	20,5 %	2	1,90	2	546	3	11	2
Average	1385		0,12 %		17,3 %		1,93		54,6		10,4	
Standard deviation	751		0,07 %		10,4 %		0,70		171,5		1,0	

Table 5-32 Competitiveness indicators, book publishing industries

Source: UNESCO, IPA, National publishers' associations, National libraries, National booksellers' associations, National statistical offices, National ISBN offices, Comext database SWOT analysis of sector: publishing as a whole and individual sectors

6 SWOT analysis of sector: publishing as a whole and individual sectors

6.1 Cross-sectoral SWOT analysis for the publishing industry

There are some clear cross-sectoral strengths, weaknesses, opportunities and threats. These may not have exactly the same form or impact in each sector, but are nevertheless similar enough to be grouped together.

6.1.1 Strengths

	Newspapers	Books	Magazines	Directories
Well-established industries with large customer base	Yes	Yes	Yes	Yes
Many strong, well-established companies	Yes	Yes	Yes	Yes
Good home markets	Yes	Yes	Yes	Yes
Strong advertising base	Yes		Yes	Yes
Products to appeal to all ages and social classes	Yes	Yes	Yes	Yes
Strong niche titles	Yes	Yes	Yes	Yes
Brand trusted by readers as source of information	Yes	Yes	Yes	Yes
Some international brands	Yes	Yes	Yes	Yes
Many products regarded as high-quality	Yes	Yes	Yes	Yes
Important channels of ideas, information and entertainment	Yes	Yes	Yes	Yes
Creative and adaptable businesses and staff	Yes	Yes	Yes	Yes
Highly skilled staff	Yes	Yes	Yes	Yes
Financial benefits of subscription model (some countries)	Yes		Yes	

6.1.2 Weaknesses

	Newspapers	Books	Magazines	Directories
Mature markets with little growth	Yes	Yes		Yes
Use of many languages makes it hard to market products across Europe	Yes	Yes	Yes	
Inconsistent quality of digital developments	Yes	Yes	Yes	Yes
Little history of having had to make radical innovations	Yes	Yes	Yes	Yes
Exposure to economic cycles through advertising	Yes		Yes	Yes
Dependence on stock decisions made by retailers		Yes	Yes	
Difficulty monetising online developments	Yes	Yes	Yes	
Lack of interest from youth markets	Yes	Yes	Yes	Yes
Smaller publishers find it hard to gain access to retail channels		Yes	Yes	
Wastage in distribution channels	Yes	Yes	Yes	
Variable quality and detail of statistical information	Yes	Yes	Yes	Yes
Limited export opportunities	Yes	Yes	Yes	Yes

6.1.3 Opportunities

	Newspapers	Books	Magazines	Directories
Extend strong brands into online services	Yes	Yes	Yes	Yes
Making digital content available to resellers	Yes	Yes	Yes	Yes
Segment content to reach new niche markets	Yes	Yes	Yes	Yes
Marketing to people who do not currently use or buy	Yes	Yes	Yes	Yes
Growth opportunities in New Member States as economies develop	Yes	Yes	Yes	Yes
Making content available through mobile devices	Yes	Yes	Yes	Yes
Making content available through voice services	Yes		Yes	Yes
Digital editions (including ebooks)	Yes	Yes	Yes	
Increasing the use of the internet as a sales and marketing channel for print products	Yes	Yes	Yes	Yes
Digital technology may reduce barriers to entry	Yes	Yes	Yes	Yes
Using online channels to establish direct relationship with readers and buyers	Yes	Yes	Yes	Yes
Online advertising sales	Yes		Yes	Yes

6.1.4 Threats

	Newspapers	Books	Magazines	Directories
Challenges from other media for attention and money	Yes	Yes	Yes	Yes
Printed products are of less interest to younger people	Yes	Yes	Yes	Yes
Vulnerability to digital piracy	Yes	Yes	Yes	Yes
Expectation that content paid-for in print will be free when online	Yes	Yes	Yes	
Continuing recession	Yes	Yes	Yes	Yes
Migration of advertising the to the web	Yes		Yes	Yes
Regulation of advertising content	Yes		Yes	Yes
Increasing use of direct marketing instead of advertising	Yes		Yes	Yes
Increasing VAT on print products may result in price rises for consumers	Yes	Yes	Yes	
VAT on electronic products may make consumer acceptance less likely	Yes	Yes	Yes	
Competition from services developed by non-commercial organisations, including public broadcasters and government departments and agencies	Yes	Yes	Yes	Yes
Increasing power of the retail channel	Yes	Yes	Yes	
Range restriction by retailers		Yes	Yes	

6.2 Newspaper publishing

6.2.1 Strengths

- Newspaper buying is habitual. National, regional and local newspapers can command strong brand loyalty at both national and regional level, especially where subscriptions or home delivery are strong.
- Even though the readership base is declining, it is still very large and reaches a significant proportion of the adult population in many countries. The function of newspapers as advertising and information vehicles is clear and well-understood by the audience and advertisers alike, and the proposition is clear. They are low-cost and good value for money.
- Local and regional newspapers can be the most important source of local information and the most important outlet for truly local advertising. They are closely linked to their communities, which gives them high influence and strong personal connection with their markets. There is often little competition between newspapers in localities or regions, and niche dominance can lead to high margins.
- The frequent publishing schedules and flexibility of design of newspapers offers them the ability to adapt rapidly to changing information and advertising requirements.
- Newspapers' role as marketplaces through their ownership of classified advertising as well as display advertising both provides advertising revenue and helps to maintain circulation.
- Newspapers have strong operational strengths and are good "fast followers" of innovations. They make constant improvement in product scope and product standards.
- The management of free newspapers is entrepreneurial in outlook and more willing to take risks.
- Strong subscriber or home delivery bases in some countries provide predictable income, maximise loyalty and minimise churn.
- Well-established newspapers usually generate good cashflow and many have a secure financial base.

6.2.2 Weaknesses

- Circulation has been declining in most European countries for a long period and it seems that newspapers are not of interest to many younger people. This is eroding revenue from advertising as well as from copy sales and subscriptions. The limited demographic range that newspapers reach in some countries can make them less attractive as advertising vehicles.
- Newspapers are very susceptible to swings in the economy, especially as they depend heavily on advertising revenue.

- Producing a newspaper incurs high and inflexible fixed costs, which reduces margins immediately there is any form of problem. Smaller publishers have a higher proportion of fixed costs.
- Newspapers are increasingly dependent on advertising, and yet this revenue has often been declining both in absolute terms and as a proportion of total advertising expenditure.
- Newspapers are not always attractive to advertisers: the format has limitations and newspapers are not retained. Reproduction quality is not as good as other printed media. Buying space in regional newspapers is complex.
- Newspapers are often reactive rather than proactive, especially when dealing with innovations introduced by other operators. Many newspapers underspend on marketing, with an industry average reported to be less than 2% of revenue.
- Managers are often focused on controlling costs rather than improving the product. There is limited vision in many sections of the industry, and coupled with hierarchical management structures and weak family managements in some smaller firms this has made innovation difficult – leading to conservatism in business and financial structures.
- Reader and advertiser typically expect that online services should effectively be provided free of charge. Many newspapers have invested heavily in online services but have not succeeded in monetising them either through advertising revenue or subscription income. For most newspapers online service are a financial drain, but one that they feel compelled to offer.
- In some places, consolidation has proved difficult and therefore efficiencies of scope and scale have not been developed.
- Newspapers do not *always* have the loyalty of their market, especially advertisers. The large differential between recruitment advertising and other forms of advertising has led some recruitment advertisers to set up online services of their own.
- The low numbers of young readers make newspapers less interesting to many advertisers, who see the youth market as the most lucrative and the most important to reach.
- Reliance on single-copy sales in some countries leaves newspapers vulnerable to churn and increases wastage through distribution channels.
- Newspapers in countries which have a high proportion of single copy sales have to work harder to attract advertisers as results are less predictable.
- Freesheets are often not read by those to whom they are delivered.

6.2.3 Opportunities

- Benefiting from the widespread use of the internet online services offer newspapers the opportunity to extend their offering and their

brand to a wider audience, and to increase the number of contact times with readers. Online services can offer both highly transitory information and archival services that cannot be offered in print. Often these are too local and specific to be of wide enough interest to support advertising.

- The globalisation of content supply: as the internet stimulates the creation of new news services, newspapers may be able to make their content available to resellers. It also offers them the opportunity to increase the range of their own content by acquiring from other news providers.
- Niche publishing and marketing: newspapers have the ability to segment their content and publish for niches that they do not currently reach.
- Lessening costs of entry: new technology has lessened the cost of entry into markets that might have been unprofitable in the past.
- Collaboration (especially between regional newspapers): to save costs and extend reach by creating new classified advertising platforms and brands.
- New modes of delivery: developing compelling relevant information services for mobile devices, including smartphones, WAP devices and SMS.
- Loosening of the regulatory environment (in some countries): if competition authorities loosen restrictions on mergers and acquisitions this may open the way for newspapers to consolidate, forming a smaller number of larger publishing groups. This would give them the ability to benefit from economies of scale, and would also give them access to investment funding.
- Introduction of professional management: in some family-run newspaper firms, introducing professional senior managers has helped transform the business; there are opportunities in other similar businesses to follow this example.
- Underdeveloped national markets: in some countries the regional press dominates and there are fewer national newspapers. This may represent an opportunity for stronger regional newspapers to position themselves as national papers.
- Underdeveloped immigrant markets: launch of newspapers aimed at communities from non-EU member states as these develop to make up shortfall in EU workforce due to ageing population.
- Brand leverage for new products or services and affiliations: newspapers are already making use of their brand to market special "reader offers" and there may be potential for wider-ranging offers.
- Exploit over-45 market: the increasing numbers of people in the core newspaper readership group aged 45 and over enlarge the market.
- Untapped younger market: launch of paid newspapers aimed specifically at 18-35 year olds to build readership habits.

- Growth of “lifestyle” publishing: newspapers have already been able to benefit from the growth of “lifestyle” advertising through special supplements and other initiatives.

6.2.4 Threats

- A continuing recession might further erode advertising and circulation. Small local papers in particular might find it difficult to survive a long recession.
- Low margins for newspaper publishers in some countries may render them vulnerable to economic downturns.
- Increases in VAT on sales of newspapers might result in price rises for the buyer and a further reduction in circulation.
- The continuing migration of recruitment advertising to the web (often to services not owned by newspapers) and the launch of non-commercial online recruitment services by public sector organisations reduces an important source of premium revenue for newspapers.
- The provision of high-quality news services by the public sector broadcasting organisations is a threat to one of the core reasons for newspapers’ existence, especially as some of these also provide regional as well as national news.
- The proliferation of online news sources at national and regional level from commercial sources, including television and radio stations and local authorities.
- The range of alternative outlets for advertising (including online services, multi-channel television and local radio) is already taking some revenue from newspapers and this trend is likely to grow.
- Demand placed on consumers’ “media time” are increasing with new services such as digital television, new products such as games machines, and newspapers command less of that time than most other media.
- The disaggregation of content and its use in other channels such as online services creates copyright issues in some countries, where journalists retain copyright even for material written as part of their paid employment. Online distribution also opens up the possibility of widespread copyright infringement.
- Marketers are increasingly interested in direct marketing at the expense of advertising: this shift has long-term implications and may be permanent.
- Greater use of regulation preventing consolidation might prevent newspapers from joining together to ensure their financial stability and strength.
- Regulation of advertising content might further erode the volume of advertising.
- Home delivery services could be affected by price increases enforced by monopoly postal authorities, or by loss of performance by the delivery operators.

6.3 Book publishing

6.3.1 Strengths

- Book buying is deeply embedded in the culture of European countries. Books are still the source of many important ideas and also act as an important channel of information and entertainment.
- Europe generally has high levels of literacy (although not universal⁷), with most members of the population educated enough to be able to read a wide range of books.
- Books remain an essential tool for education and children encounter them early on in their lives. In many countries, the use of books is further developed through a well-established public library system.
- Books sales remain resilient despite the availability of a wide range of other media.
- The European book publishing industry is substantial. It has global reach and Europe is the home of a number of significant global companies, with operations in Asia and South America as well as North America. European companies are world-class competitors. As well as books, publishing companies are active in the sale of rights and benefit from what has become a substantial market in its own right.
- In those Member States where it applies, fixed pricing can act to mitigate pressure on publishers to discount to retail channels, and thus avoid price wars⁸.
- Publishing companies in the larger European countries have access to large local markets without needing to export in order to survive.⁹
- Book publishers are in many instances financially strong, highly-experienced and well-managed companies which could survive a period of adverse trading conditions.
- Book publishing is able to attract good quality personnel, as it is regarded as an interesting and attractive industry to work in. People tend to remain within the industry, and personal networks are often strong.
- The flow of available content for publication is very strong and diverse, and in general there is no shortage of authors. There are well-developed processes for acquiring, managing and utilising content.

⁷ However, functional illiteracy may be becoming a bigger problem. For example, Eurostat figures indicate that the number of illiterate people is at 10% in Germany and that one out of two Europeans reads no more than one book per year.

⁹ This may not be universally the case for publishers in smaller countries with commensurately small home markets, both among the EU-15 and the New Member States.

- The publishing industry is diverse: it incorporates a large number of specialist publishing firms with good understanding of their niche markets.
- Low cost of entry encourages new specialist firms (although gaining a place in the distribution channel can create high barriers to significant growth)
- Publishing companies are experienced at the costing and production of books, and can negotiate good deals with suppliers as there is no shortage of print or typography services. Production management skills and processes are well-developed.
- In recent years publishing companies have succeeded in reducing their costs especially through adopting new prepress technology and processes. They have also taken advantage of cost savings offered by outsourcing to overseas companies for prepress and printing.
- The distribution chain from author to consumer is well-developed and robust, with an established supply chain that is generally efficient and effective. The internet has become an important feature of the distribution channel.
- The industry benefits from a long-established global product identification system with close to 100% penetration. There are good secondary sources of information that allow all participants in the supply chain to locate and identify books accurately.
- The role of publishing is recognised as important to education and culture, and accorded financial benefits by governments.
- The industry has developed innovative approaches to marketing and promotion in some sectors

6.3.2 Weaknesses

- The book publishing market and industry is mature, and there is no immediate driver for change. There is no evidence in most markets to suggest that number of people buying books is growing.
- In response to this, parts of the industry have focussed on cost reduction rather than on product innovations that might grow the overall size of the market.
- There is evidence to suggest that younger people are reading less and are making use of other media such as television, games and the internet.
- Literacy is not universal in all member states (for example, functional illiteracy in Germany is reported to be 10%).
- Many people in Europe read only one or two books a year.
- Innovation is limited; a large number of new products are created that are very similar to previous products. Major product innovations happen more rarely and this has conditioned the culture of the publishing industry.

- The buyers of books are often not the end-users (schools, universities and public libraries, for example). Publishers are not always able to influence the readers directly.
- Few consumer or academic book publishers have significant brand recognition, but many readers recognise the names of the authors or even the title as the brand and would not be able to identify the publisher.
- Publishers in sectors where the retail channel is significant have little or no knowledge about who their end-customers are: they do have any relationships with them, and are not provided with data by either retailers or distributors.
- There is a large number of very small firms: this increases consumer choice and the range of books published but can lead to difficulties for distributors and retailers in sourcing particular titles.
- Small firms find it hard to get their products into the sales channels.
- Publishers have a dependence on increasingly restricted retail channels to distribute and market books, with some important retail channels (e.g. supermarkets) only carrying limited range.
- There is often an inability to determine which titles will be successful, leading to overproduction of titles to offset risk.
- There can be high wastage in the sales and distribution channels. The returns system causes administrative problems for large companies and financial problems (cash flow) for smaller firms, and makes reliable sales analysis and forecasting very difficult.
- Although large firms sometimes invest very considerable resources in marketing, it remains true that, for most publishers, marketing budgets are generally low.
- The industry has been slow to respond to some of the threats and opportunities created by digital technology and the internet in particular. There is a lack of technologically-informed staff able to lead strategy and execution at senior management level in some parts of the industry.
- IT investments have not yielded all the benefits anticipated by publishers and have not invariably shown positive return on investment, often because of over-investment in unnecessarily customised systems rather than industry standard solutions.
- The variable quality and detail of statistical information about the industry creates problems for enterprises, industry associations and policymakers that may hinder both an understanding of the current situation (and the appropriate response) and identifying and resourcing the most appropriate innovations

6.3.3 Opportunities

- Harnessing creative and innovation skills in the book publishing industry to invent new categories of products

- Developing innovation skills within publishing businesses and an innovation culture within the industry as a whole
- Growing the overall market for books through marketing new categories of books aimed at people who are not currently books buying, perhaps covering more practical topics and/or marketed through non-traditional channels.
- Growing the market through different approaches to marketing (for example, direct, party-plan, viral).
- New relationships with retailers to plan and execute innovative marketing strategies
- Use of the internet to create a channel directly to individual consumers and to reach different customer groups.
- Developing the market in the long term by encouraging children to read books
- Books delivered to a variety of mobile devices, including mobile phones, digital music players, PDAs and dedicated e-book readers.
- Tie-ins with other media, systematising word-of-mouth marketing and making use of promotion through television programmes, newspaper promotions and awards publicity.
- Increasing the range of books delivered over the internet, especially in business and professional and academic sectors
- New interactive educational materials making use of strong author, series or publisher brands
- Improving return on IT investments to enhance profitability.
- Using print on demand to publish low-demand books at lower cost and to maximise return on backlist and midlist; and to extend the range of books "stocked" in bookshops with lower inventory investment.
- Export opportunities, for English and Spanish language publishers in particular.
- Increased co-operation within the supply chain over "infrastructure" issues such as book metadata and identifiers. Improving information sharing and electronic communication to increase the efficiency of the supply chain and to promote process standardisation and automation.
- In the New Member States, there would appear to be substantial real growth opportunities in response to increasing economic prosperity.

6.3.4 Threats

- The increasing power (in some Member States) of major retailers, both bookshops and general retailers, to limit the range of titles stocked, mandate increasing discounts and demand rapid removal and replenishment of stock.

- Potential power of consolidation among retailers to further reduce the number of outlets for books, threatening small bookshops and thus reducing diversity of books available to buyers.
- Increasing time and money spent by consumers on other media at the expense of books.
- Falling population throughout the European Union will have immediate impact on educational publishers and longer-term effect on entire industry.
- Digital technologies open the way for many more competitors to enter “publishing”, threatening existing companies and potentially damaging margins across the industry.
- Literacy rates may decline
- Increasing use of books as incentives by other media (newspapers, magazines) may damage value perceptions
- Reduced tax revenues (or changes in priority in Government spending) may mean that less money is available for educational and some academic book purchases
- Reducing use of books in schools and colleges in favour of interactive learning and self-developed materials.
- Governments and state-funded institutions creating their own content for education and academic communities and some business and professional segments.
- Vulnerability to digital piracy as technology reaches more people, especially if e-books and digitised audio books become more popular. The industry has limited experience in dealing with digital piracy with no international forum for cross-industry agreement about protection policies and technologies (Italy and UK have such forums). Currently, the major source of piracy is the creation of digital versions by pirates from print originals through scanning and OCR for internet distribution; this is also hard to combat.
- Abolition of price maintenance, or the failure to renew the current regulatory framework, in countries where it still operates and where it may be protecting diversity.
- VAT on electronic products may make consumer acceptance of e-books and other digital products and services less likely

6.4 Magazine publishing

6.4.1 Strengths

- The magazine industry has demonstrated considerable creativity and adaptability; this is one of its core strengths. Magazine publishers have been able to identify emerging markets and create new titles for them, as well as to adapt existing titles to changing markets through content, design and commercial development. They have adopted new production technologies, and many magazines have

innovated through developing online services. Innovation has also been driven by advertisers.

- Magazine brands have some claim to own relationships with readers as a trusted source of ideas and entertainment. Surveys have shown a close identification between magazine readers and their title of choice, and the subscription model that applies in some countries has enhanced loyalty. Magazines are often retained for several days or weeks, and reread, giving more exposure to advertisers. Key business-to-business titles are sometimes seen as *the* voice of their industry.
- Some magazine brands have become global. A strong magazine brand can also be used for spin-offs, including exhibitions and television programmes. However, publishers in many cases have tried to ensure that there is sufficient range of local content to ensure that readers can identify with it.
- Magazines are read by all ages and social classes, and there are niche titles to appeal to different groups within the same broad segments (e.g. sports magazines focused on participants or spectators, or the wide range of women's magazines).
- Some magazine publishers have established strong international publishing enterprises operating in several countries. International diversification can help corporate growth when local markets are saturated.
- Although magazines can be expensive to produce, it is still possible (if not easy) to enter the market on a small scale with one or two specialist titles if there is time to grow: the main challenge is to get into the distribution channel. Achieving rapid growth is a bigger challenge, as then production and marketing costs create significant risk.
- Magazines command a growing share of advertising in some countries. Advertising is recovering after the poor economic conditions of recent years, and in countries such as Finland, Austria and Greece magazines have been able to increase their market share.
- Magazines benefit from a subscription model in some countries. This improves cash-flow, helps to reduce over-production and most importantly creates a continuing relationship with readers that is hard to maintain through single-copy sales.
- Well-organised publishers have proved adept at both creating new titles to exploit new niches, either business or consumer, and adding or changing editorial content to adapt existing magazines to new markets. They have been able to do this quickly enough to benefit from the market.
- Through both their readership and their formats magazines have are attractive to advertisers seeking to increase awareness of their brands. As many readers look at a magazine several times in a week

or month, advertisers are given the opportunity to raise awareness several times for a single payment.

6.4.2 Weaknesses

- Although the barriers to launching a magazine can be quite low, smaller enterprises have found it difficult to gain access to distribution channels and to retailers. This can make it hard and expensive to establish a new magazine on a firm footing.
- There is a heavy dependency on single-copy sales in some countries. This means that magazine publishers are paying margins to distributors and having to produce more copies than are needed to ensure wide coverage. It also means that they have to obtain reader attention with each issue and have a harder task to establish a relationship with readers.
- The industry suffers from a lack of reliable comparative circulation data. Not all magazines are audited, so although circulation data can be obtained for many magazines it is harder to identify total circulation within a country or across the EU member states.
- Margins are low in some member states, making them vulnerable to a renewed recession or a downturn in advertising from other causes.
- In some countries, publishers are dependent on a small number of carriers or postal services, and changes of policy and pricing can have an effect on margins.
- There is a trend towards larger retail outlets in many countries, and supermarkets in particular. These can account for a significant proportion of single-copy sales, but are often willing to stock only a very limited range of consumer magazines.
- Even specialist retailers find it hard to stock the full range of titles published: this can create problems in reaching the market for less popular titles. This affects mainly consumer magazines.
- Business-to-business magazine revenues are tightly linked to economic prospects of their "host" industry: publishers have limited options to change editorial strategy or reorient to different markets.
- Interactive developments have not proved profitable for many publishers, although they do offer other advantages, and defining a strategy that is effective but contains costs has proved difficult.

