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SKOTAVILLE PUBLISHERS IN 1991: AN ASSESSMENT

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An Assessment

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1. Executive Summary

Skotaville Publishers was established as a not-for-gain company in Johannesburg in 1982 and has been active in the development and nurturing of black authors and of African languages. In this the company has been supported by a number of international and national donors. The directors now wish to change the business strategy of the company so that it can become economically self-sufficient. They therefore requested USAID to assist with the provision of consultants to help the company by assessing the present operations and help prepare a plan to achieve self-sufficiency. This report is the result of that consultancy.

In 1990-1 Skotaville made sales of R 378,000 (about R 2.70 to $) and an operating loss before donations of R 607,000. The business problem facing the company is the classic one of static sales being made at too low a margin over a period when overhead costs have grown considerably. The resulting operating losses have been offset by subsidies from donors. These subsidies have enabled Skotaville to afford an overhead in excess of sales. In 1990-1 this was 160% of sales. However included in the overhead is the expense of writers' workshops, which while part of the company's mission, is not an activity normally undertaken in developed countries.

An analysis of all the company's functions indicated that, while in many cases knowledge and practice existed often instinctively, there was great need in all areas for regularly applied systems and clearly defined allocation of duties. The lack of a proper price-fixing system with high enough targets was critical. There appeared to be a lack of standard marketing procedures which resulted in Skotaville books not being sold to the full. It seemed that the fairly sophisticated hardware which they had was not being used to its potential.

Recommendations for action based on this analysis included:

* introduction of a long-range planning and budgeting cycle;
* regular financial management reporting compared to budget;
* formal price-fixing procedure with more stringent targets;
* closer involvement of the board;
* publishing planning in chosen areas and more formal publishing decision procedures;
* annual promotion planning and title promotion planning;
* development of direct mail facility;
* development of in-house film-making capacity;
* more use of short-run printing specialists;

* introduction of standard personnel practices including job descriptions, objective setting, and performance reviews;
* more precise definition and some reallocation of tasks to improve productivity; and
* an analysis of training needs of all staff.

Three strategic options have been identified. The first is a high risk growth strategy. Under this the company will grow from currently below R 400,000 to R 2 million in three years and would then have an operating profit. This plan depends to a considerable degree on the publication of sponsored leisure books. The first about the Kaiser Chiefs football team has already been commissioned.

The second option is a containment strategy under which the staff would be drastically cut and the future publishing curtailed. There would still be reliance on some sponsored leisure publishing. The cash implications of this plan are more conservative than the growth plan.

In both these plans it is assumed that the writers' workshop service will be hived off and funded separately.

The third option is to develop the writers' workshop service and phase out Skotaville's existing publishing. The service would train authors and act as an agent in placing them with existing publishers.

The executive directors of Skotaville, subject to their board's approval, opted for the growth plan and to seek separate funding for the writers' workshop service.

Benchmarks were agreed with the Skotaville management by which the change in management practice and implementation of the chosen strategy could fairly be measured after six months and a year. Longer term benchmarks would depend on the update of the three-year plan.

Outline business plans are attached. These are based on the assumption that current pledges from donors will be forthcoming in 1991. No other subsidies are assumed except for separate funding of the writers' workshop service (section 10.4), the provision of process evaluation (section 7.7(b)) and of the training of staff (Appendix XII).

The appendices contain sample forms, notes on various workshops undertaken during the consultancy and other detailed notes.

Adrian Higham and Mike Kantey

21 March 1991

2. Terms of Reference

Adrian Higham of Higham Kobrak Associates has wide experience in international publishing. He was formerly a Senior Vice-President of John Wiley and Sons, Inc., New York, and General Manager of their International Group.

Mike Kantey of Watercourse CC, Cape Town, has experience of all facets of the southern African market. He was formerly Publisher and Manager of the Agency Division of Maskew Miller Longman, Pty Ltd, Cape Town, and later Education Manager of David Philip Publishers, also in Cape Town.

The consultants were commissioned by USAID in South Africa, through the Academy for Educational Development in Washington, to assist Skotaville Publishers in becoming economically self-sufficient. The terms of reference were:

2.1 to assess Skotaville's business systems; and

2.2 to assess the issues confronting Skotaville's marketing and distribution.

In addition, we were asked at minimum to review, examine and make recommendations in the following areas:

2.3 strategic planning;

2.4 marketing;

2.5 costing and pricing of books;

2.6 distribution;

2.7 organisational structure; and

2.8 administrative practices.