6.4.3 Opportunities

- The economy is showing strong signs of recovery in EU member states, leading to improvement in advertising revenues and circulation that can benefit both consumer and business magazines.
- The overall increase in time spent on media by European consumers is potentially valuable to magazine publishers, especially if they can develop cross-media brands covering magazines, the internet and television (although in some countries regulation prevents magazine publishers from developing branded broadcast television content).

- Expanding media markets in New Member States are creating opportunities for all advertising media. Almost all show a general upward trend in advertising revenues and in the number of titles.
- Digital editions are now taken seriously by many advertisers, and in some cases are now audited to the same standard as print editions. They offer the potential for more interactive content than print: advertisers can also make their content more interactive. Business titles (especially technology) may be first to benefit. Digital editions may also offer the opportunity to convert single-copy purchasers to subscribers.
- As direct marketing increases its share of overall marketing and advertising expenditure, magazines with a strong subscription base may be able to gain additional revenue through tailored insert services and list rental.
- Magazine publishers able to develop and market content for mobile phones have the opportunity to extend their relationship with readers as well as earn additional revenue through paid mobile content services such as SMS alerts. 3G services will give an opportunity to develop more interactive mobile content: mobile network operators are now actively seeking high-quality content relationships, and magazine brands have value.
- In those countries that do not already have a strong subscription base for magazines, using the internet to market subscriptions to print as well as to develop interactive services may be very cost-effective.
- Although the trend is not yet widespread, some magazines are in a position to charge for online content: in some cases, dedicated online content that appears only on the web; in others for core content.

6.4.4 Threats

- Migration of advertising to other media, including the internet, remains a threat to all print advertising media. New channels such as interactive television are developing, and the internet is becoming a main channel for advertisers wanting more direct relationships with their market. There is a limit to the revenue available for advertising, which implies that magazines may suffer loss of share (along with other media).
- Within the consumer magazine sector, there may also be competition for advertising between traditional paid-for magazines and customer magazines produced by retailers, membership organisations etc.
- Consumers have a finite amount of time to spend on media, even though this has expanded slowly over the past few years. Increasing competition for reader attention from television, online and games will affect magazines, along with other media.
- Advertisers are seeking to target and measure the impact of advertising very closely: this approach does not lend itself to mass-media such as consumer magazines that emphasise traditional

brand-awareness display advertising, although specialist and business magazines may be less threatened.

- In the consumer sector, retailers (especially large retailers such as supermarkets) are becoming increasingly powerful and are starting to see better prices and better terms and conditions for selling magazines. They are also exerting influence through restricting the range of titles they stock.
- In some member states, public sector broadcasters have been developing online services that include magazine-type content as well as news. They command strong brand-recognition and are able to combine broadcast and online content.
- Increasing shift of advertising expenditure to direct marketing may accelerate and become permanent.
- Disaggregation of content and its use in other channels such as online services creates copyright issues in some countries, where journalists retain copyright even for material written as part of their paid employment. Online distribution also opens up the possibility of widespread copyright infringement.
- Increases in VAT on sales of magazines might result in price rises for the buyer and reduction in circulation.
- The continuing migration of recruitment advertising to the web (often to services not owned by business magazines) and the launch of non-commercial online recruitment services by public sector organisations threatens an important source of premium revenue for business magazines.
- Potential regulation of advertising content (e.g. food advertising) could erode the value of advertising.
- Potential regulation of editorial content (e.g. financial journalism, content for children or teenagers) may restrict editorial decision-making and coverage.

6.5 Directory publishing

6.5.1 Strengths

- **Stable turnover:** directory publishing has shown consistent mild growth in most sectors despite some fluctuations in recent years. Margins remain good. Consumer classified directory advertising is important to SMEs in particular and in a recession is less likely to be cut than other forms of advertising.
- **Directory publishers** have innovated in formats, design and navigation and subject coverage, introducing new products when a niche appears and adding features in response to customer demand.
- **Familiarity:** users are familiar with the existence of directories and with the concepts behind them. Consumer directories have almost universal penetration and many business directories have close links with their home industry

- Consumer directories and many business directories have strong brand recognition
- Directories are a “systems and process” business that permits economies of scale and maximises the value of investment in back-office and content management systems that can be deployed for print and electronic directories.
- Many directory publishers have unified content management systems that allow efficient production of both print and electronic (including internet) directories.
- Year-on-year revenues for many business directories that still benefit from subscription renewal revenues which allows good cash-flow
- Data ownership: directory publishers compile the information in their directories and for the most part benefit from the rights created under the Database Directive
- Directories play a key role in industry sectors (“industry bible”) that strengthens their position in advertising markets
- Usage still high: despite the alternatives available, directories are still widely used. Online users still use print directories at present.
- Many directory publishers have developed profitable electronic publishing activities, including CD-ROM and internet products. These contribute to growth and position the industry for the future.

6.5.2 Weaknesses

- Although margins are good, turnover has fluctuated in recent years and the overall advertising market in which directories compete has been difficult
- Print directory business models are inflexible and tied to classified and display advertising models, copy sales and subscriptions, with little room for results-based models.
- The business directories industry is fragmented and composed of many small and medium firms, restricting economies of scale and knowledge transfer. Investment in IT is comparatively costly as systems usually require extensive customisation to meet the needs of individual businesses.
- Although electronic publishing as a whole is profitable for many directory publishers, internet products are less profitable or loss-making for some publishers despite high investment.
- Online versions of traditional directories have limited non-core content compared with some of the purely internet directories, which are often able to benefit from the rich content of host portals.
- Consumer directories in particular require that the audience be constantly reminded of their value: this can require expensive mass-media campaigns.
- In some member states, telecommunications directories are derived from a central database not under direct control of the publishers

6.5.3 Opportunities

- Cross-channel consumer directories: services exploiting brand across online and print channels to reinforce usage and drive advertising revenue
- Incorporating efficiencies developed for online directories into print directory processes (editorial and pre-press)
- Exploiting news business models that become available as directories move online, including pay-by-results advertising, micropayments for information
- Collaborating with online search and portals services to provide specialist services and content engines, adding value in return for revenue share
- Using comprehensive current content with good location information to create wireless and mobile content applications, including WAP and SMS services and interactive voice response services

6.5.4 Threats

- Internet search advertising growing rapidly in popularity and commercial presence and is increasingly providing local information. Internet search services may be able to offer more flexible models such as results-based advertising as they are not tied to print.
- Generic online search services provide “good enough” answers for many users, combined with interesting additional content. May lead to reduced use of directory publishers’ online services and this may eventually damage conventional consumer classified directory publishing
- Younger businesses more willing to use internet search advertising¹⁰. The low entry-level costs based on results for internet advertising are attractive to smaller firms.
- Low prices for internet advertising may reduce revenues and condition advertiser expectations in the long term, reducing the overall value of the market.
- Over next decade, migration away from print by younger people more likely to use web as first port of call for information. Broadband penetration improves the speed and quality of user experience, making it more attractive as an option.
- Expectations that internet content will be updated frequently create resource pressures in those publishers whose processes are still mainly print-driven
- Review of the Database Directive causing some uncertainty; any reduction in protection provided by the *sui generis* right would impact the stability of the business model

¹⁰ http://www.kelseygroup.com/econtext_archives/econtext_040114.htm

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- Any increase in the use of opt-out provisions for alphabetical telephone directories by firms would make information collection more difficult and reduce the comprehensive coverage expected in consumer directories
- Changes to pricing and management policies for the central database of telephone names and numbers that is used by directory publishers in some Member States.

7 Cross-sectoral issues

It is clear from the consideration of each individual sector that there are many significant issues that are common to all sectors, or to all excluding books in the case of issues driven by advertising. These issues were identified during the course of the research. A list of issues was presented to the Validation Workshop (composed of publishing experts and national and European-level publishing industry associations) and this confirmed that most were indeed relevant across all sectors of publishing. Identifying these common points is especially important in a study of this kind as it provides a rare opportunity to survey publishing as a whole.

These issues may have a different impact in each sector, but in most cases arise from the same underlying social, economic, educational or technical changes.

7.1 Mature markets

- Publishing industries have evolved differently in each member state
- There has been limited growth of both advertising and readership in all major publishing markets in recent years. There is no strong structural reason why this should change
- Attracting new readers into any into any sector is essential to further growth
- Competition between publishers is primarily for market share
- Attracting younger readers is a key challenge, especially as declining birth rates mean that there will be fewer of them
- The comparative power of the retail channel has increased as retailers consolidate, changing relative percentage revenue share and affecting range of titles stocked

7.2 Changes in reading and use of media for information and entertainment

- There is a wider range of media to choose from and this diversity will tend to increase
- Readers seem to be spending more time on media generally: this has mitigated some of the impact of new media use on traditional media but cannot reverse the overall trend
- There is evidence that people are spending less time on printed publications as their use of computers and online content grows
- Younger people spend their more of their money on non-media services such as mobile phones (used for communication rather than content)
- Reading habits vary widely across Member States

7.3 Strategic response to online developments and convergence

- Many publishers have developed their own online and digital products and services
- Many publishers are beginning to deliver services that integrate print and online elements
- There are very few instances where a new entrant, without a content-based brand, has been able to seriously disrupt a traditional publishers' market, although new entrants have forced publishers to adapt in a number of ways
- Relationships with new partners and intermediaries have proved to be important to online development
- Much of the innovation in interactive publishing has been driven by technological possibility rather than clear market demand
- Initial belief that advertising would generate sufficient revenue to support many online services proved to be over-optimistic
- User expectation of free content established during the early years of internet publishing has inhibited publishers from introducing paid-for models
- Significant investment is required to develop and maintain interactive services
- The risks associated with interactive services are very different from those associated with print publishing
- There are differences in all skills areas – editorial, sales, production and marketing
- Fitting interactive, new media or online efforts into conventional publishing organisations has been a challenging exercise for many companies

7.4 Long-term changes in the nature of the advertising market

- Competition developing from an increasing range of advertising-supported media
- Online advertising enables results-based business models
- A trend can be seen for heavy users of advertising to divert more of their marketing expenditure to direct marketing and away from advertising

7.5 Statistics and other data issues

- The industry is classified from an historical perspective, rather than with a scheme that reflects the growing trend of offering branded services in both print and digital form

- There are new competitors in most sectors of publishing, and the output of these non-traditional publishers may not be captured in current statistical surveys
- Other important distinctions between current sectors with very different business models (e.g. consumer and business magazines) are also not captured consistently in statistical data
- Statistical data gathered by Eurostat can differ from data collected by the industry itself, but it remains the only source of comparative data that allows the depth of analysis

7.6 Regulation:

The publishing industry is directly or indirectly affected by a wide range of regulatory activity. The cumulative affect of these is especially important to publishers. . Policies that at first sight do not appear to be relevant to publishing can in fact have a significant impact: changes to the television regime, for example, may make broadcast media a stronger or weaker advertising competitor even though they do not appear at first sight to directly affect publishing.

Publishing also has to contend with some unusually serious social or non-financial impacts: proposals that create an impact of any kind on the editorial content of publications have an impact of freedom of speech and publication, and may be highly sensitive and very important to both political and cultural diversity. For historical and cultural reasons, this impact may be different in each member state and in any case is hard to quantify. Regulation in this area may also have what is sometimes called a "chilling effect": although not directly restrictive, it might lead to undesirable self-censorship by creating a climate of doubt and uncertainty for writers and editors.

The total impact of regulation is usually considered in terms of its economic, social and environmental impacts.

- The *economic impacts* of regulation may include compliance costs and administrative burdens and changes in investment, market share and trade patterns as well as impact on consumer prices.
- The *social impacts* may include "impact on fundamental/human rights," including freedom of speech and freedom to publish. The category includes "culture", which may include impacts such as increase or decrease in cultural diversity.
- The *environmental impacts* include climate change and pollution: these are areas in which the production and disposal of printed publications will have an impact.

The following list of existing and potential regulations that the publishing industry regards as being of special relevance is selective, and was compiled using input from industry associations and European Commission sources. The cumulative effect of regulation on the publishing sector must may be significant: although the impact of an individual regulation may not be high, the range of those listed here when taken together may be considerable.

Initiative	Description
Database Directive - review	Part of review of directives concerning copyright which were adopted 91-96, with a view to updating. Specifically intends to examine scope of and internal consistency of exceptions, including for libraries, disabled people, and science/teaching.
Brussels regulation	Commission revised Brussels Convention on jurisdiction and the enforcement of judgements in 2000. The new Regulation applies to any website which is accessible in a consumer's home country.
Rome II: law applicable to non contractual obligations	Harmonises the law applicable to non-contractual obligations in cross border disputes. Includes a provision that would affect where defamation and privacy cases are heard. Under the latest version of the proposal, actions have to be brought where the damage occurs.
Management of copyright and related rights in the internal market	Proposal to legislate on the governance of collecting societies and the framework for the collective management of rights; touches on DRM as well and the issue of cross-border licenses.
Community framework for collecting societies for authors' rights	Proposals for the governance of collecting societies, recognising that the information society and the internal market may create a need for co-ordination at the European level.
Commercial Practices Aimed at Children	Proposal from the non-binding Consumer s Committee recommending legislation to protect children from certain forms of advertising and marketing
Tobacco Advertising	Directive deals with cross-border advertising including internet and printed publications. Legal challenge being presented by German government: directive current annulled.
Eco-labelling of printed matter	Voluntary scheme designed to encourage businesses to market products and services that are more environmentally-friendly. Looking into the possibility of having an eco-label on printed matter. Would cover any printed paper product except packaging.
Communication towards a thematic strategy on the prevention and recycling of waste	Will cover both waste prevention and recycling. Focuses on the means to promote more sustainable waste management, by minimising the environmental impacts of waste while also taking into account economic and social considerations.
Econfidence initiative	An initiative to enhance consumer confidence in ecommerce and ebusiness, including trustmarks, codes of conduct and other measures
Ecommerce Directive	This Directive established the country of origin principle for on-line content and e-commerce

Initiative	Description
	<p>services including commercial communications, legal recognition of electronic contracts and establishes a scheme for liability in on-line transactions.</p> <p>Although it has been in force for some time, the full range of its implications are still emerging.</p>
Advertising of alcohol	The Commission has formed a working group to investigate ways of controlling excessive consumption of alcohol
VAT Directive: recasting (possible Annex H revision)	The publishing industry remains interested in any changes to the provisions that allow some countries to offer reduced VAT on publications, and also any changes in the regime applying to digital publications.
Services Directive	Proposal for a Directive from DG Internal Market which aims to remove some barriers to the provision of services in the internal market. "Services" include media and advertising related businesses.
REVIEW/FINE-TUNING EU COPYRIGHT LEGISLATION	Review to make sure that this first generation of EU legislation is still up to speed with today's technology and the realities of the markets. Identifies inconsistencies between different parts of the legislation. Includes review of term and who beneficiaries should be.
Digital Rights Management	Commission attempt to garner consensus on the issue of DRMs.
Safe use of the internet	This is a 4-year EU Action Plan for Promoting Safe Use (1999-2001) launched March 1999. There is also a proposal to extend the scheme for three more years.

Table 7-1 Regulatory issues for the publishing industry

Source: Rightscom, compiled from input from industry associations and European Commission sources

8 Competitiveness analysis

Across all sectors of publishing, business planning is a much less certain activity than it once was. Technology developments are amplifying changes arising from social and economic forces; as a result, strategies may only be relevant for short periods of time before they need to be reviewed or replaced.

This will put an increasingly heavy premium on the ability to make decisions – and then to execute and implement them rapidly and cost-effectively. This will provide publishers with what is necessary to respond both to changing market needs and to competitor activity in a timely way, as well as to generate their own new products more cost-effectively.

The factors we have identified, both for publishing as a whole and for individual sectors, present publishers with a combination of both major strategic decision making and execution challenges. In future, the two most significant of these may be the ability to develop valuable relationships with users; and the skill to make good choices for ICT investment in both customer-facing and back office technology. A key skill, once decisions have been made, is the ability to manage the development and rollout of ICT, an increasingly serious skills challenge in many industries, but particularly crucial in those sectors of publishing which are becoming dependent on the digital management and delivery of content.

8.1 Factors affecting sustainability and competitive advantage

8.1.1 Demographic changes

The demographic make-up of the European population, and its levels of education and literacy, are obviously very important to a sustainable publishing industry. The publishing industries cannot influence either of these factors directly and must develop strategies which allow for the ways in which they are changing.

Most European countries have both a falling birth-rate and increasing life expectancy. This is leading to a higher average age for the population, and to older people making up a higher proportion of the population. In 1985 people aged over 65 accounted for 12% for the European population; by 2025 it is forecast to reach over 19%.

In the longer-term, it is predicted that (without inward migration) the population of many European countries will fall: this is already the case in Germany, Italy and Greece. According to the United Nations, the population of Europe may have peaked in 2000.

A second significant trend in Europe is the continuing expansion of the urban population, predicted to increase from 71% in 1985 to 82% in 2025. The urban population is, however, likely to be distributed in towns of up to 500,000 people rather than concentrated in very large cities.

The third significant trend is the rise in the overall number of households, with a reduction in the number of people in each household. In 1990 there

were 262 million households in Europe; by 2025 there will be 328 million: this growth will occur even though the population is falling, reducing the average household size from 2.75 to 2.19.

These trends are not radically altered by the accession of the New Member States, which also have ageing populations and a trend towards more urban living.

8.1.2 Literacy and education

Literacy rates are already high in most European countries, and can be expected to increase in the lower-ranking countries. Some of the New Member States are among those with lower rates of literacy. Across members states, there has been a steady increase in the proportion of the population that has completed at least secondary education.

	1995	1996	1997	1998	199	2000	2001
% of population	56.6	57.9	59.4	n/a	64.3	65.4	65.7

Table 8-1 % of European population aged 25-64 having completed at least upper secondary education

(Source: European Commission)

	% of population aged 25-64 having completed at least upper secondary education (2001)
B	61.8
DK	81.5
DE	83.9
G	55.4
E	42.4
F	65.4
IRL	61.5
I	46.2
L	60.8
NL	68.4
A	79.3
P	21.2
FIN	76.5
SW	82.7
UK	82.0

Table 8-2: % of population aged 25-64 having completed at least upper secondary education (Source: European Commission)

Education will become increasingly important to employment as many new jobs created involve some form of "knowledge work". At least 50% of all jobs already require the use of a computer. The European Commission itself has, as one of its objectives, the promotion of knowledge-based work.

The combined impact of demographic and educational changes is to create an ageing, better educated and more urban society across Europe. Leaving aside the issue of a long-term decline in market size, the main implication may be for newspapers and magazines as advertisers have been more interested in younger people than they are in older people. A failure to attract younger readers may disadvantage them against other media.

8.1.3 Reading habits

It may be significant to note that there is considerable diversity in reading habits within the European Union.

In most of the EU-15 *magazine readership* (the percentage of the population that regularly reads one or more magazines) exceeds 70%; it reaches 95% in some countries. This appears to have been broadly stable since at least 1997. The percentage is also high in most of the New Member States, but does not quite reach the levels of the EU-15.

Nearly half of Europeans (46%) read newspapers every day (5 to 7 days a week). 78% of Swedes and Finns, 32% of French and only 20% of Greeks read newspapers every day. It is also interesting to note that in some countries the percentage of population who declared that they *never read newspapers* is significant.

When asked whether people read “for reasons other than work or study” – which is usually taken as the critical factor to indicate a strong or weak reading culture in a given country – the EU average of 45% of the population masks some large differences between Member States. Generally, the country-by-country analysis in this report shows that in most Northern European countries, there is a higher tendency to read than in other regions, mostly for leisure: 71.8% of people in Sweden, 66.2% in Finland and 63.2% in the United Kingdom read for reasons other than work or study.

In contrast, 58.3% of Belgians claim not to have read *any* books in the last 12 months, while in Portugal the proportion of non-book-readers is as high as 67.3%. This situation is only marginally better in Greece (54.3%) and Spain (52.7%).

8.1.4 The impact of competition from other media and changing media use

A third important contextual element is the way in which users choose to spend their time. Overall, time spent on media appears to be rising, especially if internet use is included.

Although the internet has become the most high-profile competitor to traditional print publishing in recent years, it is television that takes most of the time that consumers allocate to media use.

Unfortunately, most of the data concerning reading and other forms of media use for Europeans is in the form of snapshot rather than trend data. On this basis, it is therefore not possible to make specific predictions about the impact of other media on reading. However, it is clear that there is an increasing amount of competition for readers’ attention.

Medium	Percentage of media hours
TV	41%
Radio	28%
Newspaper	13%
Internet	10%
Magazine	8%

Table 8-3 Allocation of “media hours” by European consumers

Source: Millward Brown media consumption study, November 2003 (for European Interactive Advertising Association)

Patterns of usage also vary. Television attracts more “heavy” users: 20% of those watching TV spend on average 3-5 hours a week doing so. This compares with only 1% of magazine or newspaper readers who spend as much time on these media; the great majority of both magazine and newspaper readers spend an hour or less each week reading their magazines or newspapers.

Medium	Up to 1 hour	1-2 hours	2-3 hours	3-5 hours	5-10 hours	> 10 hours
TV	16%	31%	25%	20%	7%	1%
Internet	55%	25%	8%	6%	3%	1%
Newspapers	81%	15%	2%	1%	-	-
Magazine	75%	17%	3%	1%	-	3%
Radio	35%	23%	13%	12%	12%	3%

Table 8-4: Hours per week spent on different media: % of European population

Source: Millward Brown media consumption study, November 2003 (for European Interactive Advertising Association)

In the United States, research suggests that the percentage of adults who spend at least an hour a day on the Internet is now significantly greater than the percentage of adults who spend an hour a day with the print edition of a daily newspaper.

Consumers are spending significant amounts on actual access to the internet: perhaps at least twice as much as they do on newspapers in Europe. However, this expenditure appears to be additive and not to have detracted from other media expenditure.

It is recognised in both Europe and the US that time spent using the internet leads to a reduction in time spent on other activities, and watching television in particular. However, it does have an impact on a wide range of reading: across Europe, 29% of internet users said that they have reduced time spent on reading books, 26% magazines and 21% newspapers.