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The consultants would like to thank Mothobi Mutloatse, Nozipho Mkhonza and the staff of Skotaville Publishers for their hospitality, goodwill and courtesy in responding to our many demands. They trust that this report will go some way in helping them in their mission.

3. Background

It is now common knowledge that South Africa is well on the road to political reform. We agreed that the existing scenario will be maintained through 1991 with a strong possibility of shared power by 1993. It is further possible, however, that some white privileges will be retained.

The economic prospects are more difficult to predict. The politically and ideologically inspired distortions of the past (under the general tag of apartheid) have delivered an economic crisis in the 90s. South Africa has an estimated population of 36 million people of whom some 44% are below the poverty datum line (Business Day 1/3/91). Illiteracy has been estimated as high as 25%.

Educational statistics are appalling with many thousands of children failing to meet the most rudimentary requirements of an industrialising nation. The educational arena has been fragmented by previous Afrikaner Nationalist governments into eighteen separate authorities, each with its own rigidly defended ethnic identity. Expenditure, however, has massively favoured the four white provincial authorities. The prospects of bureaucratic reform are reasonable, but once again historically determined distortions indicate the need for massive budgets and tremendous political will.

Above all, these conditions are overdetermined by the shadow of racism and the powerful interests of a few key players. While some serious attempts are under way to address these distortions, the scale of the problem suggests a long period before reconstruction can be said to have been completed.

As far as the book trade is concerned, sanctions and inflation, as well as oligopolistic trade practices, will ensure a hostile market in the short term, with a possible breakthrough in the mid term. At the same time, however, competition will be strenuous.

Skotaville Publishers were conceived in the early 80s when opposition to an entrenched apartheid regime was at its height. More importantly, the founding partners of the house were determined from the outset to redress the imbalance between black and white, both politically and culturally. This more often than not took the form of consciously supporting the development and nurturing of black authors, African languages and black ideological positions. Nevertheless Skotaville were often successful in attracting white authors who wrote about African culture and experience.

The directors and their authors have now felt the need to redefine this market image and to restructure the company. Moreover, their very desire for black advancement and self-reliance has given rise to an equal desire for financial independence.

Accordingly, managing director Mothobi Mutloatse has redefined Skotaville's mission as follows:

Philosophy and Content of Our Mission

The establishment of an African publishing house such as Skotaville is an inevitable step in the process of African emancipation, a fulfilment of a cultural dream which has to be translated into an economic reality - the ultimate objective of our independence.

Simultaneously, Skotaville would like to pioneer viable, critical, credible, and sound educationally relevant materials, as well as trend-setting literary and contemporary political and theological texts not only for the new South Africa, but also beyond the new South Africa - i.e. where we come from (roots a la ubuntu) and where we are heading (a broadened and updated version of ubuntu):

"the spirit of Africa with the entrepreneurial spirit of the West".

4. Skotaville's Performance: 1987-1991.

4.1 There are seven members of staff consisting of the managing director, financial director, two typesetters, an executive secretary, and two in stock management. This staff produced 30 new titles in the year to 28 February 1991 bringing the total list to 120 titles. They sold 47,773 units in the year producing sales revenues of R 378,000. (However the figures were distorted by one title which was set by the DET and sold 12,275 units for R 56,900.) The record of activity was similar to that of the previous three years. In each year there was an operating loss offset by donations so that until the last year Skotaville had improved its cash position.

4.2 (a) The record for the last four years is as follows:

Year to Feb.	1987-8	1988-9	1989-90	prelim 90-91
SALES (R '000)	333	290	358	378
COST OF GOODS SOLD	367	256	388	357
GROSS PROFIT	(34)	34	(30)	21
OTHER INCOME	15	19	29	14
	(19)	53	29	35
OVERHEAD	413	517	624	615
ROYALTIES	22	77	61	27
OPERATING LOSS	(454)	(541)	(655)	(607)
GRANTS RECEIVED	635	712	950	143
STOCK	258	287	345	388
CASH	42	195	290	66

(b) These figures reflect the classic problem of a publishing operation where the sales have remained static or even declined during a period while there has been a considerable increase in overhead. In an efficiently run commercial house the overhead would not be more than 45% of sales excluding royalties. But Skotaville has held writers' workshops as part of its mission, specifically funded by donors, which accounted for approximately R 68,000 in 1989-90 and R 112,000 in 1990-91. This inflated the overhead and is an activity not usually undertaken by publishing houses in developed countries.