	UK	Germany	France	Spain	Italy	All Europe
Watch Television	46%	44%	43%	36%	45%	43%
Talk on the Phone	33%	27%	34%	24%	23%	28%
Read Books	29%	30%	31%	27%	27%	29%
Read Magazines	26%	24%	32%	19%	28%	26%
Read Newspapers	21%	24%	31%	20%	27%	24%
Outdoor Activities	21%	26%	22%	17%	20%	21%
Play Sports or Exercise	19%	24%	20%	18%	18%	20%
Listen to Music	17%	24%	19%	15%	19%	19%
Listen to Radio	17%	23%	21%	13%	21%	19%
Spend time with Family/Friends	17%	23%	21%	17%	18%	19%
Work	13%	19%	16%	11%	13%	14%

Table 8-5: Reduction in use of other media by internet users: % of users
 Source: Millward Brown media consumption study, November 2003; for European Interactive Advertising Association

It should be noted that this table reflects the *number of people* reporting an impact, rather than the amount of time: it therefore illustrates the breadth rather than the depth of an impact. So although it indicates that across Europe magazine reading has declined for 26% of internet users, it does not say by how much the time spent on magazines has declined: it may be a trivial number of minutes.

Broadband usage is also changing the way people use the internet. As it is always-on, rather than connected when needed, users are likely to turn to it more casually for instant answers or experiences rather than planning longer interactive sessions. The same study suggests that using the internet now accounts for more “media time expenditure” than reading magazines, and may soon become greater than that spent on reading newspapers (see Table 8-6).

	% of time spent
TV	41%
Radio	28%
Newspaper	13%
Internet	10%
Magazines	8%

Table 8-6 Allocation of time spent by media

Source: Millward Brown media consumption study, November 2003 (for European Interactive Advertising Association)

It is likely that this trend will continue, especially if mobile internet access becomes as significant as the telecommunications operators promoting it hope it will. It is not yet clear whether time spent on mobile media will displace or supplement existing time or indeed if use of media will account for significant use of mobile services compared with communications applications such as instant messaging, email and multimedia messaging. As noted in Section 4.5 above "Sectors of the publishing industry not covered in this report", the boundaries between these applications and "media use" are both fluid and permeable.

8.2 Advertising trends

Global advertising trends have a profound effect on newspaper, magazine and directory publishing. After a difficult period following the collapse of the dot-com bubble and the events of 9/11 and its consequences, there has been a distinct recovery in advertising. Overall, forecasts such as PriceWaterhouseCoopers' *Global Entertainment and Media Outlook 2004-2008* suggest that annual growth across all media worldwide will be 5.3%, and 4.3% in Europe. That is not dramatic growth, but it does at least suggest that advertising-based publishing is no longer in the dire straits that it was three years ago.

There are variations within the pattern: in Europe, magazines may only achieve 3.1% and newspapers 2.5%. These are the lowest growth categories. Other traditional media, such as television and radio, will do slightly better but the greatest growth will be seen in internet advertising, with 16% CAGR forecast in Europe. Internet advertising is still much smaller than either print category, however: by 2008 it may still be less than 10% of newspaper advertising and 17% of magazine advertising by value.

A key difference between the different European countries is the division of circulation between single-copy sales and subscriptions. Although there is limited data available, subscriptions play a much more significant part in markets such as France, Sweden, Finland and Germany than in others such as Spain, Italy or the UK. Publishers in subscription-based markets enjoy good cashflow but do not necessarily enjoy better margins.

8.2.1 Direct marketing

An important trend in this context is the steady growth in direct marketing over recent years in some European countries.

Direct marketing as a % of traditional advertising expenditure			
	1997 %	1999 %	2001 %
Austria	96	82	80
Belgium	62	36	37
Denmark	37	40	78
Finland	45	41	44
France	73	74	77
Germany	60	65	70
Greece	1	5	7
Ireland	21	8	7
Italy	27	28	34
Netherlands	82	125	118
Portugal	5	4	4
Spain	55	57	63
Sweden	40	40	49
United Kingdom	40	42	48

Table 8-7 Direct marketing as a % of traditional advertising expenditure

Source: Federation of European Direct Marketing

Although by no means universal, there is a noticeable growth trend in major European markets such as Germany, France, Spain, Italy and the United Kingdom. If continued, this trend may result in a reduced pool of advertising expenditure available to magazines, newspapers and directories in the longer term.

8.2.2 Internet advertising

Although starting from a smaller base, internet advertising in Europe is now the fastest-growing sector. There are many different forecasts for growth, ranging from annual forecast growth of around 15% between 2003 and 2008 to 22% over the same period. This should be contrasted with advertising in newspapers and magazines, with growth forecasts in the 2%-3% range.

However, even with such aggressive growth, internet advertising remains a comparatively small percentage of total advertising:

Relative advertising revenues			
	2003 %	2005 %	2007 %
Television	32	34	34
Radio	5	5	5
Internet	2	2	3
Magazines	19	19	18
Newspapers	35	33	32
Other	7	7	7

Table 8-8 Relative advertising revenue

Sources: NielsenNetratings, Forrester, PriceWaterhouseCoopers

There are differences between the Member States: in the United Kingdom in particular, internet advertising is growing faster and is likely to reach the same value as radio advertising within the period to 2007.

There is one particular areas where internet advertising poses a greater challenge to print media, and that is recruitment advertising, where it has grown much faster and is already a serious challenge to B2B magazines in particular.

Both magazines and newspapers will be able to capture some of the internet advertising revenue for themselves through their own websites. However, a large proportion (between 25% and 40%, depending on the forecast) of internet advertising will go to internet search services in the form of paid-for listings or keyword-based display advertising. This is less accessible to content-based websites.

A further major change in the nature of advertising on the internet is that responses are directly measurable (number of times the advertisement is viewed, or the number of people who click on a link, for example), and payment is often related to these measures. This is a very different relationship from the display-space model used by newspapers and magazines.

8.3 Innovation

It is generally accepted that innovation in the publishing industry tends to be incremental rather than radical. There are good examples of radical innovation: the development of free daily newspapers, for example, is clearly a radical innovation that is changing the newspaper industry; the audiobook was an innovation that created an entire new market. The introduction of XML into the digital workflow is an example of radical process innovation in the journals publishing sector in particular. However, such large-scale shifts are not typical of publishing or many other industries: incremental innovation is far more prevalent.

Examples of incremental innovation in publishing include, for example, small-format magazines, combined internet and print advertising package sales with a single price and low-cost high-quality colour printing for books. Steady improvement through consistent incremental innovation is very important to maintaining profitability and productivity in a mature industry such as publishing, but is unlikely to help the industry break into new market sectors that would put it on a path to much higher growth.

8.3.1 Supplier-led innovation

Many innovations that have affected publishing are supplier-led, as publishing still relies heavily on external suppliers for much of its operations. Printers and suppliers of printing equipment have enabled publishers to achieve new cost-savings or improved quality that has helped to enable new products or improved profits. However, the relationship is in many case a symbiotic one: suppliers often act in response to market demand from publishers and others as well as to their own innovation processes.

8.3.2 ICT and innovation

The past few years have seen considerable innovation in information and communication technologies, and in internet-based technology in

particular. The publishing industry has been able to benefit both through developing customer-facing products and services and in its production and management processes. Some of the most significant challenges identified during this study as important to future competitiveness arise from ICT innovations, and the internet in particular. Publishers in all sectors have responded through developing and launching online products and services, although the cost of doing so has not always been repaid.

The need to innovate in response to changes brought about through the internet will intensify as new platforms such as interactive television and mobile devices become more significant and absorb more of the market's discretionary expenditure. An important aspect of the challenge that they present is that they are communications technologies as much as information or content technologies, and communications applications such as messaging have proved the more significant than content applications – the publishing industries are already learning how to integrate this into their own offerings, but the process is not intuitive to publishers and innovating in this area may offer significant advantages to those forms whose innovation processes are able to identify and sustain closer and more symmetrical forms of communication with the audience.

8.3.3 The impact of innovation

There is no strong evidence to suggest that highly innovative publishing firms with a history of radical innovation fare better generally in the market than others that follow the route of consistent incremental innovation. There are clear cases where who firms owe their existence to radical innovation: the development of citation indexing in science, for example, by Eugene Garfield, led to the creation of a substantial business (ISI) that is still highly important in its sector nearly fifty years after the original innovation. However, many firms never enjoy such a radical innovation and yet continue to be highly successful on the basis of incremental innovation. Many such firms focus on diffusing their innovation efforts throughout the firm to ensure that developments are picked up wherever they originate, and that their benefits find their way into all areas of the firm.

It remains at present very hard to demonstrate the relationship between innovation and sustainability in a quantifiable way. Other industries can point to the benefits of specific inventions, or the creation of intellectual property in the form of patents. Input measures such as research and development expenditure can also be tracked. These do not have direct (or even indirect) equivalents in most areas of publishing, so without such datapoints for a formal ranking scheme the benefits of innovation are usually anecdotal. However, those firms that fail to innovate even incrementally often observably struggle to regain former strength and position.

Further research is needed on the relationship between innovation and either short-term performance or longer-term sustainability.

8.4 Entrepreneurial activity

For most sectors of publishing other than newspapers, it is relatively easy for an entrepreneur to enter on a small scale, perhaps publishing a single specialist magazine or a small range of books: the capital required is not high and many functions can be outsourced. This can be seen, for example, in the very large number of small book publishing firms in many Member States, many of which publish only a handful of books each year. At the other end of the scale, setting up a new newspaper, even a local one, is a much more capital-intensive activity. It is also more likely to be challenged by existing competitors: newspapers already cover a wide geographic base and it would be unusual for a particular area not to have an incumbent of some form.

However, access to the distribution channel and retail channel is an essential factor for all sectors of publishing. There are some forms of book publishing that can operate on a direct marketing and direct sales model, but the majority still rely on a conventional retail model. This presents new and small publishers with serious challenges to getting their titles in front of consumers: retailers are cautious about giving over valuable shelf space to books that may not sell. The same is true for magazines.

The challenge for entrepreneurial publishing ventures is often therefore to find a route to the market. Some have approached this by relying on internet sales and this can be effective: it may also stimulate demand through traditional retail channels.

Once in the conventional channel, the demands of large retailers can be hard to meet particularly for a small publisher of either books or magazines. As most publications are distributed on a sale or return basis, the need for working capital is high and there can be a significant delay (and uncertainty) before sales are fully realised as cash.

Entrepreneurial activity in business directory publishing is relatively well-established as by definition many of these products are sold to well-defined niche markets through direct mail. This makes it easier to grow incrementally. The barriers to any new entrant in the consumer classified directory business, by contrast, are extremely high for both print and online products and services.

8.5 Statistical information about the publishing industry

We have drawn attention in our reports to the mismatch between the way in which publishing is developing as an industry and the basis on which statistics are currently compiled. This is largely historical, and already does not cover parts of the publishing industry (such as the directories and databases sector) that are considered in this study. The position for the future is also of concern: the publishing industry is developing in new and exciting ways, but it will be impossible to measure the results of such development if the statistics are compiled on the current basis.

There is in hand a revision of the statistical schema. The main responsibility for this (in Europe) lies with Eurostat. A draft of the new structure is available for consultation on the Eurostat website¹¹. While classification schemes are inevitably retrospective to some extent, a reconsideration of the scheme based on a more flexible model less related to current print products would be very helpful. In particular, it should be noted that services that exist online but not in print are not dealt with well: at the moment, it appears that internet publishing is subsumed under the relevant category of printed product. There is no category for (for example) a purely internet news service. Although these do not generate equivalent revenues at present, in some sectors they are already significant forces in advertising and

Categorising printed and digital services together in this way will also make competitiveness analysis very difficult in future: the different categories are very likely to have very different performance measures (productivity, value-added, margin etc) and grouping them together in this way will prevent a serious economic comparison of new media with old.

This question is raised by the authors of the new structure in a consultation document:

"Note that the "Internet publishing and broadcasting" is not separately identified in the draft, due to the small size of this activity. These activities are subsumed into each and every relevant publishing and broadcasting class. For instance, under 5311 would be also the publishing of books on the internet.

Would you support this approach, or would you like to see "Internet publishing and broadcasting" identified separately as a division?"¹²

However, their proposed solution (a single category for "internet publishing and broadcasting") will also group together very diverse businesses with little in common other than the fact that they use the internet: this is as coarse-grained as saying "printed publications" for all sectors of publishing.

Nor does the new scheme make any attempt to deal with new types of business that blend traditional text content with video, audio, software tools and interaction with communities. The only loosely relevant category would be "web search portals" (57.22), but again this would offer little value to anyone trying to make serious analysis of this business. Although such "convergence" businesses are not economically significant at the moment, it is likely that they will become so over the next ten years (the expected lifespan before the next major revision).

¹¹

<http://forum.europa.eu.int/irc/dsis/nacecpacon/info/data/en/Draft%20NACE%20structure%20for%20consultation.xls>

¹² ISIC and NACE QUESTIONS for CONSULTATION:

<http://forum.europa.eu.int/irc/dsis/nacecpacon/info/data/en/ISIC%20and%20NACE%20questions%20for%20consultation.doc>

The important business database sector seems to be excluded entirely, as it is in the current scheme.

There are also some problems of detail: directories (including classified telephone directories) are to be covered under books in the new scheme. This seems peculiar, as the business model is radically different and financial performance data will also be very different for these services, which in any case are increasingly blended with online versions.

It may be helpful to consider alternative models, such as breaking down content creation from distribution in different media. This would allow the emerging group of information aggregators in scientific, technical, business and professional information to be better analysed, and would take more account of the multichannel nature of much news publishing.

8.6 Issues for individual publishing sectors

8.6.1 Newspaper publishing

Newspapers benefit from being a regular and habitual purchase for many readers, either through subscription delivery or through retail purchase and this is a major factor in the sustainability of newspaper publishing. The opportunity to renew the relationship on a daily or weekly basis in a major strength.

Newspapers are still read by a large proportion of the population in many Member States, and remain a low-cost, high-value purchase for their readers. They also appeal to a large number of readers: although there are real problems with falling readership, some 46% of Europeans read newspapers every day, although again this overall figure conceals a wide range in different countries (from 78% in Sweden to 20% in Greece).

Beyond the purely commercial, newspapers have a societal role in providing information and comment that can have social and political impact. They are still an essential source of political, social and community information, often being the first media to report on issues that subsequently are taken up by broadcasters.

Newspapers have strong brands that appeal to both readers and advertisers, and that can be extended to other services such as online news services. Many of these brands are local, and face competition mainly from local brands in other media, especially radio, rather than from either other local newspapers or the internet. Most newspapers also have a diverse revenue stream, with substantial advertising revenue as well as copy sales. Some of that revenue comes from a wide base of classified advertisers.

These benefits have served to offset the worst consequences of a continuing decline in readership: this decline is a long-term trend across Europe and North America, and there is no reason to suppose that it will be reversed. These difficult operating conditions have ensured that newspapers have developed great operating effectiveness that allows them to continue to generate good cashflow and to make profits.

The number of copies sold per thousand population is not closely related to margin. It is therefore not clear that a high circulation per thousand population necessarily leaves a newspaper industry in a stronger position: the combination of a high operating margin and high penetration is likely to prove the best combination for long-term sustainability, as it suggests that the “newspaper habit” is secure and that there is enough financial headroom to invest in change.

Newspapers in some EU member countries must contend with low margins: it will be harder for them to survive falls in circulation without change. Where there is a higher margin, the industry should have more time to adapt. Margins are often historically low (rather than just having turned down in the past year or two), suggesting that newspapers in those countries will have limited resources for meeting the challenge of falling circulation: they may have low retained profits to fund the developments that might make them more attractive to a wider (or different) customer base.

Managers are often focused on controlling costs rather than improving the product. There is limited vision in many sections of the industry, and coupled with hierarchical management structures and weak family managements in some smaller firms this has made innovation difficult – leading to conservatism in business and financial structures.

Although the most appropriate response to structural change is often seen as migration to new media, there are other developments within the industry that may also move it forward. These include new print-based products, new ways of working with advertisers and new production methods. There are also enterprise-level responses such as consolidation through mergers or acquisitions and diversification into other media industries such as radio and television.

Excellence in process, technology and operations management is likely to be important to newspapers continuing competitiveness for many reasons, but three in particular stand out:

- It will allow the publisher to create new multimedia and interactive services to compete with other online service operators, such as broadcasters and portal operators who aim to provide strong local coverage as well as general news services
- It will allow publishers to experiment with new types of service at low cost to see if they work before committing to full-scale launches.
- Effective cost control in the delivery of multi-channel services will enable prices to both advertisers and subscribers to be kept low.

8.6.1.1 READERSHIP TRENDS

The major challenge to newspapers is the declining circulation that almost all have been experiencing over the past two decades. In most EU Member States circulation (measured as the number of people per thousand who buy a newspaper) has fallen by several percent since 1995; this pattern is the same in North America and in parts of Asia.

There are several reasons for the fall in circulation: in some markets, perceived increases in price appear to have been a contributory cause, but

the over-riding reason seems to be the presence of many other types of media that can provide news and information, or which simply take up consumer time. Television is the most powerful of these, but the internet has also created a new focus for the reader's attention.

It is unlikely that this decline can be entirely reversed. One report, from consultants PriceWaterhouseCoopers, suggests that an increase in the population of people aged 45 and over (the most important age group for newspapers) combined with new marketing techniques, could increase consumer spending on newspapers by 8% between 2001 and 2006. This is the most optimistic forecast identified during this research, and although it might reverse the long-term trend, it would still not restore newspapers to anywhere near their highest circulation.

Many solutions have been proposed, but the most relevant appear to be newspapers much more strongly focused on the interests of the 18-34-year-old section of the population. Free papers have proved popular with young commuters, and, in the US, some publishers have experimented with newspapers aimed specifically at "the younger reader". Countries that have been successful in reaching younger readers tended to perform well in circulation terms. Portugal, Spain and Italy have attracted younger readers and are stable or have made small gains: this suggests that there is real benefit in attracting young readers.

Many advertisers continue to be mainly interested in channels that reach young people as they have the opportunity to establish a brand loyalty that will continue to pay dividends.

8.6.1.2 ADVERTISING

The fall in advertising revenues experienced around the beginning of the decade reflects the general economic situation that has also seen advertising fall for other media in many EU Member States. This is not just a single-year effect: according to the World Association of Newspapers, nine European countries recorded a fall in the period 2001-2002. The global share of advertising revenue taken by newspapers fell from 32.1% in 2000 to 30.8% in 2002. Any reduction in advertising revenue has a high impact because as well as the general sensitivity of newspaper revenue to swings in the economy, newspapers at the same time have high fixed costs that are difficult to reduce rapidly in response to reduced revenues.

In Europe, these changes are taking place in an environment in which newspapers are becoming increasingly dependent on advertising revenue. In most European countries, the proportion of newspaper revenue derived from advertising has been rising, albeit slowly, as circulation declines. This magnifies the effect of any decline in overall advertising revenue. The dependence of the newspaper industry on advertising is, though, much less pronounced in Europe than it is in the USA.

A decline in share need not always imply an absolute decline; although advertising revenue has fallen in recent years, forecasts suggest that as the overall advertising market recovers, newspapers will benefit and their revenues will start to increase again. Part of this increase will be

attributable to classified advertising, which tends to be tightly linked to general economic conditions.

8.6.1.3 ONLINE SERVICES

Many newspapers have already created online services, and much attention is being given to how these can be monetised. In parallel, newspapers are also focusing on using their websites to build and develop more interactive relationships with their readers, both through making content available, and through devices such as online polls with instant feedback, competitions, and discussion forums. These can build up traffic, allowing newspapers to monetise through selling advertising packages that may include web as well as print advertising. However, this space will be hotly contested in the future and newspapers will not automatically dominate it: new entrants with a pure internet model have made considerable headway in the US. Publishers with the strategic ability to deploy new content services quickly and cost-effectively will be at an advantage.

Overall, internet advertising is becoming more significant and is expected grow faster than conventional newspaper advertising. Newspapers will almost certainly only capture a small proportion of this for their own websites: present behaviour suggests that it is likely that the largest percentage will be spent with web search engines on sponsored links. However, even given its strong growth, the low starting-point of internet advertising suggests that it will remain a limited threat for the foreseeable future, with forecasts suggesting that it will amount to only 10% of the value of newspaper advertising in Europe by 2008, or a little over 1% of total European advertising revenue.

Newspapers have developed strong web sites in many cases, but so have news-focused broadcasters and there is often little to differentiate in terms of pure news coverage. Although content provided by broadcasters will differ, both can present attractive services: broadcasters have access to good video material, but newspapers are often more able to incorporate a range of commentary and polemical features that are outside the remit of broadcasters, who are usually expected to remain more neutral. The choice will be a personal one for users, but whichever they choose they are presenting the newspaper with direct competition in a way that did not exist before.

Newspapers are also adjusting to the pressures that online publishing places on process and operations. Online news services, whether delivered over traditional internet platforms or on mobile devices, require a different time-cycle for creation and publication. This is likely to become more, rather than less, significant.

Newspaper publishers (and editors) will also need to come to terms with the changes that may result from innovations such as weblogging ("blogging") and other interactivity which are now becoming a feature of many newspaper sites in Europe as well as the USA. These create less formal content within the newspaper website, either through allowing a more fast-paced response by journalists, or by bringing externally-created content into the branded newspaper site through including external

contributions such as managed discussion forums and blogs contributed by readers rather than newspaper staff.

The increasing number of online services will also offer opportunities for some newspapers to repackage their content for others. This is not yet happening on an extensive scale, however. The same is true for opportunities in mobile services. The future of "mobile content" is unclear at present: ambitious forecasts have been made, but there has been little take-up in the major European markets so far.

8.6.2 Book publishing

Book publishing benefits from a long tradition of reading and the role of books as an essential medium for education. Book-buying is embedded in European culture, and books are, for the most part, affordable and easily available. This has helped books sales to remain quite resilient despite the availability of other media, and books are not affected by the cyclical nature of advertising expenditure. There is some evidence that consumer book-buying responds to aggressive promotional initiatives, including price reduction in countries without a fixed price.

European companies are world class competitors and have access to a global market, both through their publishing programmes and through ownership of companies outside Europe.

The key business issue for the book publishing industry is finding ways to grow. Overall, growth has been slow for several years and the industry can be regarded as mature: growth for individual enterprises comes through competition for market share or through consolidation. There is, on the other hand, no evidence of dramatic falls in book purchasing, although younger people appear to be more interested in other forms of media and book publishing, like the other print media, faces challenges in competing with these newer media for both attention and consumer expenditure.

There is no obvious immediate driver of radical change. The industry has not been increasing the number of readers: in territories where there has been an increase in turnover, this seems to have come from more sales to the same people, rather than from increasing the number of book buyers. This has in turn led to an industry focused on containing costs rather than developing radical new products. In the larger markets the number of titles published is increasing as publishers seek to expand the market by extend the available range, but at present this seems rather to be adding to costs rather than driving an increase in total sales.

An important feature of the book publishing industry is its diversity: it includes very large international companies, and very small specialist companies with a close understanding of their niche markets. The largest companies account for most sales, but the diversity of the industry as a whole is an important feature in that it provides a route for many authors to get started, providing the feedstock for the larger companies. This diversity is reflected in the increasing number of titles published in most major EU markets: this creates some problems as with a static market each title will be selling less on average and adding cost to the operation.

The fragmentation of the industry into a small number of large firms and a very large number of small (or very small) firms has both positive and negative facets. Small firms are entrepreneurial and are often able to identify new writers and new markets. However, smaller firms may face considerable problems in gaining access to traditional retail channels and often have little marketing resource so the diversity may be less than it appears. Even larger publishers tend to keep marketing costs low, which makes it harder to reach the new audience that is needed if the industry is to grow further.

Book publishing is very dependent on retailers of various types, and in some EU member states the retail channels are becoming concentrated. Books are increasingly sold in outlets other than traditional bookshops; retailers such as supermarkets are interested in stocking mainly bestsellers, and also seek high discounts from publishers. This trend is even more pronounced in countries that do not have fixed pricing for books, as both supermarkets and large bookshop chains want to offer books to the consumer at low price. In some countries, exemplified by France and Italy, a single retail chain is either very strong or dominant; in others, such as Germany, the retail channel remains fragmented. The ability to deal effectively with different types of retail channel will be an important factor for book publishers who remain competitive.

The buying power and ability to demand discounts that large retail chains command presents difficulties for publishers trying to maintain their businesses. Consolidation among booksellers has increased the problems in some Member States, and in some cases it appears that the revenue from apparent sales increases at retail is not finding its way through to publishers as retailers take increased margins on sales.

The book industry has responded to these challenges through some product and marketing innovation, and through increasing efficiency. It has not in general responded through technological innovation: e-books have not yet developed as a force in European publishing, although print-on-demand is growing, especially in academic publishing. The e-books market is developing rapidly in the US, with sales now reaching over 400,000 per quarter¹³, with an approximate annual value of \$13 billion. The difference may in part be accounted for by the greater willingness of US consumers to take up new technology.

This dependence on the retail channel particularly in the consumer market may change under the influence of the internet as a sales channel, but despite well-publicised successes, internet bookselling is still a relatively small percentage of the total and is not growing very fast.

The industry has become very much more efficient in its operations, and publishers are continuously taking advantage of new technologies, especially in prepress, to reduce costs. The supply chain is well-

¹³ These sales are of ebooks to be used on readily-available platforms such as PCs and PDAs: very few are sold for dedicated ebook readers.

developed, and generally efficient despite the enormous diversity of available product, and recently has incorporated the internet.

8.6.2.1 READERSHIP TRENDS

The effect of changing patterns of media use has not always been as dramatic as is sometimes thought: a study of the situation in Germany by the Goethe Institute suggested that the average time spent reading a book each day in Germany had fallen from 22 minutes to 18 minutes over the period 1980 – 2000. However, during that time use of all media increased considerably (from 5 hours to 8 hours per day), so although some effect was visible it may be argued that other media have by no means eliminated the reading of books.¹⁴

Despite overall high rates of literacy in Europe, some countries have historically had a low proportion of book-readers. In several EU members states more than half the population over 15 has not read a book in the past 12 months.

The statistics in Table 7.9 indicate whether there is a strong “reading culture” in the (the New Member States were not covered in this research). In particular, the percentage of people reading for “reasons other than work or study” is important: this is the percentage of the population that reads for pleasure.

¹⁴ <http://www.goethe.de/kug/mui/buv/thm/en38499.htm>

	Yes, for work (%)	Yes, for educational purposes (compulsory texts only) (%)	Yes, for educational purposes (non compulsory texts) (%)	Yes, for reasons other than work study (%)	No (%)
Belgium	4	8	18	23	58
Denmark	15	19	17	55	33
Germany	15	16	21	40	41
Greece	5	11	9	36	54
Spain	5	12	7	39	53
France	9	11	18	40	43
Ireland	7	15	11	40	44
Italy	5	6	4	43	50
Luxembourg	13	10	8	56	35
Netherlands	10	14	9	53	37
Austria	12	14	21	43	38
Portugal	4	8	14	15	67
Finland	17	17	20	66	24
Sweden	15	23	17	72	19
UK	18	16	17	63	25
EU-15	11	13	15	45	42

Table 8-9 Have you read any books in the last 12 months? (multiple answers possible)

Source: Keys Figures on Cultural Participation in the European Union, EUROSTAT, Luxembourg, October 2002¹⁵

Some book publishers express concern that younger people do not read as much as older people. This is a clear problem for the newspaper industry, but there is less evidence that it is a problem for book publishers.

A survey carried out for the European Commission in 2001 specifically to identify the cultural habits of young people suggested that while 40% of

¹⁵

[http://www.readingeurope.org/observatory.nsf/2dbf24d308832e59c2256c7d004bd9fe/\\$Body/0.5E96?](http://www.readingeurope.org/observatory.nsf/2dbf24d308832e59c2256c7d004bd9fe/$Body/0.5E96?)

young people identified reading as an activity, this was far from the most popular activity: meeting friends was much more popular. However, reading books was the least popular media-based activity .

It must be possible that younger people in, faced with a much wider range of choice of leisure activities, are less likely to become heavy book buyers than their parents. Many people in Europe read only one or two books a year. The industry supports literacy campaigns to improve this number, but in some countries book-reading remains very much a minority activity.

Television remains the greater use of time in Europe, but trends in the US suggest that internet use is increasing, but this is mainly at the expense of television watching rather than reading. It seems likely that screen-based media of various forms (television, games and the internet) will ultimately have an impact on the print media, but there is no data to suggest that this is yet proving to be a factor in the book market.

8.6.2.2 DIGITAL MEDIA

Although the digital media are not yet a significant force in books for consumers, they are becoming important in education at all levels. Computers are increasingly used as a tool for teaching and learning, and access to digitised text, audio and video content through virtual learning environments is becoming an established form of delivery in many schools, colleges and universities. "Published" digital content can be combined with content created locally by teachers and other staff, and digital learning environments offer the opportunity to integrate content with student interaction, measurement and feedback.

E-books have not yet been successful in the European market, and the low level of sales has meant that no tracking has been established. This presents a major problem in commenting on this aspect of the industry.

US experience may be relevant. After a difficult start, it is becoming a substantial industry: in 2003 over 1.3 million downloadable e-books were sold, generating revenues of nearly \$7.4 million, a 27% increase over 2002. This is encouraging, but the European market is starting from a much lower point.

The number of new titles published in the US each quarter is between 1,000 and 2,000, so the range is growing slowly.

Publishers have made more use of the internet as a marketing medium than as a delivery channel for new products; there are a number of factors at work here, but most important is the lack of a current, proven market for paid-for e-books or internet publishing. This has led publishers to maximising the marketing benefits of the internet as a first step.

Many educational publishers are using online platforms to deliver additional content to teachers and students, but this has not yet involved any substantial departures from traditional business models. Some reference book publishers have also made effective moves into online, often based on a subscription model as their market is familiar with the concept of buying new editions annually. In the more distant future, the acceptance of more interactive platforms such as mobile phones, which

allow the reader to respond and interact, may change the type of publishing that works on e-books away from reproductions of the printed original into services in which reciprocity becomes significant: few book publishers are equipped to manage well such activities at the moment.

8.6.3 Magazine publishing

Magazine readership remains healthy in the EU. Circulation numbers are stable. The industry has demonstrated considerable creativity and adaptability; this is one of its core strengths. Magazines are read by all ages and social classes, and there are niche titles to appeal to different groups within the same broad segments. Well over half the population reads magazines more than once a month. The magazine publishing industry is intensely competitive and no company can easily dominate a sector or market. The number of titles available continues to grow.

The environment is very competitive, often with similar titles from several publishers chasing the same readership and advertising market. In some countries, this has led to fragmentation while in others dominant players can be seen, at least in some sectors. There is no monopoly in a consumer magazine sector: even in relatively concentrated markets, a strong incumbent title can be forced to adapt by a new competitor or by an existing competitor's relaunch.

There is a noticeable trend towards an increasing numbers of titles published: in most of the major European markets the number has been growing since the mid-1990s and the trend continues. As some titles are discontinued each year, this suggests that the industry is a dynamic and highly competitive one. One reason for the increase in the number of titles is that, as niches are identified by one publisher, others will often launch competing titles quickly, and it may be some time before it is clear how many the market will support.

Magazine publishers have been able to identify emerging markets and create new titles for them, as well as to adapt existing titles to changing markets through content, design and commercial development. They have adopted new production technologies, and many magazines have innovated through developing online services. Innovation has also been driven by advertisers.

Like newspapers, magazine brands have some claim to own relationships with readers as a trusted source of ideas and entertainment. Magazines are often retained for several days or weeks, and reread, giving more exposure to advertisers. Key business-to-business titles are sometimes seen as *the* voice of their industry.

Although magazines' total *share* of the advertising market is not growing, the total *value* is growing. Many advertisers are strongly committed to magazines and increased their advertising expenditure considerably above the rate of inflation between 2002 and 2003, the last year for which data is available

Magazines in some EU member countries must contend with low margins: it will be harder for them to survive any fall in circulation (which will impact advertising revenue) without change. Where there is a higher

margin, the industry should have more time to adapt. Margins are often historically low (rather than just having turned down in the past year or two), suggesting that magazines in those countries will have limited resources for meeting the challenge of other media: they may have low retained profits to fund developments that might make them more attractive to a wider (or different) customer base.

Although the appropriate response to structural change is often seen mainly as migration to new media, there are other developments within the industry that may also move it forward. These include new print-based products (especially new formats), new ways of working with advertisers and new production methods. A key feature is the extension of brands across language and national boundaries.

Some magazine publishers are also investigating opportunities to launch in new territories. For some, this means the New Member states, but others are also planning to extend their publishing into Asia.

There are also enterprise-level responses such as consolidation through mergers or acquisitions and diversification into other media industries such as radio and exhibitions. Business magazine publishers in particular have extended their brands into other media to become broad-based "business communications" forms rather than simply "publishers".

Many magazine publishers are concerned about changes in the nature of retailing. As noted above, the importance of this varies between Member States as in some countries there is a strong subscription base and single-copy sales are less important. In countries such as the UK and Spain, however, sales of individual copies are very important in the consumer sector (although the business-to-business sector is predominantly subscription-based throughout Europe) and publishers in these countries rely heavily on retailers to make available a wide range of consumer magazines. However, supermarkets are becoming more significant as retailers of magazines and there are concerns that they are only willing to stock a comparatively small range of best-selling titles.

8.6.3.1 READERSHIP TRENDS

In most of the EU-15 *magazine readership* (the percentage of the population that regularly reads one or more magazines) exceeds 70%; it reaches 95% in some countries.

Frequency of reading is an important factor for sustaining magazines:

	Once a week or more	1-3 times a month	Less often	Never
Belgium	34%	25%	22%	16%
Denmark	47%	22%	15%	12%
Germany	46%	28%	16%	9%
Greece	18%	15%	21%	46%
Spain	18%	25%	28%	29%
France	39%	29%	15%	17%
Ireland	25%	19%	27%	29%
Italy	32%	27%	25%	17%
Luxembourg	52%	21%	13%	14%
Netherlands	44%	21%	17%	17%
Austria	30%	28%	29%	12%
Portugal	25%	17	21	37
Finland	61%	23	12	3
Sweden	35%	35	20	9
United Kingdom	30%	30	16	24
EU-15	35%	27	19	18

Table 8-10 Reading magazines (% of population 15 years and over)

Source: Statistics in the Wake of Challenges Posed by Cultural Diversity in a Globalization Context: Keys Figures on Cultural Participation in the European Union

This suggests that in most Member States more than half of the population reads a magazine at least once a month. However, in some countries less than half the population does. These include Greece, Spain, Ireland and Portugal.

Spain and the UK are the largest markets with non-readers reaching over 20% of the population: in most of the other large markets, including France and Germany, it is below 20%. The lack of any demographic breakdown means that this information must be treated with caution, but it is likely that low readership is likely to mean both low revenues from circulation and that advertisers are less interested in magazines as the reach is low compared with other media.

8.6.3.2 ONLINE AND DIGITAL

The magazine industry worldwide has been seeking viable online business models to counter the threat of online information and entertainment produced by a variety of new media players, as well as erosion of advertising income. Some magazines have spent heavily on developing their own websites, but have always not been able to generate sufficient revenue to sustain their efforts. Following a trend in the US, some are moving to a paid-for access model, with some or all of the content only available either to subscribers or on a pay-per-view basis.

Digital editions are now taken seriously by many advertisers. Magazine publishers may also be able to develop and market content for mobile phones, creating the opportunity to extend their relationship with readers as well as earn additional revenue through paid mobile content services. Magazine brands have value, creating interest among mobile operators.

Magazines may find it hard to maintain or increase their own share of online advertising revenue: they sell primarily banner and other forms of display advertising, whereas much internet advertising revenue is not from display advertising but is gained by the large search engines for sponsored search.

Business-to-business magazines may have fared better, and some have been successful in attracting significant advertising revenue, sometimes through packaging online and offline advertising offers to offer advertisers broad coverage across media.

Some business-to-business magazines to which recruitment advertising is an important revenue source have suffered from its migration online in the same way as newspapers. Many business-to-business magazines have developed enhanced services to recapture recruitment advertising: offering combined print and online packages gives them advantage over online-only services in the eyes of some advertisers.

8.6.4 Academic journal publishing

Unlike any other publishing sector of its size, journal publishing is a genuinely international business: the output of many European publishers is sold overseas, and many overseas publishers (from the USA in particular) sell their journals in Europe. There is neither "versioning" nor republishing variants for different markets. It is one of the few publishing sectors in which there is direct competition between US and European publishers for the same readers. This situation has arisen as the main scientific working language is English, although other languages are important in specialist fields.

Many publishers of academic journals are not commercial organisations: learned societies publish high-quality journals, often relying on their publishing surpluses to maintain services to members. However, strong commercial publishers also operate successfully in this field, including some very large enterprises.

The market for academic journals is not expected to grow in the near future. Many academic libraries have suffered real-terms cuts in their acquisition budgets over several years, and all indications are that this trend is unlikely to reverse.

The market itself is focused on the US (58% of revenues are derived from US consumption, 26% from Europe and 16% from the rest of the world) ¹⁶

Europe, however, is the larger producer: a number of major European publishers, including Elsevier, Springer,, and middle sized companies such as Blackwell and Taylor and Francis. The two largest university presses are also European.

This is not to say that there are not some significant US publishers in this sector: companies such as John Wiley (which also has a substantial journal publishing operation based in the UK), and large society publishers

¹⁶ J P Morgan European Equity Research: Scientific and Medical: Big is beautiful June 2003

such as The American Institute of Physics and the American Chemical Society are significant forces in their sectors.

Consolidation has taken place at the upper end of the industry, but the lower end is fragmented into many small publishers (including learned societies). However, there is a range of companies that might be considered "medium-sized" in that they remain independent and specialise in this sub-sector and adjacent sectors such as academic books.

The international nature of the sector has benefited European companies. Elsevier, part of the Anglo-Dutch Reed-Elsevier group, is the largest journal publisher in the world and publishes across a wide range of subjects.

A key characteristic of journal publishing is that it derives little revenue from advertising or sponsorship: almost all its revenue comes from subscriptions from either academic or corporate libraries and a proportion from personal subscribers. There are no significant single-copy sales.

There has been much recent interest in new business models, including "open access" models. Under these models, no subscription would be charged for a journal. The main source of revenue switches to a charge to authors for publication of their articles. There is considerable debate as to whether this model is sustainable over the long term or not. However, it is clear that if the model were to develop successfully, it would pose serious challenges to the journal publishing business as it stands today.

The interest in open access has been reinforced by policymakers in the USA and in Europe¹⁷. In the light of the international nature of the market and the enterprises operating in it, US policy is highly relevant and will have a direct impact on the competitiveness of European enterprises.

Many journal publishers believe that such services do not challenge the advantages of journals in providing authority and coherence through selection and peer review, but nevertheless may represent a threat to the business model.

Developments such as open access publishing have not yet directly affected the journals publishing industry as they are at too early a stage. It is not certain that open access will gain any ground. However, if the open access model *is* widely adopted it will have a considerable impact on the industry as it stands and at least force a period of considerable adjustment and realignment if not total change.

Because of the subscription nature of the business, cash flow for journal publishers is very attractive, and cash outgoings are not high. Journal publishing has been highly profitable, and publishers in this sub-sector tend to have fairly high margins. However, in recent years many

¹⁷ Directorate General for Research of the European Commission has launched a study into "the main topics of the current public debate, such as the future of printed scientific reviews, the risks associated with increases in the price of publications in terms of access to information for researchers, open access to research findings for all and the need to reconcile authors' rights and the economic interests of publishers." (<http://europa.eu.int/comm/research/press/2004/pr1506en.cfm>)

publishers have financed very significant investments in electronic delivery platforms.

8.6.4.1 DIGITAL DELIVERY

Academic journal publishing has embraced digital delivery more than any other publishing sector. It is not only the preference of many users, but in the long term it may also offers the publisher cost-savings if print versions can eventually be discontinued. At present, it is likely to remain a cost for most publishers as continuing investment is required and this requirement can be high.

8.6.5 Directory publishing

Consumer directories are distributed widely free of charge and should be available in almost all households in the EU Member States. This penetration is used as a strong sales argument to attract advertisers. Industry studies suggest that consumer directories are widely consulted and that they are a significant source of information for consumers in the purchasing process. Many publishing companies have accumulated a strong capital base with which to expand.

Consumer directories in particular are said to have a tradition of holding on to revenue during downturns; it is one of the last forms of advertising that SMEs in particular are likely to give up. A survey carried out by the European Association of Directory Publishers (EADP) indicates that a significant majority of publishers in both the consumer and business sectors were forecasting increased profitability for 2004 compared with 2003.¹⁸

Merger and acquisition (M&A) activity is significant, especially in the consumer directories sector. Private equity and venture capital companies have been active in acquiring companies as telecoms operators sell off their classified directory services to raise cash for future developments. However, the dominance of a single directory in most areas means there is limited room for consolidation within national markets. In some cases, acquisitions are leading to cross-border consolidation: For example, Yellow Brick Road, a firm created by investment companies Veronis Suhler (USA) and 3i (UK) brings together consumer classified directory operations from Finland, the Netherlands, Austria, the Czech Republic, Hungary and Poland. M&A activity is not limited to Europe: Yell Group, the largest UK consumer directory publisher, has acquired two major US directory publishers since 1999.

Business-to-business directories present a more fragmented picture. There are many specialist publishers as well as directories published by small units of major companies. A small number of companies operate business directory and information companies in several EU member states. Some business directories use a franchise approach to expand their brands, an approach that allows growth without acquisition.

¹⁸ *Annual Report 2004*: European Association of Directory Publishers

Although directories compete with other print media, it seems likely that the main competitors in the future will be online content providers. Consumer directory publishers have introduced online services, often based on their print brands, to capture some of the online advertising revenue that is being attracted by other online services, including the general search engines, which are increasingly targeting the market for local information on the internet. This is a major driving force in consumer directory publishing.

Business directories face a slightly different challenge. The generic online search services are not directly targeting their information. They are, though, indexing more and more websites that contain information directly from the organisations that might be listed in the directories as well as those that refer to them. For the user, this will be less coherently organised than a well-constructed directory, and is also likely to be less comprehensive and perhaps less accurate. However, it has a major advantage for the users: it is immediately available on a desktop where they are.

Directory publishers have innovated in response to these pressures, and introduced new features to enhance their content. In many cases, they still offer a level of comprehensive content that new entrants find it hard to match. The entrepreneurial outlook is strong, especially in the business directories sector, where small firms flourish and are able to meet the demands of niche markets.

Both consumer and business directories have been affected by the downturn in advertising that happened between 2000 and 2002. As with newspapers and magazines, this was mainly due to a change in the general economic climate. However, this has coincided with the growth of internet usage and advertising opportunities that might have an impact on the market: this creates a longer-term trend that challenges existing directory services, although at present they are maintaining their margins in many cases.

Directory publishers are also concerned about developing the use of directories among younger users: in common with both the book and the newspaper industry, there is a view that younger readers are the hardest to convert and the most likely to spend time and money on other forms of media.

Directories suffer as much as any other sector of the publishing industry from increasing competition for advertising revenue as well as user attention. For directories, this may take the form of direct substitution: consumers and businesses will search for something on the web that previously they would have looked for in Consumer directories are often the major source of local classified information, and in most areas there is a single dominant player. This allows powerful brands to be developed, but has also led to price regulation in some Member States.

Similarly, advertisers are presented with many more places to advertise, and for some time the web in particular has been identified as a major threat to directory advertising. In the case of paid-for business directories, there is also the issue of free access to information: alternative sources, even if not as high quality, may lead to an erosion of copy sales.

The challenge to traditional directories is fed by two major differences between online and traditional paper directories: the range of users that an online directory can theoretically reach, making it more attractive to advertisers; and the different business models available online, including click-through payments and per-impression models.

9 Competitiveness and cultural diversity

9.1 The wider debate on cultural diversity in Europe

"Cultural diversity" – succeeding the more general notion of the "cultural exception" - has recently become an issue of debate in various international institutions. Notably, UNESCO prepared a "Preliminary draft of a convention on the protection of the diversity of cultural contents and artistic expressions"¹⁹ in 2004 which already has found broad support both from the European Parliament²⁰ and the Commission²¹. The European Commission noted in its report "that the preservation and promotion of cultural diversity is a fundamental principle that must be reflected in international law and policy." According to this report, cultural diversity implies "the recognition, promotion and development of local cultures, cultural industries, cultural public policies and openness towards other cultures and the protection of indigenous and national institutions and achievements, including the rich variety of languages, indigenous knowledge, traditions, lifestyles, expressions of art and culture, media pluralism and diversity of educational systems"²².

Such a broad definition of "cultural diversity" not only includes the various forms of cultural expression, but in addition refers to media and cultural industries as a wider framework necessary to sustain cultural diversity.

Both the relevant European declarations and the UNESCO draft of a future convention on cultural diversity emphasize to that effect "that cultural goods and services are of both an economic and a cultural nature, and that because they convey identities, values and meanings, they must not be treated as ordinary merchandise or consumer goods".²³

The European Commission has created a partial exemption for state support designed for cultural purposes. Article 92 (3) (b) of the European Economic Community Treaty includes such support in its designation of aid that is compatible with the common market. The provision applies to "aid to promote culture and heritage conservation where such aid does

¹⁹ Preliminary draft of a convention on the protection of the diversity of cultural contents and artistic expressions. CLT-2004/CONF.201/CLD.2, Paris, July 2004

²⁰ REPORT on preserving and promoting cultural diversity: the role of the European regions and international organisations such as UNESCO and the Council of Europe (2002/2269(INI), presented to the Committee on Culture, Youth, Education, the Media and Sport by Rapporteur Christa Prets, 15 December 2003.

²¹ COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT. Towards an international instrument on cultural diversity. COM(2003) 520 final. Brussels, 27.8.2003

²²

<http://www2.europarl.eu.int/omk/sipade2?L=EN&OBJID=40464&LEVEL=3&MODE=SIP&NAV=X&LSTDOC=NA5-0477/2003>

²³ Draft convention, Preamble.

not affect trading conditions and competition in the Community to an extent that it is contrary to the common interest²⁴.

Limits to the debate on cultural diversity have been set from the perspective of free trade agreements (WTO), but a final balance between the two concepts has still to be found.

9.2 Diversity in publishing

Newspapers, books and, to a lesser degree, magazines, are considered as core media serving the freedom of expression and the democratic – and cultural – exchange of information, ideas and views in an open society.

As such, they are dealt with both by authorities and by society at large as commercial products and at the same time as cultural items whose general importance deserve special attention and protection. The publishing industry itself often emphasises this view of its own work.

In return, publishing companies sometimes define themselves and their products as being “different” from other – purely commercial – activities. Diversity has come to be considered as a value in itself, enhancing the overall stability of both a company and the publishing industry in general. As a consequence, as industry consolidation and new information technologies started to reshape the whole sector of cultural media, and particularly newspaper and book publishing, there is a concern that this could have a negative impact on cultural or political diversity.

Already before these structural changes, various regulations and support schemes existed to foster diversity against mounting pressure from commercial forces. In many countries VAT is reduced for newspapers and books, and in some cases also special postal rates apply for the distribution of books, newspapers and magazines.

One key mechanism is price control. Book publishing, in common with newspaper and magazine publishing, has various models of fixed pricing in the different some Member States, either as free agreements within the industry, or as national laws: differences in national or cultural traditions have allowed different fixed-priced arrangements to evolve. This helps assure a tightly knit network of book shops even in small towns, and also the sustainability of small and medium sized publishing companies as well as presses in minority languages. The existence of a guaranteed retail price supports these less mainstream enterprises.

When it comes to fostering access to media in minority languages, a proposition supported and promoted by most international declarations, the point is frequently made with respect specifically to radio and TV stations, as state owned or public broadcasting companies are seen as more likely to implement these recommendations than privately owned media companies. For instance the “Council of Europe Framework Convention for the Protection of National Minorities” dedicates Article 9 to the media, emphasising specifically that the concerned parties should

²⁴ <http://europa.eu.int/eur-lex/en/treaties/selected/livre219.html>

“ensure the opportunity of creating and use minority radio and television media”.²⁵

These various measures address a perceived risk that cultural diversity may take second place to economic growth and strength in the media environment. Governments in many Member States have introduced policies that they believe will reduce this risk.

9.3 Changing patterns of media usage and the impact of digital media

Social change as well as changing cultural practices and a changing economy mean are leading to another risk: reading itself is becoming a matter of increasing concern across Europe as newspapers and, to a lesser degree, books are less likely to reach younger audiences, who are more interested in spending their “media time” on television, games and the internet. This is part of a general pattern facing publishing companies: the business issues facing the publishing industry arise mainly from competition with other media for purchase, advertising expenditure and attention, rather than from competition between newspapers, or magazines or books.

Digital media, and online services made available over the internet and on platforms such as mobile phones and interactive television, can have a beneficial as well as a negative effect on diversity, as a much wider range of content can be made available once barriers to physical distribution are removed. The interactive nature of online media also allow a much more diverse range of voices to be heard: the rise of the web-log or blog has demonstrated that some of these voices can be heard by a very wide audience in relationship considering their very small financial resources.

On the other hand, online access is still not universal. Elderly people and poorer communities are much less likely to have internet access and so find it harder to read the more diverse content. For most readers, even those with internet access, portability is also an issue: portable platforms are either quite bulky and expensive, or else very restricted in terms of display size and quality. Neither fixed nor mobile platforms currently substitute entirely for using paper for publishing for the widest possible audience.

However, as they are much more open and less constrained channels, fixed and mobile internet services are likely to increase their role in providing diversity on the European media scene. Even platforms where there is some degree of control (e.g. mobile phones, where the operator often determines whether an information service is formally adopted)

²⁵ CEI Working group on minorities. Media and minorities

Statement of Mr. Bojan Brezigar. President of the European Bureau for Lesser Used Languages, Trieste, 7 May 2003.

http://www.ceinet.org/download/Brezigar_TS_May2003.pdf

cannot easily lock out other content entirely, and the conventional fixed internet is an almost entirely open-to-all channel.

Online had a considerable impact especially on newspapers and magazines, with many classified advertisements migrating to the internet over the past several years, adding to the more general advertising crises that hit newspapers and magazines. So far, no completely satisfactory business model has been found for print media to compensate for this loss, or to generate substantial additional revenue from online dissemination of content. For the book sector instead, experiments with electronic books have not succeed in finding a reading audience so far, but this may change with the advent of new reading devices, more comfortable screen technology and a general spreading of using screens to access information and media content.

New search technologies developed by online book retailers and by search engine companies have already begun to include the content of (printed) books so that in a not so distant future, the line between online and printed content will blur. It is not yet clear if the economics of the e-book market will lead to greater diversity or not: both scenarios are possible, depending on the decisions that the industry makes about pricing and the type of market that it aims for.

Book publishers are not yet developing significant European marketplaces for digital books. A few sectors, notably encyclopaedias, have already seen a real impact from online and other digital versions, and reference books clearly have significant online potential. However, there can be no reason to assume that the European market will not follow the US market in developing at least a small but viable market for e-books, especially as reader devices become cheaper and more usable.

Even as the digital information technologies in principle offer new ways for distribution of published content for both small and large publishers, thus maintaining diversity, the organisational and logistical requirements may nevertheless in practice still give larger content holders an advantage over small or medium sized publishers. Again, this implies that the impact of the digital world on diversity is still far from clear.

9.3.1 Consolidation and diversity

The strongest dynamics in this field come from mergers and acquisitions which lead to considerable consolidation in a traditionally highly fragmented industry. All sectors of publishing have recently been subject to this type of expansion. Within the existing Member States, companies from many countries within the European Union could successfully enlarge their portfolio, and for many industry actors, the New Member States have been a particularly attractive region to find interesting targets for acquisitions or, in some cases, joint ventures.

Several recent studies raised concerns about this process and considered that these developments, particularly in newspaper publishing, might form a threat to the cultural diversity. "Different foreign companies now predominantly own the printed press in some of these countries. At the national level, some of the press markets are highly concentrated", a

“Council of Europe” report on Media Diversity in Europe concluded in 2003²⁶.

In Central and Eastern Europe, the transition to a market economy after 1989 resulted in large scale privatisations in all sectors of the publishing industry. Particularly the larger publishers, formerly state controlled, attracted substantial foreign investment. Specifically targeted were various national and regional newspaper titles and, for the book industry, the educational sector, science, professional publishing, general non-fiction, and book clubs. By the mid 1990s foreign ownership had become dominant in many countries throughout the region.

This has provoked some discussion within the New Member States on how to guarantee cultural diversity and maintain their own cultures in a more and more competitive and international market environment.

However, there is potentially some control of consolidation within the existing EU: a number of anti trust cases both at the European and at national level have set limits to projected takeovers in newspaper and book publishing. Several anti trust cases attracted widespread media attention – with regard to both newspaper and book publishing – in several European markets (e.g. France, Germany). Regulators intervened against mergers or takeover that would have resulted in predominance of specific market segments (e.g. paperback, or local newspaper advertising markets) or in the vertical integration of a sectoral market (e.g. by combining book publishing, distribution and retail). These decisions were influenced by the need to ensure diversity as well as competition, demonstrating the link between the two.

9.3.2 Cross-border and language issues

Being based on language, newspapers, books or magazines are mostly directed at national audiences (with the exception of neighbouring countries who share a common language, e.g. the United Kingdom and Ireland, Belgium and France or, for the Flemish language, the Netherlands, Germany and Austria). This has affected the local publishing industry in some cases, but as a phenomenon is not likely to spread beyond those countries where it is already an issue.

In magazine publishing, transnational expansion also took the form of brand exports, with a high number of successful consumer magazines being published in partly localized new language versions, further increasing the already high number of new titles on a generally crowded market environment.

Of some concern to cultural commentators in some Member States is the increasing availability of English language content when English is now frequently a second language in which EU citizens are very competent. A

²⁶ “Media Diversity in Europe”. Report prepared by the AP-MD. (Advisory Panel to the CDMM on media concentrations, pluralism and diversity questions), Council of Europe, Strasbourg, December 2002.

http://www.ebu.ch/departments/legal/pdf_brudoc/INFOEN_060.pdf

significant example was when J.K. Rowling's popular Harry Potter novels rose to the top of best selling lists in their original English version in several countries. This success story, however, simply made a much broader pattern visible: the export of English language books to several European language markets has risen steadily over recent years, embracing not only literary fiction, but also reference and educational material.

Helped further by the prominent role of English on the internet, commentators have understood this development both as a positive move to widen the cultural horizons of younger Europeans, and as negative, in that it threatens national language cultures with a growing foreign (mostly US American) cultural influence

9.4 Key differences between the sectors

9.4.1 Books

Book publishing has traditionally been regarded by European governments and industry actors not simply as an industry, but as an essential element of the backbone of national (or regional) cultural identity. As a result, the economic viewpoint has been regularly supplemented by other concerns, such as the cultural or political agenda and the policies to support these.

This has led to the development of a number of policies specific to the publishing industries, from public subsidies on minority language book production and distribution, to structural regulations (including, for example, resale price maintenance and lower rates of VAT), all aimed at protecting diversity through modifying the impact of market competition. Other ways of defending diversity include protection against market consolidation in publishing production and distribution.

Senior managers in publishing companies (interviewed for another research project) have indicated that they expect to see continuing consolidation among medium-size firms, either merging to form larger firms or being taken over by existing large firms. As noted earlier in this report, there is a very large number of small publishing firms in Europe, publishing less than twenty books each year. Consolidation is less likely to affect this "long tail", potentially leaving an industry composed of a small number of very large firms and a large number of very small ones, with few middle-sized ones. Although this is view of people well-versed in the industry, it is not a provable thesis. It is worth noting, though, as a reduction in the number of middle-sized firms could be expected to have a measurable impact on competitiveness: this should come from economies of scale achievable by the larger firms as they increased their size; however, although large firms may be able to recruit leading authors, an overall reduction in the number of publishers may mean that there are fewer opportunities for new authors in particular to get published.

Looking ahead, it appears likely that a growing gap between domestic and international content, and between small or medium sized local publishers and the few major players with substantial capital, will define the market for quality literary fiction (and some internationally successful books in the humanities). This is true both in the EU-15 markets, and even more

dramatically, in the New Member States. Publishing of books in minority languages throughout the European Union is caught in the same complex dynamic.

As a result, the "double nature" of books as an economic product and an item of cultural value (and identity) can be seen as assuming a new and very real prominence. So far, this problem has been approached through the types of supporting mechanisms we have already discussed, including direct subsidies, reduced taxes and pricing regulation.

With several of these schemes coming under pressure, either through market forces or through harmonisation efforts, it is foreseeable that the whole issue of books and literary culture will need to be revisited before long.

Since there is not one homogeneous approach to these issues throughout the European Union, mostly due to differences in national and regional cultural traditions and habits, the strongest foundation to all these elements and policies is the broad consensus between public authorities, industry actors and large parts of the audience about the necessity of protecting a highly diversified and rich book culture against restrictions that might arise from a purely commercial approach.

9.4.2 Newspapers

The political debate on diversity often highlights the printed press more than any other sector of publishing, considering it as the cornerstone for the freedom of expression. However, several strong developments have added up recently to form a particularly difficult market environment and, as a result, formed considerable pressure on the newspaper industry and focusing attention on its financial performance rather than its cultural and social contribution.

The economic recession, the sharp decrease in advertising revenues and a declining readership (particularly among young consumers) for most general print media in most European countries, lead to an increasingly defensive tone to the debate, aiming to preserve at least basic assets and values such as the liberty of expression – the preservation of the independence of editorial staff to make decisions free from the influence of economic and management considerations.

In several anti trust cases against planned takeovers of newspapers (e.g. in Germany), industry voices argued for a need of further consolidation in order to effectively exploit local advertising markets and cut distribution costs, and have been opposed by defenders who criticized the consolidation as a threat to editorial diversity.

To a lesser degree, critical analysts have voiced concern that newspaper companies, by developing into multimedia conglomerates, may not maintain their current approach to cultural diversity and expression.²⁷

²⁷ "The quest for the 'dominance of the mind' reaches far beyond the current perspective that is detailed in this section. With the emergence of the multimedia conglomerates the message of the media conglomerates reaches even further beyond the current limits, and

A similar debate surrounds the predominance of media groups, foreign ownership and their influence on the media landscape, particularly in the New Member States of the Union in Central and Eastern Europe..

Since the early 1990s (with the preparation of an EC Green Paper in December 1993), there has been a debate over regulation of concentration in the media, with both the European Publisher's Council (EPC) and the European Newspaper Publishers' Association (ENPA) opposing such propositions. However, "there is no single European-wide approach to newspaper subsidies."²⁸

Particular attention has been paid to regional newspaper markets as this is a key playing field for media pluralism in most countries. Additionally, provisions are sometimes made to avoid monopoly in the advertising market.

Countries as different as the UK (with some 1300 regional and local newspapers, including 647 free weekly titles that are a mixture of regionally and locally distributed titles [The Newspaper Society 2001]), Germany with its strong federal traditions (and approximately 337 local and regional newspapers that produce 1570 local editions), highly centralized France (with over 60 titles and 410 editions), and the Nordic countries all maintain various forms of regulation, from ownership rules to state subsidies intended to prevent a decline in pluralism for the press.

Nevertheless, based on these figures and policies, a recent Council of Europe concluded: "Indeed it is almost standard for a regional newspaper to have a monopoly in a market and it is a rare occurrence, without some form of subsidy scheme, that a truly competitive regional market exists. Even where a subsidy scheme has been adopted, monopolies are the norm rather than the exception". Newspaper publishers, however, believe that they face strong competition from other media such as local radio and new locally-focused online services: the "monopoly" they are held to enjoy does not, in their view, remove competition.

The most significant structural issue for the newspaper industry that might lead to a decrease in diversity is circulation. The decline in circulation in Europe has now been going on for as long as two decades, and shows no sign of lessening. This decline is mirrored in the United States, where readership has declined consistently from over 62 million in 1990 to just over 55 million in 2002 in the face of increased competition from television and other media. Circulation in Japan has also been falling for the last six years.

the globalization of content can be driven to new highs." Stephan Dahl: Communications and Culture Transformation. Cultural Diversity, Globalization and Cultural Convergence. Chapter 3: Trends in cross-border and intercultural communication. <http://www.stephweb.com/capstone/3.htm>

²⁸ Development and Effects of Finnish Press Subsidies: Robert G. Picard and Mikko Grönlund Media Group, Business Research and Development Centre, Turku School of Economics and Business Administration. http://www.nordicom.gu.se/nordic_conference/iceland/papers/two/RPicard.pdf

Therefore, a key issue highlighted by all the industry experts and bodies consulted is the need to draw younger people to newspapers. At present, readership of newspapers is slanted towards people aged 45 and over.

Countries that have been successful in reaching younger readers tended to perform well in circulation terms. The World Association of Newspapers reports that Portugal, Spain and Italy have attracted younger readers and are stable or have made small gains: this suggests that there is real benefit in attracting young readers. However, younger readers are sometimes regarded as less likely to become subscribers or home delivery customers and as single-copy purchasers may be less loyal to a particular paper.

With falling circulation, consolidation is an important option for publishers trying to obtain the best financial performance from their newspapers: it allows cost saving and can also lead to increases in prices for readers and for advertisers. Investors find it more attractive to invest in consolidated rather than highly fragmented industries, giving better access to capital for innovation and development. Regulation of consolidation to maintain competition might therefore be counter-productive to overall competitiveness of newspaper publishing enterprises. It may be desirable for a number of social reasons to regulate nevertheless.

Many EU Member States provide some form of support to their newspaper industry through preferential treatment of VAT. In some countries, VAT is not charged at all for newspapers (for example, Belgium, Denmark or the UK), and in others a lower rate than the standard national rate is applied. The tax treatment is usually considered important as supporting cultural and political diversity by maintaining lower prices to buyers.

9.4.3 Magazines and journals

With the exception of highly specialised literary and cultural magazines which traditionally depend on government subsidies, and some scientific journals, magazine publishing is understood by almost all stakeholders to be a commercial undertaking aiming at profitability and requiring a high degree of flexibility in response to market changes.

In almost all European countries, a number of magazines – and sometimes learned journals – are published in the languages of ethnic minorities. Some of these periodicals in minority languages look back at a long tradition of publication and can thus act as platforms for a cultural dialogue either within the minority group, or between minority and majority, or, most commonly, both. Others have started publication more recently, reflecting both political developments, such as the transition process after 1989 in many of the New Member States, and also the availability of funding.

Most minority publications are not commercially self-supporting, and it is unlikely they could become so. Therefore, many of these publications have an institutional relationship either with a church, or with a minority, cultural organization or with a public broadcasting company.

For scientific periodicals, a debate involving issues of diversity is developing around the concept of “open access” publications.

Over the past decade, the market for scientific journals has faced considerable consolidation and a continuous rise in subscription prices, while, over the same period, acquisition budgets in academic libraries either have not grown, or have even declined. In the meantime, the advent of the internet has created a new paradigm of direct access to information online. This rapidly started to influence the information and publishing habits of some segments of the scientific and research communities worldwide.

Over the past few years, there have been a number of calls for the provision of "open access" (i.e. access without charge) to relevant scientific literature.²⁹ A number of open access journals have been launched, testing a model where the cost for publication is financed by the author rather than by subscribers. In most cases it is anticipated that authors would have publication costs covered by a research organisation or another sponsor.

This is part of a wider debate about the future of business models for journal publishing, but it is worth noting that the contribution of journals to diversity can be seen in two dimensions: the exposure it gives to authors is almost as important as the information and ideas made available through publishing. Therefore new models, such as payment by authors, will face diversity questions on both fronts.

9.5 Fostering cultural diversity and maintaining competitiveness

As a general rule, fostering cultural diversity in publishing requires to find a good balance between regulations that help stabilize the market environment with incentives for innovation (e.g. by exploiting new technologies for production, distribution and marketing of publishing products).

Particularly in times of considerable structural and market driven change, the political debate on diversity is sometimes challenged by economic arguments urging for internationalisation and consolidation, and vice versa.

Taking the example of the book industry with, in many countries, sets of strong regulatory schemes, with fixed book prices and reduced VAT, it can be seen that publishing is embedded in a complex framework of traditions and differences (both local and national) that shape and stabilize the sector.

There is no single "correct" answer to the question of whether or not any particular measure such as fixed pricing or advertising restrictions helps or hinders competitiveness, nor if it enhances or restricts diversity – in part

²⁹ For instance, the Budapest Open Access Initiative, launched in winter 2001/2002 (<http://www.earlham.edu/~peters/fos/boaifaq.htm>), followed, in October by the Berlin Declaration on Open Access to Knowledge in the Sciences and Humanities (<http://www.zim.mpg.de/openaccess-berlin/berlindeclaration.html>)

because there are no established metrics for diversity. In non-fixed-price markets of the UK and Finland, for example, the number of titles published per million population is higher than it is in the fixed-price markets of Germany, France and Spain. Each member state has its own historical and cultural reasons for fixed or free pricing, and the effects of making a change are hard to predict with any precision. There is no currently detectable general trend towards abandoning fixed price schemes across Europe, but (as noted above) a number of countries' schemes are currently being reviewed and debates between publishers, retailers, competition authorities and culture ministries are continuing.

Throughout the Publishing Watch reports, we have emphasised that *sustainability* is an important aspect of competitiveness. It has been argued in favour of fixed pricing schemes that they lead towards a more diverse and sustainable, and therefore more competitive, economy in the long term. The existence of a strong sector of small, specialist publishers can be a source of ideas, skills, trained people and new authors to the larger companies. They therefore form an important part of the "ecology" of the book publishing industry. However, countries without a fixed price system appear also to have healthy publishing industries with many small and innovative companies filling the same ecological niche.

In terms of consumer behaviour, the Swedish experience with regard to VAT noted above suggests that book-buying may increase if prices fall. It is possible that fixed pricing may be protecting smaller enterprises and maintain diversity, but at the expense of growth in the book publishing industry as a whole: detailed modelling would be needed to establish whether this was the case in any individual member state and a longer-term analysis would be required to determine the impact on the publishing industry's sustainability in Europe.

Price regulation and reduced VAT schemes have been received particular attention in this report as these regulatory tools affect virtually all of the industry, large transnational actors just as small and medium sized publishing companies. They also affect the retail structures.

However, other approaches exist, mostly to provide special additional support for niche players and products. These are essentially direct subsidies to publishers for products that for one reason or another find only limited audiences, such as high quality literature, regional literature, or literature in minority languages, or translation grants for literary translations of such products.

Some countries – for example, Germany and France³⁰ - have also started special trade missions to internationally promote translations, particularly of new quality literature.

For newspapers, and partly for magazines as well, different parameters define the sector and drive its change. However the balance between

³⁰ For France it is the "Bureau international de l'Édition Française", or Bief, www.bief.fr, for Germany it is the international activities of the Frankfurt Book Fair, www.book-fair.com, and the more recent Litrix initiative, www.litrix.de .

stabilizing factors and innovation, and the issue of fostering sustainability apply here too

9.6 Conclusion

“European culture, indeed Europe itself, is not a ‘fact’. **It is a task and a process**”. This was perhaps the key finding when Romano Prodi, then the president of the European Commission, called on a high profile “reflection group” to define the “Spiritual and Cultural Dimension of Europe”.³¹

It is perhaps only fair to understand the relationship between the forces and aims of “cultural diversity” and “economic competitiveness” in a similar way. At first, diversity and competitiveness seem to exist in direct opposition, with the predominance of one factor necessarily bringing about the decline of the other.

When the globalisation of markets and audiences seems to call for industry consolidation in order to arrange for economies of scale, this is often seen as a direct threat to the survival of smaller competitors, and thus as a threat against diversity. In contrast, regulatory limits to competition and in favour of smaller actors, aiming at fostering diversity (for example, anti trust policies, cultural quotas, tax exemptions or regulated prices) can be viewed as an intrusion into the play of market forces, bringing about a distortion of the market.

However, a number of caveats need to be mentioned: It is difficult, if not impossible, to find ultimate proof for most of these assumptions, and this is the case on several levels of argument. For instance, so far, the debate is still undecided if in culture and content industries, economies of scale actually are more successful than more fragmented landscapes of cultural production, or if a gain in scale necessarily brings about a loss of creativity and thus puts limits on the competitive edge of a company.

It is not claimed, on the other hand, that a high degree of regulation – as it is the case with fixed book prices in many EU countries – necessarily brings about a higher quality or diversity in the availability of books. But it has been argued that the degree of regulation seems to be deeply anchored in different regional or national traditions and historically evolved patterns of the cultural sphere. Forcing any given entity to adopt patterns and framing conditions opposed to its traditions brings a high risk of disrupting entire cultural structures and may threaten both cultural diversity and the economic competitiveness of the cultural industry in a country or a region.

³¹ “The Spiritual and Cultural Dimension of Europe”. Reflection Group initiated by the President of the European Commission and coordinated by the Institute for Human Sciences. Concluding Remarks by Kurt Biedenkopf, Bronislaw Geremek and Krzysztof Michalski. Vienna / Brussels, October 2004.

http://europa.eu.int/comm/commissioners/prodi/pdf/michalski_281004_final_report_en.pdf

Culture in Europe is, in many respects, local. Therefore local access to the full range of publishing products through a tightly knit network of retail outlets is not only a key prerequisite for diversity, but is also needed to successfully reach out to the customers. Any reduction in these distribution structures, and any reduction of diversity, directly hurts the industry.

Yet, as this report has suggested in a number of examples, cultural industries, and publishing in particular, are subject to considerable change and to various new challenges, from other media and content channels, from changing cultural habits of the reading audiences, and from the dynamics of the market place itself. This calls on publishers to adapt and innovate vigorously, without destroying the foundations on which the publishing industries, and culture itself, are built.

In this respect, cultural diversity and economic competition can be seen as forming a dynamic balance that is essential for long term sustainability, particularly under specifically European conditions. In a market environment defined by scores of different regional cultural traditions, languages and audiences, with even more new differentiations emerging due to changing cultural habits among young people, and, beyond this, in a world where globalisation in culture, paradoxically enough, means localisation at the same time, this flexible balance between competitiveness and diversity is perhaps the very key to success in meeting the challenges ahead.

10 Snapshot data and analysis of publishing in New Member States

10.1 Cyprus

The Cypriot media is of course divided along ethnic/language lines between the Greek and Turkish areas.

The Greek area has nine daily newspapers, eight in Greek and one in English, while the Turkish area has eight dailies for a population of 200,000 giving it one of the highest number of titles per capita in the world. However, mainland Turkish papers outsell all the local Turkish papers.

The number of titles published has remained stable in the Greek area, the only area for which reliable data is available. Circulation per 100 population is low, the lowest among the new accession countries, and a little lower than Greece and Portugal, at the bottom of the EU table. It has also declined substantially in the last decade. The number of magazine titles per million population is comparable with the lower end of EU members. TV guide titles and women's magazines grew most rapidly in the late 90s. There is a small business magazine press, accounting for just over a fifth of the total titles. Magazine turnover and advertising revenue has been growing but the trend in share of total revenue and in financial performance and productivity is difficult to assess due to lack of data.

There was a study of the book publishing industry in 2002,³² which observed that despite its highly educated population, there was no strong leisure book reading culture in Cyprus, with people reading books for professional purposes and newspapers and magazines for pleasure. Some textbooks and teaching materials are published by the Ministry of Education, and many are imported from Greece. Local publishers concentrate on producing material of local interest, such as atlases and maps, local history and archaeology and tourist literature. As well as Greece, the UK is a major source of book imports.

The small size of Cyprus and its continuing division represents a major limitation on local publishing, and the consequent important role of Greek (and Turkish) media players. Television, including digital satellite services, have also been presenting a growing challenge to print in terms of people's time and money.

³² Cyprus Profile, 2002, Global Publishing Information Ltd
<http://www.publishers.org.uk/gpi.nsf/>

10.2 Czech Republic

10.2.1 General trends

10.2.1.1 NEWSPAPERS

Circulation of both daily and non-daily newspapers has declined since the mid-90s (daily - national and regional - circulation fell from 2.2m in 1994 to 1.64m in 2003) while the circulation of free newspapers rose from 1995 to 1999, and then declined. Sunday newspapers seem to be growing in popularity, however. In terms of circulation per 1000 population, there has also been a significant decline since 1995; the profile of change is similar in the Czech Republic to that seen in most of the north European member states. In absolute terms, compared with other EU countries, circulation per head is in the low-to-medium range but at the high end in relation to the other accession states.

10.2.1.2 MAGAZINES

The Czech Republic shares a common characteristic with the EU-15 member states in that it has a higher share of business-to-business than consumer magazine titles, in contrast with most New Member States. Readership of consumer magazines is comparable with most other EU member states, and has been growing quite strongly.

10.2.1.3 Books

Little data is available on book publishing in the Czech Republic. There was certainly an explosion in the number of publishers from around 100 before 1989 to 2000 by 1992, with at least 600 of these being children's publishers. The new availability of western books, the dislocation of book distribution systems as state-enforced arrangements ended and the division between the Czech Republic and Slovakia have all presented problems since for domestic publishers.³³ Book prices were also kept artificially low until 1989 and have since increased substantially. It is a literate market with apparently a burgeoning demand for books, notably children's non-fiction. There is also a rich tradition of Czech children's literature which could potentially lead to more translated works appearing in other European countries.³⁴ This is partly because children's books were less likely to be controversial or subject to censorship before 1989 than adult fiction and non-fiction. The small size of the market means that Czech publishers often feel it is too risky to publish local authors compared with international best sellers.³⁵

³³ Publishers' Weekly, Privatization ushers in new era in Czech publishing, 23 March 1992

³⁴ The Bookseller, 19 March 2004

³⁵ International Herald Tribune Do musicals reflect downward cultural drift? The New Europe: Czech Republic 20 October 2003

10.2.2 Advertising

Since the advertising market began in earnest in 1990, spending has grown from CZK0.38bn to an estimated CZK17bn in 2004. Growth overall is continuing at a high rate. The advent of commercial television naturally cut into print's initial near-monopoly, and TV is continuing to erode the share of print, from 40% in 2000 to nearer 35% in 2004.

10.2.3 Ownership and diversity

The number of daily national newspapers has fallen from 14 in 1992 to 5 in 2004. In terms of total newspaper titles per million population, the country has a higher number than Hungary, Poland or Slovakia, though fewer than Estonia or Latvia. It also compares well with many other EU member states.

The largest single shares of readership among print publishers belong to two foreign-owned groups, VLP and Ringier, while the largest share of advertising revenue is also VLP's, followed by MAFRA and Ringier.³⁶ The national dailies have 5 different owners, but the regional press is dominated by VLP. Between them, four foreign-owned companies control 80% of newspapers and magazines in the Czech Republic. There is also some vertical integration in relation to both distribution and printing.

10.2.4 Sustainability

Advertising dependency for newspapers has grown sharply since 1995, to levels comparable with those in most EU member states, and further than in the other accession states for which data is available. This trend is common to almost all newspaper markets and along with other evidence cited in the newspaper sector report may indicate a maturation of the newspaper market in the Czech Republic.

The major issue facing Czech media is the small size of the market. This is likely to lead to further concentration and limits the attractiveness of entry. It has also been argued that niche markets in the Czech Republic are generally too small to be viable and this leads to a situation where all players are aiming to capture the majority of the audience and that this tends to result in 'lowest common denominator' content, or 'tabloidisation' and 'boulevardisation' of the media.³⁷

For the print media, an additional issue is the relative weight of commercial television within advertisers' budgets, and the need to sustain and enhance their publications as attractive vehicles for advertising.

³⁶ Michel Klima, The Czech media market, 1994-2004 http://www.mirovni-institut.si/media_ownership/conference/pdf/Klima.pdf

³⁷ Milan Smid, The Czech Republic http://www.mirovni-institut.si/media_ownership/conference/pdf/Smid.pdf

10.3 Estonia

10.3.1 General trends

Estonia has one of the highest numbers of newspaper titles per million population in the world. Its circulation per 1000 population has been increasing, and is the highest of the new accession states, but somewhat below the heavier northern newspaper-reading EU member states. It occupies 18th place in the world in terms of the number of papers purchased per capita. Average circulation per title has been rising as the number of titles has declined. Advertising dependency is similar to that of many EU member states. One interesting feature is that the large Russian-speaking minority is served by Russian satellite television channels since Estonian TV stopped Russian broadcasts, so Estonian advertisers have to mainly use newspapers to reach them.

In the period immediately before and after independence, there was an explosion in the number of periodicals aimed at markets that were not served in the Soviet era e.g. automotive magazines, tabloid newspapers. More than 800 periodicals were launched in the period 1988-96, but many naturally did not survive. Consumer magazine readership remains quite high. Productivity and financial performance data for magazines are not available. The country does not support a significant book publishing sector.

10.3.2 Advertising

Advertising revenue has not grown as fast in Estonia recently as in some of the larger accession states. The high share of advertising taken by newspapers in Estonia is much closer to the other Baltic states and other Nordic markets (e.g. Finland and Sweden) than to the rest of the accession states. Newspapers have lost market share, but have held it better than in many countries. Magazines' advertising revenue has been growing, and the sector gained market share in the period 1995-2000, but has since lost ground a little. At about 12% the share of magazines is much less than either TV (26%) or newspapers (44%), however. The Internet is growing as an advertising medium, taking 3% of revenue in 2003.

10.3.3 Ownership and diversity

During the first decade after independence, Estonian interests took over and developed the media, with little foreign involvement. Most newspapers were privatized to the ownership of editorial teams rather than banks or other industrial concerns.³⁸ Foreign ownership in Estonian media (both print and TV) has come from Scandinavia rather than Germany or Switzerland – mainly from Sweden and Norway. There are now two major media groups in Estonia, Eesti Media (majority-owned by Schibsted of Norway) and Ekspress Group (Estonian owned after a period

³⁸ Taivo Paju Estonia, in Media Ownership and its impact on Media Independence and Pluralism http://www.mirovni-institut.si/media_ownership/pdf/estonia.pdf

of part-ownership by Bonnier of Sweden). Eesti owns the largest quality daily paper and a third of the regional papers, including the highest-selling titles. It also has interests in radio, TV and printing. Ekspress owns the largest national weekly and half of the second largest national quality daily, the three largest city freesheets, and book publishing and printing interests. After 2000, Ekspress and Eesti began to co-operate, and they share ownership of the leading tabloid newspaper, the leading magazine publisher and the main home delivery concern. Both have recently made acquisitions in the Lithuanian media market.³⁹

The number of newspaper titles has been declining but still remains very high in relation to the small population, and analysts expect further concentration.

10.3.4 Sustainability

In spite of its very small size (only around three-quarters of a million people in the 15-84 age group speaking Estonian), the market supports some successful media enterprises, partly because Estonian consumers are enthusiastic media purchasers and users and partly because of the way that privatization developed.

The larger media businesses are actively diversifying e.g. into conference organization, and using multiple channels to reach consumers, including forming alliances with telecommunications companies and through ownership of TV channels. They are also expanding geographically into neighbouring markets.

10.4 Hungary

10.4.1 General trends

10.4.1.1 NEWSPAPERS

Hungary has 10 daily national newspapers (one quality daily is currently under threat of closure) and 24 local dailies. Circulation has been declining since 1995, but the pattern differs by type of newspaper: circulation of the general national political dailies has fallen from 356,000 in 2000 to 325,000 in 2003, while tabloid circulation rose from 178,000 to 353,000 and freesheet circulation rose from 220,000 to 317,000.

Daily circulation per 1000 population is 167, which places it among the highest in the accession states, but only in the low-to-medium range among EU member countries. It has fallen compared with 1995 but not very sharply in recent years. Circulation per title is stable, indicating consolidation. Productivity seems to be rising.

10.4.1.2 MAGAZINES

Consumer titles account for the vast majority of magazine titles, but the number of titles per million population is strikingly low. Readership is

³⁹ Ibid

quite high, however, achieving levels comparable with a number of existing EU member states. Turnover in the industry more than doubled between 1998-2001. Operating margins are not high however, and have slipped recently. Most consumer magazine titles are new and have been brought to Hungary by foreign media companies, such as Sanoma, something which is also true of the tabloid newspapers.

10.4.1.3 Books

In common with other formerly communist countries in the region, Hungary had a strong book-buying and reading culture prior to 1989, in part due to subsidised book prices and in part the relative lack of competing media and leisure activities. However the transition in Hungary in terms of what kind of books were available to consumers was less dramatic as Hungarian policy was increasingly liberal during the 1980s. Three inter-related trends have been observed in the 1990s: a rise in titles published, a fall in copies printed and a rise in prices. There is also much more price differentiation, with scientific and professional book prices rising much more than fiction titles.⁴⁰

About 10,000 titles are published per year. Turnover has also been growing strongly as has value added per employee. Segments identified as having the most potential include business books, international best-sellers, illustrated lifestyle books and high quality children's books.

10.4.2 Advertising

Advertising has been growing quite robustly, above average for the accession states, but in common with all of them, commercial television and radio are tending to increase their share compared with print. Newspapers in particular have lost advertising market share, while magazines have performed more strongly. Advertising revenue growth for magazines was stronger in 1997-2000 than more recently.

10.4.3 Ownership and diversity

Seven out of 10 national daily newspapers and all the regional dailies have foreign owners, though the largest selling political daily is locally owned. The majority of the regional dailies are owned by 3 German groups: Axel Springer, WAZ and Funk, but Associated Newspapers of the UK owns 3. The local dailies tend to have a monopoly in the county where they are published and the four major groups have their own printing and distribution capabilities. Foreign ownership came in when there were no local enterprises with the capital to invest in these operations. The number of newspaper titles per million population is comparable with most accession states and higher than some southern European member states.

Concentration has been growing in book publishing.

⁴⁰ Hungary: Publishing Market Profile, Global Publishing Information.

10.4.4 Sustainability

The four general political daily newspaper titles are the same as those that existed pre-1989, though their ownership, content, market positioning and circulation have all changed. The three attempted new entries in this market segment during the 1990s all failed and analysts argue that the market can only really support 2 titles (and indeed Ringier is trying to close one of the two titles it owns). In the regional segment, a dozen attempted new entries in the 1990s all failed.⁴¹ Overall, the number of daily newspaper titles published has been falling, while non-dailies are stable (but very few in number).

In common with other accession states, print media are faced with tough competition with commercial television and radio for advertising revenue and have to find their unique selling points with advertisers. One of the reasons for the success of tabloid newspapers has been their partnership with leading commercial television channels.

10.5 Latvia

10.5.1 General trends

Newspaper circulation per 100 population is not as high as in many EU member states and even at the low end of the new accession states, but it has been going up significantly. The number of titles has declined considerably since the early 1990s, especially non-dailies, but titles per million population remain among the highest in Europe. Turnover and employment in newspapers have been declining. The local newspaper market tends to be weak, partly because a third of the population lives in the capital.

In the magazine market, weekly TV guides have the largest circulation, outselling newspapers. The vast majority of magazines are consumer titles. Readership of magazines is comparatively low, but the industry seems to be growing, with turnover and employment rising and more targeted magazines proliferating as general magazines are declining in number. The number of book publishers expanded massively after 1989, so that there were over 700 by 2000; however, only a little over half produced a title in the previous year. The number of titles produced doubled between 1991 and 1999.⁴²

10.5.2 Advertising

Considering its relatively low circulation per capita, Latvia's newspaper industry commands quite a high share of advertising revenue (36%). However, newspapers have not held their share in relation to other media

⁴¹ Mihaly Galik, Hungary, in *Media Ownership and its impact on Media Independence and Pluralism* http://www.mirovni-institut.si/media_ownership/pdf/hungary.pdf

⁴² Policy Review of the Latvian Book Sector <http://www.osi.hu/cpd/governmentslovebooks/latvia01.html#15>

such as magazines, TV and radio. Magazines have increased their share of total advertising revenue substantially since 1995.

10.5.3 Ownership and diversity

The Latvian language press is quite concentrated, and owned mainly by two large groups: JSC Diena (owned by the Bonnier Group) and companies belonging to the Ventspils group, which has a range of other interests, especially oil. Directly or indirectly Bonnier owns the largest Latvian-language daily, a third of all regional newspapers, the pan-Baltic news agency, printing facilities and a distribution and subscription company.

The Russian language press consists more of smaller private concerns, and is characterized by more volatility in terms of title launches and failures and bankruptcies.

The two biggest selling weekly titles are a women's magazine and a celebrity tabloid, and they both belong to management-owned Zurnals Santa, which dominates the magazine market, publishing 6 of the top-selling 15 magazines.

Latvian media has attracted less interest from foreign investors than other central and east European markets.⁴³

10.5.4 Sustainability

The Latvian market suffers from both a generally small size – only 2.3m people – and also a division into roughly equal numbers of Russian and Latvian speakers. This has tended to discourage investment from outside. Given these disadvantages, the print media is surprisingly vital and diverse, though further consolidation seems likely.

10.6 Lithuania

10.6.1 General trends

Titles grew three-fold in the period 1988-94, but subsequently there was a rationalisation process. The newspaper market is quite strongly local in character, and the national dailies have local supplements. The magazine market has been growing strongly. Foreign titles such as *Cosmopolitan* and *Harpers Bazaar* entered the magazine market in 1998-1999. The number of magazine titles per 100 population is relatively high, compared both to most other accession states and also to many established EU member states.

Book publishing seems to be relatively important. In 2000, there were 500 publishers compared with 6 in the Soviet era. Many publish very few titles; 37 publishers accounted for 80% of book production in 2000, and of

⁴³ Ilze Nagla and Anita Kehre, Latvia, in Media Ownership and its impact on Media Independence and Pluralism http://www.mirovni-institut.si/media_ownership/pdf/latvia.pdf

these only 4 produced more than 100 titles. Two of these publishers are in the educational sector. The number of titles produced mushroomed after 1989 but has since fallen back, with average print runs also declining.⁴⁴ Lithuania is second to Estonia in the Baltic states in terms of the number of publications per capita.

10.6.2 Advertising

In common with the other Baltic States, Lithuanian newspapers command a relatively high proportion of advertising revenue at 37%. However, newspapers are losing share to other media, including magazines, which have increased their share from under 5% in 1995 to around 12%. Cross-ownership is one response to this.

10.6.3 Ownership and diversity

The top selling magazine titles and the top selling daily newspaper, as well as two regional papers are owned by Lietuvos Rytas, which is a private company formed when the Communist youth paper was privatized in 1989. Most of the shareholders are journalists, but the largest shareholders are the editor and his deputies. The company also owns printing facilities and a subscription and delivery service. Other papers were launched after independence. The four national dailies are all Lithuanian-owned, though the city daily published in the second largest city, Kauno Diena, is owned by the Norwegian group, Orkla. Their investment is helping the paper to challenge the national dailies successfully. Egmont is involved in book publishing.

10.6.4 Sustainability

The market will be subject to more consolidation as weaker players are bought up. There is a trend to the entry of industrial capital into the media. Foreign investors have not been very interested in acquiring Lithuanian newspapers or magazines, compared with television, where both Bonnier and Modern Times Group (Kinnevik) have made investments.

10.7 Malta

The Maltese media is characterised by a considerable involvement of the state, political parties and the church. There are also distinct Maltese and English-language segments. The state and the political parties (and to a lesser extent the church) are important in the Maltese language press, while the English language press is characterised by the involvement of commercial interests.⁴⁵ Radio and TV stations also belong to political parties and the church.

⁴⁴ Rasa Balčikonytė Book Industry in Lithuania
<http://www.booksfromlithuania.lt/main.asp?Lang=E&TopicID=125&ArticleID=18>

⁴⁵ Malta Media Landscape <http://www.ejc.nl/jr/emland/malta.html>

Private consumption expenditure on printed matter (local and imported) rose by 34% over the decade 1993-2003. After rising by 97% in the period 1997-2001, imports of printed material fell by 45% in the two years to 2003. The number of titles published annually is about 500, of which 56% are in Maltese, 38% in English and the remainder bilingual. Much publishing is done by the public sector, but of commercially produced output in 2003, 24% was children's fiction, 12% Maltese history and 23% Maltese culture. Reference and textbooks accounted for another 18% with adult fiction a mere 3%.⁴⁶

31% of the population read a newspaper daily, while 23% never read newspapers and the remainder read less frequently than daily. Most Maltese prefer radio and television as sources of news to newspapers. A recent addition to the print media is a weekly which is owned by the producers of the most popular TV programme, a talk show. 44% of Maltese never read magazines, but 44% read at least one book per year for non-study purposes. Most prefer reading books in English.⁴⁷

Newspaper advertising revenue appears to be high but declining as a proportion of GDP. The magazine industry seems to be growing in turnover terms but productivity and operating margins are evidently falling.

Costs in the small book publishing industry seem to be on the rise, and the operating margin has fallen but remains higher than in most accession states.

Internet penetration is relatively high at 21%, of which 8% is broadband, while mobile phone penetration reached over 75% by September 2004.⁴⁸

10.8 Poland

10.8.1 General trends

10.8.1.1 NEWSPAPERS

Daily newspaper circulation has generally declined in recent years, though it did rise somewhat in 2001-2. Non-daily and freesheet circulation has been more stable, but is much less significant. Daily circulation per 100 population is very low, comparable only with Greece and Portugal within the EU-15. However, it is increasing. Circulation per title is also rising, indicating consolidation. Labour productivity and operating margins have both risen in the last five years.

A major change in 2003 was the launch of a tabloid, Fakt, by Axel Springer, modelled on its Bild Zeitung. Fakt rapidly gained a market

⁴⁶ National Statistics Office, Malta: The Maltese Book Scene
<http://www.nso.gov.mt/newsreleases/2004/news07104.pdf>

⁴⁷ National Statistics Office, Malta: Kultura 2000
<http://www.nso.gov.mt/publications/kultura/2000/summary.htm>

⁴⁸ National Statistics Office, Malta: Information Society Statistics July-September 2004
<http://www.nso.gov.mt/newsreleases/2004/news20504.pdf>

leading position, its successful entry facilitated by low prices and high marketing spend.

10.8.1.2 MAGAZINES

The number of magazine titles available in Poland has been growing and is now comparable with many existing EU member states. Many of these titles are local versions of magazines that have proved successful for their publishers in other European markets. The number of titles per million population is also similar to many other EU countries. Readership is a little lower than many other EU states, but of the same general order. In terms of nominal turnover, the Polish magazine industry was 3.5 times larger in 2001 than in 1995. Both value added per employee and operating margins have been rising to levels comparable with western European markets.

10.8.1.3 Books

In common with other central and east European accession states, Poland's book market faced major dislocations after 1989. Subsidised pricing ended, the state distribution system collapsed, there was privatisation in the bookselling trade and the number of publishers increased dramatically. But although prices have risen, consumers are not prepared to pay prices that would give a good return to the industry. Publishers have increasingly turned to direct selling via mail and the Internet to try to increase sales and margins. Consolidation among smaller trade and educational publishers has occurred and some publishers have set up co-operatives to share distribution and promotions.

There is a strong book reading culture in Poland, particularly among younger age groups in urban areas. Between 1999 and 2002, the share of the market accounted for by general adult fiction and non-fiction fell from 23% to 18%, while school textbooks rose from 26% to 31% and STM and professional books from 21% to 25%. Sales of school textbooks were stimulated by educational reforms. Removing these shows a less healthy trend in book sales.⁴⁹

10.8.2 Advertising

Newspaper advertising revenue has been growing robustly in recent years and is predicted to continue growing, though at a slower rate. Newspapers have not managed to maintain their share of the overall advertising market.

Magazine advertising has multiplied six fold in six years, the strongest growth seen in the accession states. Magazines accounted for about 12 per cent of the money spent on display advertising in 2002 (the European average is around 20 per cent). Magazines also seem to be holding their share.

⁴⁹ Poland publishing market profile, GPI publishing.

10.8.3 Ownership and diversity

It has been estimated that almost 80% of the press is foreign-owned. The German company Passer Neue Presse owns 12 regional papers as well as magazines, direct marketing, a media agency and printing and distribution. The Norwegian company Orkla Media owns 11 local papers and 51% of the leading national quality daily.

The explosion of newspaper title numbers at a local level after 1989 partly represented community activity, as many were published by local councils, churches and schools as well as by the Solidarity movement. This phase has now given way to a much more market-orientated development.

The major magazines are owned by leading foreign magazine publishing companies such as Gruner & Jahr/Bertelsmann, Axel Springer, H. Bauer and Hachette Filipacchi. However, there are also important local publishers, including Agencja Wydawniczo-Reklamowa WPROST, Proszynski i S-ka and POLITYKA Spoldzielnia Pracy.

In the book publishing sector, Reader's Digest and Swiat Ksiazki/World of Books (owned by Bertelsmann) have become the largest players, publishing translations but also marketing and publishing locally-published and locally-authored works. Kluwer is active in professional publishing. But new local publishers are also growing, especially in the education sector.

10.8.4 Sustainability

Poland has a reasonably large internal market and appears to be capable of sustaining a sizeable and diverse publishing industry, with magazine publishing and book publishing looking particularly successful.

10.9 Slovakia

10.9.1 General trends

10.9.1.1 NEWSPAPERS

Newspapers suffered from a period of dislocation in the mid-late 90s when the old regime's printing and distribution monopolies were privatized and changed hands several times. There is now intense competition among the daily national titles.

There are sixteen daily newspapers in Slovakia including one daily freesheet and one Hungarian language daily, but only 9 of these are national. Readership of daily newspapers appears to be rising, but circulation per 1000 population is declining. Turnover has risen since 1995 but has been static in the most recent period. Value added per employee has declined after rising in the late 1990s.

10.9.1.2 MAGAZINES

There were over 1,000 journals and magazines published in 2002, with an estimated total circulation of almost 200 million copies. Turnover and

employment have grown substantially. Operating margins are not spectacular but at around 10-12% are similar to many EU member states.

10.9.1.3 Books

There are a very small number of book publishers in Slovakia, but the titles published per enterprise is the highest of the accession states. Turnover is low, but has been growing recently. Labour productivity has evidently been rising recently, as has the operating margin.

10.9.2 Advertising

Advertising has been growing very fast in Slovakia, but newspapers have not managed to maintain their share against competition from television, whereas magazines have been more successful. However, all the print media have benefited from the overall growth.

10.9.3 Ownership and diversity

One legacy of the former Czechoslovakia is that Czech interests remain important in Slovak media ownership, as well as German and other investors. A Slovak group, Ivan Kmotrik Media Group, is also important, having interests in TV, printing and newspaper distribution, book publishing and advertising. Petit Press, part owned by the German Verlagsgruppe Passau, owns the most complete network of regional papers, as well as daily and weekly papers, including the Hungarian and English language titles. The only remaining daily business newspaper is owned by the US-German Dow-Jones/Handelsblatt Group, which has also launched a weekly news magazine, Format. Daily Nový Cas (New Time), is now fully owned by Swiss company Ringier, after previous involvement by the Bertelsmann Group. It is the most popular daily tabloid in Slovakia. Ringier also owns several high-selling weekly and monthly magazines.

The number of daily newspaper titles has fallen in recent years, after a period of new launches. Unusually for a small country, there is a dedicated 17-hour TV news channel, owned partly by Czech interests, transmitted on cable only, which may present additional competition to quality daily newspapers.

10.9.4 Sustainability

Slovakia is a small market, and in common with some of the other accession states, it appears that some media owners have pursued the largest possible audiences by deploying more sensationalist content. For example, Nový Cas, the most popular daily newspaper, reversed a decline in sold copies by bringing in a new editor, who put more emphasis on sex, scandal and gossip. Two weekly news magazines were launched but have not survived, despite becoming more 'tabloid' in content in an effort to win readers, though Format survives, possibly showing that more niche business-oriented titles can succeed if well-backed.⁵⁰ However, of the two daily business titles, one abandoned print in 2003, becoming a website

⁵⁰ Slovak Media Landscape, June 2003 <http://www.ejc.nl/jr/emland/slovakia.html>

only. All attempts to launch a rival daily nationwide tabloid to Nový Cas have failed. Analysts believe the market cannot sustain more than three national dailies.⁵¹

10.10 Slovenia

10.10.1 General trends

Daily newspaper circulation per 100 population is at the upper end of the range for the accession states, second only to Estonia and appears to be stable. The number of titles published is also stable or even rising. Turnover has risen somewhat, but labour productivity has not grown in recent years.

The number of magazine titles has been growing and the number per million population is the highest in the accession states and among the highest in the EU. This reflects the preponderance of business over consumer titles, which is generally a characteristic of more developed media markets. Readership of magazines is also very high. Turnover and value added per employee in magazine publishing have risen in recent years, but operating margins are very low.

Slovenia has a larger book publishing sector than might be expected for its size, and title production was rising for most of the last decade. The number of enterprises grew rapidly from only 15 in the pre-independence period to 137 in 1994, but apparently began to suffer a crisis in the late 1990s, due to high production and sales costs which could not be passed on in higher prices.⁵² The number of titles published per enterprise has been falling, as has turnover and employment. Operating margins are very low and evidently falling.

Slovenia has had high Internet penetration for a long time, around and even ahead of the EU average for periods of time, and ahead of all the other accession states except Estonia. It is the only accession country apart from Poland where the Internet Advertising Bureau has established an affiliate. It also has high mobile penetration.

10.10.2 Advertising

Advertising revenue for newspapers has been going up, though not dramatically. Newspapers have lost market share, notably to radio. Unlike many other accession states, the magazine share of total advertising revenue has not been going up (though magazine advertising revenue itself has). This may also reflect the mature nature of the Slovene market.

⁵¹ Gabriel Sipos, Slovakia, in Media Ownership and its impact on Media Independence and Pluralism http://www.mirovni-institut.si/media_ownership/pdf/slovakia.pdf

⁵² Miha Kovacs, The limits of growth, in Library 46 (2002) 4
http://193.2.8.11/9library_kovac.html

10.10.3 Ownership and diversity

The two leading daily newspapers, a quality and a tabloid, are owned by the same company, which is also connected with a company which publishes 17 magazines. Their two biggest magazines have a 15 per cent market share and they control in total more than 50 per cent of the magazine market. Slovene media analysts argue that "at first glance, daily newspapers in Slovenia appear to be characterized by relatively dispersed ownership...on closer inspection, this...boils down to a few persons related through capital and management functions." They also argue that the media are controlled directly or indirectly by the same large companies that advertise in them, and that the state, through its shareholdings in the largest Slovene companies and funds, also has substantial stakes in media companies.⁵³ This situation arose mainly because of the way that privatization was carried out.

There has been little involvement by foreign investors and owners in the Slovenian newspaper market until very recently. The Swedish company Bonnier has acquired a 50% stake in the newspaper *Finance*, which now appears five times a week, and a new free weekly paper has been financed by the Austrian company Styria Verlag. Austrian capital is also involved, via a printing company, Leykam, in the third most important newspaper group.

It is notable that the only successful new entries in the daily newspaper market have been connected with sport and business rather than being overtly political.

10.10.4 Sustainability

Slovenia is very small, but it has a much higher income level than most of the accession countries and exhibits some of the characteristics of a mature media market. It also has a relatively homogeneous population, with 87% being Slovene-speaking. The low operating margins in book and magazine publishing (but not in newspaper publishing) are an issue for sustainability of the enterprises. Analysts expect more involvement by foreign investors in the Slovene market.

⁵³ Sandra B. Hrvatin and Lenart J. Kucic Slovenia, in *Media Ownership and its impact on Media Independence and Pluralism* http://www.mirovni-institut.si/media_ownership/pdf/slovenia.pdf

11 Conclusions and recommendations

11.1 Conclusions

The publishing industries in the European Union are on the whole in good health; the industries in the New Member States are developing rapidly, although from a rather weaker starting position. Publishing is affected by economic and social trends common to much of the EU and to North America. The industries of the EU and of North America face many of the same challenges, especially:

- Cyclic economic conditions affecting revenues from advertisers and from readers
- Competition between many media for the readers' attention
- Competition between many media for advertising expenditure
- Adapting products and services to online media
- Adapting to or creating new business models for online content
- Developing creative and absorbing online services
- Taking maximum advantage of technology both to deliver new services and to improve efficiency and productivity
- Managing the environmental and social impact of their businesses

The total turnover and the employment provided by the publishing industries is significant in European terms, and the industry makes an important contribution to the economies of several Member States. Many individual publishing companies in all sectors are large, well funded enterprises able to invest in innovation.

A more specifically European issue is managing the role of the publishing industries as both a commercial entity and a highly important part of the processes of cultural transmission, education and informing the citizens of the European Union and helping to ensure the continuing political and social pluralism of the EU's Member States. This creates an ongoing dialogue between the publishing industry, national governments and the institutions of the EU and emphasises the need to approach regulatory change with care.

Each of the individual sectors has its own range of specific challenges to face as well as the cross-sectoral ones facing all the industry: these are discussed in detail in the sectoral reports.

11.2 Recommendations

11.2.1 Use available influence to correct problems with the proposals for NACE/ISIC classification scheme

The proposals for Section K (Information and Communication)⁵⁴ are somewhat lacking in their present form as far as the publishing industry is concerned. The categories currently proposed do not fully match the position today, and are likely to fall further behind over the next few years. We believe that a different approach should be taken, that more closely considers the needs of the future as well as the industry as it is currently configured.

11.2.2 Monitor changes in reading patterns and use of media

Changing use of media emerges as a very important factor in the sustainability of the publishing industries. Currently, these patterns are monitored on an ad-hoc basis, and there is no standard for data collection in these areas. A consistent approach that took into account social, demographic and educational changes as well as the impact of technology would help the publishing industry in its long-term planning.

11.2.3 Analyse and monitor the skills base in the publishing industry

Developing relevant skills is essential if the publishing industry is to improve its growth, especially through moving into digital and online products and services. Identifying the available and required skills, and analysing gaps, is an important first step to initiating personnel and organisation developments that will help the industry move ahead.

11.2.4 Compare performance of the publishing industry in the European Union with the USA when appropriate data available

Comparative US data was not available at the time this report was prepared: it was due to have been available in mid-2004, but had still not appear at the time of writing.

Previous Publishing Watch studies have suggested that the publishing industry in the European Union is at least as strong as that of the US, and performs better in certain key areas. This should be re-investigated when the relevant US data is released.

11.2.5 Monitor the totality and cumulative effect of regulation on the publishing industry

The publishing industry is affected by many existing and potential regulations, some of which could affect its competitiveness and others its

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<http://forum.europa.eu.int/irc/dsis/nacecpacon/info/data/en/Draft%20NACE%20structure%20for%20consultation.xls>

cultural diversity and plurality. The full range of existing and potential regulations and their interaction should be monitored to ensure that their total impact does not seriously inhibit the continuing development and sustainability of the industry.

12 Annex 1: methodology and sources

12.1 Methodology

The statistical information is collected from established sources such as National statistical offices, Eurostat, UNESCO, and European industry organisations in order to achieve the most reliable data available. Some indicators are calculated from the original data. A notable exception is the directory publishing industry, for which the industry data is collected from a commercial database in the form of original annual statements and estimated according to the acquired data's coverage of the European Directory Publishers Association's members.

For Purchasing Power Parity adjusted figures the method for calculating the multipliers for monetary values in Euro (nominal exchange rate) is done by dividing the GDP value in PPP for each country for each year by the GDP value in nominal exchange rate.

12.2 Sources

The statistical sources include official statistical sources, organisations gathering statistical information and annual statements of individual firms.

Official statistical organisations:

- Eurostat
- National statistical offices

International organisations:

- World Association of Newspapers (World Press Trends, several editions)
- International Federation of the Periodical Press, FIPP (World Magazine Trends, several editions)
- Federation of European Publishers
- International Publishers Association
- UNESCO
- National libraries
- National booksellers' associations
- National ISBN offices
- World Advertising Research Centre (World Advertising Trends, several editions)

Databases:

- Amadeus, Bureau van Dijk Electronic Publishing
- Comext database, Eurostat

12.3 Assumptions made in modelling the industry

The scope of the study is in the development of European publishing industries, therefore the industry analyses are made on the level of companies that form the industry, not the publishing activities of the companies. Therefore the data gathered is about the companies that declare themselves under NACE categories 2211, Publishing of books, 2212, Publishing of newspapers and 2213, Publishing of journals and periodicals. The companies themselves may engage in activities other than publishing, but their main activity is publishing.

An exception to this approach is directory publishing, since it does not fall under any NACE category. The annual statement information does not usually reveal the portion of income derived from the directory publishing, so there is no clear way of distinguishing the firms that have directory publishing as their main activity from firms that have directory publishing activities, but not as the main source of income. Therefore the base group for analysing the directory publishing was chosen to be the member companies of European Directory Publishing Association.

13 Annex 2 Detailed industry statistical data

13.1 Tables by industry

13.1.1 Newspaper industry

Turnover, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	562	618	680	740	799	864	1020
be	537	642	646	747	843	955	
cy	31	32	31	33	38	42	42
cz							
de					12102	12649	12299
dk	707	752	782	796	809	836	832
ee						85	94
es	2251	2146	2335	2478	2812	3265	3087
fi	919	1001	964	1010	1068	1161	1172
fr		4247	4448	4780	5192	5316	5275
gr							
hu				463	482	580	661
ie			300	336	347	379	
it	3057	3038	2659	3352	3030	3723	3970
lt							84
lu							
lv			122	142	98	66	74
mt					18	24	19
nl	1855	2080	2106	2258	2352	2557	2452
pl					1094	1183	1145
pt		387	502	438	514	481	494
se	1548	1566	1628	1687	1737	1861	1711
si	156	178	181	193	205	212	189
sk	77	97	110	117	109	91	108
uk		6904	7028	6971	7212	8128	8299
Total	11701	23687	24523	26539	40861	44458	43026

Table 13-1 Newspapers: turnover

Number of employees							
	1995	1996	1997	1998	1999	2000	2001
at	3311	3671	4030	3743	3498	3252	4184
be	3438	3804	3433	3718	3508	3835	
cy						453	
cz							
de					102948	105313	100944
dk	22405	23375		19884	20002	20086	17798
ee						1400	1437
es	14426	13198	13874	13401	15802	17475	18102
fi	11798	11433	9277	9514	9769	10004	9992
fr		29959	30355	29954	29697	31498	31635
gr							
hu				3544	3202	3273	3343
ie			2313	2572	2617	2810	
it	14120	13982	11844	12440	12393	12229	12618
lt							2187
lu							
lv			3322	3203	2427	1865	1993
mt					414	424	580
nl	15000	17624	17180	16028	16587	17275	17674
pl		8693	8611	9022	10061	9977	10288
pt		3718	3648	3808	3960	3652	3955
se	21001	20890	17074	16686	16742	15572	15089
si	1407	1497	1378	1370	1475	1519	1429
sk	1246	1365	1344	1366	1281	1065	1364
uk		46958	51521	46059	44792	45652	48659
Total	108152	200167	179204	196312	301175	308629	303271

Table 13-2 Newspapers: number of employees

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Personnel costs, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	139	148	159	168	170	174	232
be	154	173	155	177	174	195	
cy						13	15
cz							
de					3395	3567	3724
dk	306	334	341	349	364	358	335
ee						28	29
es	591	566	596	595	716	821	848
fi	324	328	295	308	322	342	366
fr		1351	1421	1450	1494	1645	1706
gr							
hu				60	57	70	81
ie			109	116	109	114	
it	976	951	852	899	915	983	1016
lt							26
lu							
lv			41	38	33	22	24
mt					7	7	7
nl	619	667	680	673	705	746	705
pl		0	0	0	255	286	283
pt		96	105	115	128	131	142
se	519	557	541	545	567	592	557
si	62	65	66	70	75	79	73
sk	15	21	24	26	25	21	25
uk		1695	1706	1617	1518	1950	2099
Total	3704	6951	7090	7206	11028	12143	12292

Table 13-3 Newspapers: personnel costs

Personnel costs / employee, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	38		40	42	45	50	50
be	44	45	46	44	47	47	
cy						26	
cz							
de					37	35	38
dk	16	17		20	21	21	22
ee							
es	35	37	37	38	42	42	42
fi	29	30	32	33	33	34	36
fr		44	45	48	49	51	53
gr							
hu				16	18	21	24
ie					39	39	
it	51	53	53	54	55	59	59
lt							11
lu							
lv			12	11	12	12	12
mt					16	16	12
nl	41	37	38	41	41	43	42
pl					26	27	26
pt		27	29	29	32	33	36
se	27	29	32	32	34	38	37
si	35	34	36	37	37	41	41
sk	13	14	17	17	17	16	18
uk		34	33	35	36	41	40
Total	34	35	40	37	37	39	41

Table 13-4 Newspapers: personnel costs/employee

Value added, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	327		395	426	499	578	605
be	607	610	608	553	783	834	
cy	16	17	19	19		27	
cz							
de					10272	9962	9132
dk	664	700	761	790	836	894	850
ee							
es	2122	2303	2793	2785	3021	3417	3018
fi	647	717	789	808	789	836	835
fr		4329	4593	4755	5073	5428	5336
gr							
hu				164	164	242	321
ie					292	311	
it	2996	2999	3132	3514	2956	3740	3742
lt							107
lu							
lv			73	92	133	105	133
mt					12	17	15
nl	1949	2124	2309	2453	2572	2857	2749
pl					1557	1669	2724
pt		426	473	460	449	517	456
se	1018	914	1029	1097	1114	1162	998
si	127	134	139	148	156	141	135
sk	32	60	76	66	55	82	132
uk		7911	8549	9527	10237	10443	10810
Total	10506	23244	25737	27656	40970	43263	42097

Table 13-5 Newspapers: value added

Operating margin %							
	1995	1996	1997	1998	1999	2000	2001
at	2,8 %	4,0 %	5,1 %	10,3 %	13,4 %	16,4 %	10,1 %
be	7,1 %	4,6 %	7,5 %	6,5 %	7,0 %	7,7 %	
cy						16,3 %	5,1 %
cz							
de					15,0 %	15,7 %	9,5 %
dk	6,4 %	3,9 %	6,0 %	3,4 %	0,8 %	4,8 %	3,1 %
ee						1,2 %	4,4 %
es	12,2 %	13,0 %	16,2 %	17,8 %	18,4 %	20,2 %	14,4 %
fi	13,9 %	14,5 %	15,9 %	16,8 %	15,8 %	15,4 %	13,9 %
fr		4,2 %	5,1 %	4,7 %	7,3 %	6,6 %	2,1 %
gr							
hu				5,9 %	4,2 %	6,7 %	11,6 %
ie			16,5 %	19,7 %	28,0 %	29,7 %	
it	5,0 %	6,8 %	5,1 %	8,8 %	11,8 %	11,0 %	7,0 %
lt							9,5 %
lu							
lv			8,4 %	15,5 %	35,7 %	17,6 %	29,4 %
mt					17,7 %	29,8 %	33,1 %
nl	14,6 %	15,0 %	18,1 %	18,0 %	17,7 %	17,0 %	12,0 %
pl					28,4 %	24,1 %	52,5 %
pt		13,2 %	22,8 %	12,7 %	10,9 %	11,4 %	6,4 %
se	6,4 %	0,8 %	7,6 %	9,0 %	7,2 %	7,9 %	3,0 %
si	2,5 %	2,2 %	3,0 %	5,0 %	4,8 %	5,9 %	5,0 %
sk	7,0 %	9,1 %	16,4 %	7,4 %	4,0 %	2,7 %	4,7 %
uk		22,3 %	22,2 %	25,4 %	26,1 %	20,9 %	18,5 %
Total	7,8 %	8,7 %	11,7 %	11,7 %	14,4 %	13,8 %	12,8 %

Table 13-6 Newspapers: operating margin

Value added / employee, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	48		52	61	70	82	76
be	69	68	70	62	79	76	
cy						41	
cz							
de					58	54	51
dk	21	21		25	26	28	28
ee							
es	62	64	70	70	77	77	66
fi	39	44	50	50	50	50	50
fr		55	58	61	65	67	65
gr							
hu				26	26	36	45
ie					76	77	
it	73	75	80	91	84	107	107
lt							18
lu							
lv			17	20	26	23	26
mt					24	31	22
nl	70	66	70	76	76	79	74
pl					60	62	97
pt		45	54	45	45	49	43
se	35	31	39	42	42	46	41
si	39	38	40	42	42	46	46
sk	15	23	29	25	19	21	33
uk		60	63	69	73	74	73
Total	97	116	144	141	136	140	139

Table 13-7 Newspapers: value-added/employee

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Value added/Personnel costs							
	1995	1996	1997	1998	1999	2000	2001
at	1,11		1,22	1,45	1,63	1,82	1,44
be	1,25	1,17	1,31	1,27	1,34	1,38	
cy						1,52	1,14
cz							
de					1,53	1,56	1,31
dk	1,15	1,09	1,14	1,08	1,02	1,11	1,08
ee						1,04	1,14
es	1,54	1,56	1,70	1,82	1,72	1,80	1,52
fi	1,34	1,43	1,55	1,55	1,52	1,53	1,40
fr		1,13	1,16	1,16	1,25	1,21	1,07
gr							
hu				1,46	1,16	1,55	1,95
ie			1,45	1,57	1,89	1,99	
it	1,16	1,22	1,16	1,33	1,39	1,42	1,28
lt							1,31
lu							
lv			1,16	1,54	1,95	1,51	1,89
mt					1,45	2,04	1,93
nl	1,44	1,47	1,56	1,60	1,59	1,58	1,42
pl		1,78	2,14	1,88	2,22	2,00	3,13
pt		1,53	2,10	1,48	1,43	1,42	1,22
se	1,19	1,02	1,23	1,28	1,22	1,25	1,09
si	1,06	1,06	1,08	1,14	1,13	1,16	1,13
sk	1,35	1,41	1,78	1,33	1,18	1,12	1,20
uk		1,91	1,91	2,09	2,24	1,87	1,73
Total	1,26	1,37	1,48	1,47	1,52	1,52	1,47

Table 13-8 Newspapers: value-added/personnel costs

Publishing Market Watch

Final report

Turnover / employee, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	158		164	182	198	228	230
be					251	250	
cy						92	
cz							
de					157	144	143
dk	49	49		60	61	64	67
ee							
es	179	179	182	181	205	189	178
fi	96	105	117	120	123	127	132
fr		184	191	205	213	215	219
gr							
hu				119	152	172	185
ie					129	132	
it	245	256	285	304	301	354	355
lt							47
lu							
lv			45	49	46	48	45
mt					46	57	34
nl	166	155	155	178	177	186	181
pl					132	136	134
pt		137	167	138	150	149	137
se	101	98	111	116	122	137	130
si	111	110	115	119	117	118	118
sk	68	80	86	87	84	79	113
uk		145	151	155	155	168	162
Total	108	118	137	135	136	144	142

Table 13-9 Newspapers: turnover/employee

VA/GDP 2001	
at	0,21 %
be	0,14 %
cy	0,17 %
cz	
de	0,33 %
dk	0,33 %
ee	0,36 %
es	0,22 %
fi	0,54 %
fr	0,16 %
gr	
hu	0,17 %
ie	0,27 %
it	0,13 %
lt	0,15 %
lu	
lv	0,33 %
mt	0,29 %
nl	0,31 %
pl	0,33 %
pt	0,14 %
se	0,38 %
si	0,32 %
sk	0,07 %
uk	0,33 %
Total	0,18 %

Table 13-10 Newspapers: Value-added/GDP

13.1.2 Magazine publishing

Turnover, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	251	314	382	317	395	537	544
be	680	680	637	519	906	964	
cy	7	8	8	9	13	18	19
cz							
de					8564	7646	7060
dk	479	528	603	651	671	708	726
ee							
es	802	1147	1352	1608	1567	1944	1939
fi	368	400	553	607	600	652	709
fr		5868	6040	6618	6829	7315	7620
gr							
hu				107	188	219	245
ie					101	109	
it	2850	3287	3418	3666	3430	3262	3354
lt							34
lu	8	11	11	13	16	17	17
lv			24	30	78	101	105
mt					2	2	2
nl	1396	1531	1723	1917	2023	2200	2384
pl		0	0	0	573	593	660
pt		328	371	442	459	510	486
se	604	704	698	742	771	819	783
si	19	18	20	26	27	31	44
sk	46	61	66	75	99	143	212
uk		7170	7805	8918	8749	9746	9770
Total	7512	22054	23712	26265	36063	37536	36714

Table 13-11 Magazines: turnover

Number of employees							
	1995	1996	1997	1998	1999	2000	2001
at	1457		2178	1794	2218	2459	2198
be	1957	2161	2227	2310	3755	3984	
cy						189	
cz							
de					41280	45999	46105
dk	5755	6227		7874	8137	8323	8983
ee							
es	4899	6507	6905	7447	6644	8068	10746
fi	2336	2469	4163	4225	4040	4551	4566
fr		28452	28734	29098	29654	31110	32224
gr							
hu				665	1139	1281	1422
ie					826	861	
it	10201	10455	10279	10714	9800	9496	9007
lt							692
lu	118	95	95	115	158	164	160
lv			341	505	1829	1854	2186
mt					41	48	57
nl	6784	7900	8675	8589	9524	10632	10736
pl		1746	1737	2696	3024	3167	3463
pt		2114	1925	3036	2827	3456	3859
se	3675	4213	4601	5034	4732	4671	4858
si	157	139	165	183	192	210	320
sk	469	506	557	683	969	1671	1747
uk		53125	54119	60869	64850	65587	65896
Total	37808	126109	126701	145837	195639	207781	209225

Table 13-12 Magazines: number of employees

Personnel costs, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	61		96	74	94	123	104
be	84	90	92	101	159	164	
cy						4	4
cz							
de					1687	1611	1683
dk	124	140	158	173	190	210	222
ee							
es	162	210	253	291	284	357	418
fi	78	88	134	146	143	151	163
fr		1318	1333	1444	1513	1628	1755
gr							
hu				11	19	25	31
ie					30	32	
it	450	486	470	515	477	470	446
lt							6
lu	5	3	3	4	6	6	6
lv			3	4	21	24	25
mt					0	0	1
nl	271	294	311	345	388	420	479
pl					80	84	94
pt		66	55	90	88	114	140
se	120	142	148	164	168	178	184
si	5	4	5	5	6	7	12
sk	7	9	11	13	16	27	33
uk		1733	1792	2044	2420	2581	2453
Total	1366	4582	4864	5425	7789	8217	8260

Table 13-13 Magazines: personnel costs

Personnel costs / employee, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	38		40	42	45	50	50
be	44	45	46	44	47	47	
cy						26	
cz							
de					37	35	38
dk	16	17		20	21	21	22
ee							
es	35	37	37	38	42	42	42
fi	29	30	32	33	33	34	36
fr		44	45	48	49	51	53
gr							
hu				16	18	21	24
ie					39	39	
it	51	53	53	54	55	59	59
lt							11
lu							
lv			12	11	12	12	12
mt					16	16	12
nl	41	37	38	41	41	43	42
pl					26	27	26
pt		27	29	29	32	33	36
se	27	29	32	32	34	38	37
si	35	34	36	37	37	41	41
sk	13	14	17	17	17	16	18
uk		34	33	35	36	41	40
Total	33	33	34	33	34	35	33

Table 13-14 Magazines: personnel costs/employee

Value added, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	90		146	112	140	185	147
be	154	147	157	142	259	227	
cy	3	3	3	3		7	5
cz							
de					2925	2467	2303
dk	185	209	222	249	265	293	294
ee							
es	226	380	481	503	500	675	617
fi	103	118	200	207	198	207	220
fr		1680	1784	1938	2077	2244	2352
gr							
hu				27	36	47	56
ie					68	65	
it	783	808	754	874	754	812	817
lt							11
lu	3	4	3	4	7	5	7
lv			5	14	45	53	61
mt					1	1	1
nl	571	640	723	803	843	920	1025
pl		0	0	0	224	267	435
pt		85	83	102	110	139	109
se	156	169	177	189	202	201	185
si	5	4	5	6	7	8	13
sk	7	16	21	21	20	42	59
uk		2909	3364	3956	4189	4423	4580
Total	2288	7173	8130	9150	12868	13288	13295

Table 13-15 Magazines: value-added

Operating margin %							
	1995	1996	1997	1998	1999	2000	2001
at	11,8 %		13,1 %	12,0 %	11,6 %	11,6 %	7,8 %
be	10,3 %	8,4 %	10,2 %	7,8 %	11,0 %	6,6 %	
cy						16,8 %	4,7 %
cz							
de					12,6 %	11,2 %	8,8 %
dk	12,6 %	13,2 %	10,7 %	11,6 %	11,1 %	11,7 %	9,9 %
ee							
es	7,2 %	13,9 %	16,0 %	12,4 %	13,7 %	16,3 %	10,3 %
fi	6,2 %	7,8 %	12,0 %	10,1 %	9,1 %	8,5 %	9,3 %
fr		6,2 %	7,5 %	7,5 %	8,3 %	8,4 %	7,8 %
gr							
hu				14,6 %	11,0 %	9,7 %	10,2 %
ie					37,0 %	30,4 %	
it	11,7 %	9,8 %	8,3 %	9,8 %	8,1 %	10,5 %	11,1 %
lt							14,6 %
lu		9,2 %		4,9 %	6,9 %		0,5 %
lv			13,6 %	36,0 %	29,7 %	29,0 %	34,1 %
mt					23,1 %	14,3 %	7,7 %
nl	21,5 %	22,6 %	23,9 %	23,8 %	22,5 %	22,8 %	22,9 %
pl					25,1 %	30,8 %	51,6 %
pt		5,8 %	7,5 %	2,6 %	4,7 %	5,0 %	-6,5 %
se	6,0 %	3,8 %	4,2 %	3,4 %	4,4 %	2,9 %	0,1 %
si	2,2 %	2,5 %	2,9 %	2,2 %	2,7 %	2,3 %	2,6 %
sk		12,9 %	15,6 %	10,9 %	3,6 %	10,2 %	12,1 %
uk		16,4 %	20,1 %	21,4 %	20,2 %	18,9 %	21,8 %
Total	9,9 %	10,2 %	11,8 %	11,9 %	13,8 %	13,9 %	12,1 %

Table 13-16 Magazines: operating margin

Value added / employee, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	62		67	62	63	75	67
be	79	68	71	61	69	57	
cy						36	
cz							
de					71	54	50
dk	32	34		32	33	35	33
ee							
es	49	60	74	68	75	84	57
fi	44	48	48	49	49	46	48
fr		59	62	67	70	72	73
gr							
hu							39
ie					82	75	
it	77	77	73	82	77	86	91
lt							16
lu	26	38	36	38	45	30	41
lv					24	28	28
mt						14	13
nl	84	81	83	93	89	87	95
pl					74	84	126
pt		40	43	33	39	40	28
se	43	40	38	37		43	38
si					37	40	42
sk						25	34
uk		55	62	65	65	67	69
Total	55	55	60	57	60	54	52

Table 13-17 Magazines: value-added/employee

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Value added/Personnel costs							
	1995	1996	1997	1998	1999	2000	2001
at	1,49		1,52	1,51	1,49	1,51	1,40
be	1,83	1,63	1,70	1,40	1,63	1,39	
cy						1,74	1,20
cz							
de					1,73	1,53	1,37
dk	1,49	1,50	1,41	1,44	1,39	1,39	1,32
ee							
es	1,40	1,81	1,90	1,73	1,76	1,89	1,48
fi	1,33	1,34	1,49	1,42	1,38	1,37	1,34
fr		1,27	1,34	1,34	1,37	1,38	1,34
gr							
hu				2,37	1,91	1,85	1,81
ie					2,23	2,04	
it	1,74	1,66	1,60	1,70	1,58	1,73	1,83
lt							1,79
lu	0,65	1,45	1,00	1,17	1,19	0,84	1,03
lv			1,73	3,25	2,09	2,24	2,44
mt					2,50	1,67	1,25
nl	2,11	2,18	2,33	2,32	2,17	2,19	2,14
pl		2,06	1,81	2,44	2,81	3,16	4,61
pt		1,28	1,51	1,13	1,25	1,23	0,78
se	1,30	1,19	1,20	1,15	1,20	1,13	1,01
si	1,12	1,11	1,13	1,10	1,11	1,12	1,11
sk	0,96	1,91	1,96	1,65	1,23	1,53	1,77
uk		1,68	1,88	1,94	1,73	1,71	1,87
Total	1,40	1,58	1,59	1,71	1,69	1,65	1,64

Table 13-18 Magazines: value-added/personnel costs

Turnover / employee, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	172		175	177	178	218	247
be	348	314	286	225	241	242	
cy						94	
cz							
de					207	166	153
dk	83	85		83	82	85	81
ee							
es	164	176	196	216	236	241	180
fi	158	162	133	144	149	143	155
fr		206	210	227	230	235	236
gr							
hu				161	165	171	172
ie					122	126	
it	279	314	333	342	350	344	372
lt							50
lu	70	119	116	112	102	105	108
lv			71	59	43	54	48
mt					50	44	33
nl	206	194	199	223	212	207	222
pl					190	187	191
pt		155	193	145	162	148	126
se	164	167	152	147	163	175	161
si	124	128	122	140	139	149	138
sk	98	120	119	110	103	86	121
uk		135	144	147	135	149	148
Total	170	175	175	166	163	160	155

Table 13-19 Magazines: turnover/employee

VA/GDP 2001	
at	0,07 %
be	0,02 %
cy	0,04 %
cz	
de	0,12 %
dk	0,20 %
ee	
es	0,08 %
fi	0,17 %
fr	0,16 %
gr	
hu	0,05 %
ie	0,07 %
it	0,06 %
lt	0,04 %
lu	0,03 %
lv	0,33 %
mt	0,01 %
nl	0,24 %
pl	0,12 %
pt	0,06 %
se	0,08 %
si	0,11 %
sk	0,04 %
uk	0,32 %
Total	0,15 %

Table 13-20 Magazines: value-added/GDP

13.1.3 Book publishing⁵⁵

Turnover, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	264		173	209	215	214	270
be					749	843	
cy	2	2	2	1	1	1	
cz							
de					7067	6308	6136
dk	372	354	417	448	499	524	511
ee						43	
es	3102	3163	3586	3151	3626	3175	3078
fi	319	321	335	310	282	305	312
fr		4314	4545	4522	4552	4799	4919
gr							
hu				186	300	365	419
ie			32	40	46	46	
it	4200	3921	5102	4780	4168	5333	5134
lt							168
lu							
lv			50	53	56	52	52
mt					4	3	3
nl	1350	1402	1280	1540	1584	1966	1898
pl		0	0	0	1789	1917	1959
pt		590	577	528	506	564	460
se	816	594	597	635	687	766	704
si	188	194	197	205	203	116	115
sk	21	48	46	39	34	80	138
uk		4919	5724	5500	5653	5897	6013
Total	10635	19821	22663	22150	32020	33317	32289

Table 13-21 Books: turnover

⁵⁵ See also note on page 17

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Number of employees							
	1995	1996	1997	1998	1999	2000	2001
at	2056		1327	1427	1389	1377	1599
be	3393	2987	3077	2835	2704	3211	
cy						19	
cz							
de					32365	33270	31339
dk	3348	3552		3874	4403	4066	4127
ee			:			642	
es	15145	16443	19087	19076	16561	18763	16593
fi	2516	2420	2411	2344	2107	2079	2077
fr		20216	19816	18784	18485	18318	17628
gr							
hu				2156	2054	2222	2390
ie			273	333	396	365	
it	16857	15508	17090	15595	13153	13075	13451
lt							3143
lu							
lv			751	866	766	835	910
mt					56	56	61
nl	5875	6734	7166	7544	7607	8190	8735
pl		9752	9892	11120	13062	13988	14331
pt		3674	3113	3357	3102	3358	2674
se	4722	4030	4654	4698	4792	4915	4623
si	1697	1908	1906	1993	2034	1317	1194
sk	397	714	675	597	625	1225	945
uk		31074	30574	31196	29898	30525	34089
Total	56006	119012	121812	127795	155559	161816	159909

Table 13-22 Books: number of employees

Personnel costs, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	61		48	52	52	56	59
be	152	142	151	109	137	154	
cy						0	
cz							
de					1466	1316	1311
dk	79	75	95	104	116	119	115
ee						8	
es	469	551	616	651	640	688	638
fi	76	78	78	75	66	73	74
fr		787	820	808	828	857	854
gr							
hu				32	41	50	57
ie			7	9	11	11	
it	694	665	740	668	545	615	602
lt							37
lu							
lv			7	8	8	9	10
mt					1	1	1
nl	238	246	251	291	304	392	363
pl		0	0	0	333	371	342
pt		98	93	88	96	99	93
se	150	143	142	143	160	176	156
si	47	50	52	55	57	38	37
sk	4	8	8	6	7	15	13
uk		999	1057	1133	1075	1236	1366
Total	1971	3843	4165	4232	5943	6286	6129

Table 13-23 Books: personnel costs

Personnel costs / employee, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	30		37	36	38	41	37
be	45	47	49	38	51	48	
cy						20	
cz							
de					45	40	42
dk	23	21		27	26	29	28
ee						13	
es	37	36	37	34	39	37	38
fi	30	32	33	32	31	35	35
fr		39	41	43	45	47	48
gr							
hu				15	20	22	24
ie			25	27	27	30	
it	41	43	43	43	41	47	45
lt							12
lu							
lv			9	9	11	11	11
mt					11	14	14
nl	41	37	35	39	40	48	42
pl		0	0	0	25	27	24
pt		27	30	26	31	30	35
se	32	35	30	30	33	36	34
si	28	26	27	27	28	29	31
sk	10	11	12	11	12	12	14
uk		32	35	36	36	41	40
Total	32	30	30	28	31	31	31

Table 13-24 Books: personnel costs/employee

Value added, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	82		54	71	81	78	124
be	262	260	247	186	290	338	
cy	0,6	0,6	1,0	0,7	0,6	0,5	
cz							
de					2147	1941	1938
dk	128	128	151	165	201	203	195
ee						14	
es	988	1039	1300	1200	1287	1263	1109
fi	111	130	133	123	101	105	102
fr		1119	1164	1141	1125	1188	1166
gr							
hu				49	63	87	107
ie			15	13	17	20	
it	1086	1035	1389	1447	931	1534	1630
lt							62
lu							
lv			21	20	25	19	26
mt					1	2	1
nl	488	504	524	571	609	758	724
pl		0	0	0	767	832	1405
pt		193	170	187	155	191	173
se	243	175	188	211	221	222	203
si	55	61	62	62	64	41	40
sk	5	14	13	12	6	17	43
uk		1772	1922	2184	2647	2375	2597
Total	3449	6430	7355	7641	10737	11225	11645

Table 13-25 Books: value-added

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Operating margin %							
	1995	1996	1997	1998	1999	2000	2001
at	8,1 %		3,2 %	9,1 %	13,5 %	10,0 %	23,9 %
be					20,4 %	21,8 %	
cy						12,5 %	
cz							
de					11,0 %	9,9 %	10,2 %
dk	13,2 %	14,8 %	13,6 %	13,7 %	17,0 %	16,0 %	15,6 %
ee						12,2 %	
es	16,1 %	14,9 %	18,6 %	16,5 %	17,8 %	18,1 %	15,3 %
fi	13,0 %	15,9 %	16,8 %	15,3 %	12,4 %	17,2 %	9,2 %
fr		7,7 %	7,6 %	7,4 %	6,5 %	6,9 %	6,3 %
gr							
hu				9,2 %	10,8 %	11,5 %	12,0 %
ie			27,4 %	9,5 %	14,6 %	19,8 %	
it	9,3 %	9,4 %	12,7 %	16,3 %	9,3 %	17,2 %	20,0 %
lt							15,1 %
lu							
lv			32,0 %	25,6 %	37,6 %	18,7 %	30,2 %
mt					18,2 %	18,2 %	14,3 %
nl	18,5 %	17,1 %	21,3 %	18,2 %	19,3 %	18,6 %	19,0 %
pl		16,9 %	22,4 %	27,9 %	24,3 %	24,0 %	54,2 %
pt		16,2 %	13,4 %	18,9 %	11,5 %	16,2 %	17,5 %
se	11,4 %	5,5 %	7,7 %	10,6 %	8,9 %	5,9 %	6,7 %
si	4,2 %	5,3 %	4,9 %	3,6 %	3,7 %	2,4 %	2,8 %
sk	3,7 %	12,6 %	10,0 %	13,0 %		3,0 %	21,0 %
uk		15,7 %	15,1 %	19,1 %	27,8 %	19,3 %	20,5 %
Total	10,8 %	12,7 %	15,1 %	14,6 %	15,8 %	14,3 %	17,4 %

Table 13-26 Books: operating margin

Value added / employee, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	75	85	80	65	108	106	
be					71	62	67
cy						26	
cz							
de	42	40		49	51	57	54
dk	38	39	47	40	50	44	45
ee						21	
es	62	71	73	69	64	67	64
fi		54	56	58	58	61	61
fr							
gr			70	49	57	76	
hu				23	31	39	45
ie	58	64	75	85	62	99	101
it							
lt							20
lu	75	67	65	68	75	86	76
lv			28	23	32	22	28
mt					26	27	22
nl		36	39	40	35	40	46
pl					59	59	98
pt	83	74	68	74		75	67
se		40	52	62	82	74	76
si	33	32	32	31	31	31	33
sk	12	20	19	19	10	14	45
uk							
Total	53	52	54	50	53	54	56

Table 13-27 Books: value-added/employee

Value added/Personnel costs							
	1995	1996	1997	1998	1999	2000	2001
at	1,35		1,12	1,37	1,55	1,38	2,09
be	1,72	1,84	1,64	1,71	2,12	2,19	
cy						1,33	
cz							
de					1,46	1,47	1,48
dk	1,62	1,70	1,60	1,59	1,73	1,71	1,69
ee						1,63	
es	2,11	1,89	2,11	1,84	2,01	1,83	1,74
fi	1,46	1,66	1,70	1,63	1,53	1,44	1,38
fr		1,42	1,42	1,41	1,36	1,39	1,37
gr							
hu				1,53	1,54	1,74	1,87
ie			2,31	1,42	1,62	1,82	
it	1,56	1,56	1,88	2,17	1,71	2,50	2,71
lt							1,70
lu							
lv			3,00	2,43	2,94	2,10	2,52
mt					2,25	2,00	1,50
nl	2,05	2,05	2,09	1,96	2,00	1,93	1,99
pl		2,04	2,30	2,61	2,31	2,24	4,11
pt		1,98	1,83	2,13	1,60	1,92	1,87
se	1,62	1,23	1,32	1,47	1,38	1,26	1,30
si	1,16	1,20	1,18	1,14	1,13	1,07	1,09
sk	1,19	1,75	1,56	1,78	0,83	1,17	3,20
uk		1,77	1,82	1,93	2,46	1,92	1,90
Total	1,58	1,70	1,80	1,77	1,77	1,72	1,97

Table 13-28 Books: value-added/personnel costs

Turnover / employee, PPP							
	1995	1996	1997	1998	1999	2000	2001
at	128		130	147	155	155	169
be					277	263	
cy						52	
cz							
de					218	190	196
dk	111	100		116	113	129	124
ee						66	
es	205	192	188	165	219	169	186
fi	127	132	139	132	134	147	150
fr		213	229	241	246	262	279
gr							
hu				86	146	164	175
ie			117	121	117	125	
it	249	253	299	306	317	408	382
lt							53
lu							
lv			67	62	73	63	57
mt					63	60	50
nl	230	208	179	204	208	240	217
pl					137	137	137
pt		161	185	157	163	168	172
se	173	147	128	135	143	156	152
si	111	102	103	103	100	88	96
sk	53	67	68	65	55	66	146
uk		158	187	176	189	193	176
Total	154	158	155	148	162	157	162

Table 13-29 Books: turnover/employee

VA/GDP, 2001	
at	0,06 %
be	
cy	
cz	
de	0,10 %
dk	0,14 %
ee	
es	0,14 %
fi	0,08 %
fr	0,08 %
gr	
hu	0,09 %
ie	
it	0,12 %
lt	0,21 %
lu	
lv	0,14 %
mt	0,02 %
nl	0,17 %
pl	0,38 %
pt	0,10 %
se	0,09 %
si	0,08 %
sk	0,12 %
uk	0,18 %
Total	0,12 %

Table 13-30 Books: value-added/GDP