(c) Staff costs were higher in 1989-90 than in the previous year because bursaries were given to children of staff with specific agreement of one donor. They were not given in 1989-90 but may be repeated in 1991-2. We have not made a detailed comparison of staff costs with the industry but they would appear to be if anything below the general level.

(d) The cost of goods sold (the production cost of the books sold) is much higher than is usual in the publishing trade. Including royalty this should not exceed 50% of sales. Note that in Skotaville's accounts, authors' royalties have been included in general overhead so the problem is even greater than at first appears. (Royalties are shown separately from the general overhead in the above table.) Skotaville prices per page appear to be comparable with their rivals'. The short first print runs of 1000 have very high set up charges. This is addressed later in the report.

There is therefore a major problem facing the Skotaville management even before they address the question of becoming independent of donor support.

(e) The growth in stock levels is the direct result of the lack of sufficient sales being achieved. We have been assured that stock valuation policy is conservative. There appears to be a quantity of stock which needs remaindering or selling off. This is being reviewed.

(f) The reduction in cash resources in the last year has meant that management have had to delay sending manuscripts to the printer. Skotaville are holding about a years' production in hand. This is with the authors' prior knowledge but could nevertheless possibly create a problem with titles of contemporary relevance.

5. Analysis of Skotaville's Functions: March 1991.

5.1 Strategic planning

(a) Scenario planning and market analysis.

Mothobi Multloatse and Nozipho Mkhonza (financial director) expressed a firm desire to engage in more considered long-range planning in consultation with the Board. This had not taken place in the previous year. We therefore assisted them in some scenario planning and market analysis.

Since the planned meeting with the Board for December 1990 did not materialise, we suggest that a breakdown in continuity might occur between executives and board. The lack of professional marketing expertise was also felt to be a handicap.

Nevertheless Mothobi was able to account systematically for conditions in the field and to make confident predictions. His source of scenario and market knowledge appeared to derive from two important sources:

(i) the printed media

(ii) well-placed informants

Constraints were expressed as being largely a product of political instability and economic disability on the part of Skotaville's target audience. Mothobi also felt that the racial divisions in South African society would remain for some time to come, despite apparent reforms. This would continue to contribute to political instability and have a negative impact on buying patterns in the short term. Competition was seen to emanate from the large schoolbook publishers, multinationals, and other small independents.

(b) Marketing objectives

As anticipated by the Mission Statement, Skotaville's marketing objective was expressed as:

(i) to move away from dependence on foreign subsidies and grants;

(ii) to increase sales, specifically by gaining greater market share in the schools market;

(iii) to improve performance internally;

(iv) to reaffirm an African identity; and

(v) to share knowledge and resources with the less privileged.

It was fairly evident from our knowledge of the market place and external input from leading players that Skotaville's active presence in the conventional commercial market is limited.

Historically, this may be attributed in part to an indifference on the part of key players to the kinds of product that Skotaville has published (see in particular, Susan Joubert, 1990: Publishing in Another South Africa: Problems and projections, unpub. M.Phil., Stirling University). Nevertheless we believe that a greater active role on the part of Skotaville in approaching and negotiating with these key players might yield more fruit. Mothobi has already done some work in this regard.

Furthermore, while larger marketing and specific tactical issues were understood, there appears to be little evidence of a systematic approach, linking macro issues with specific promotional activity. This was analysed and presented in a workshop which is further discussed below.

(c) Developing a publishing plan (schedule)

Although Mothobi had a clear perception of what was intended in forthcoming months, there was again no evidence of a detailed publishing plan or schedule. Such a plan was worked through and was filled in according to the sample form, Appendix VII. Mothobi further undertook to fill out the provisional plan with concrete figures. We further believe that Mothobi needs to actively seek and commission specific titles to further strategic objectives. The beginnings of such a commissioning and publishing planning exercise for the education market was demonstrated through consultation with educationist and Skotaville author, Michael Cross.

5.2 Production

Production is currently managed by Mothobi, who supervises the work of two production staff: Pinky Makhubu and Halema Cassim. They are assisted administratively by Nyameka Matoti. During the course of the consultancy it was agreed that Pinky would be given a new job description in sales and marketing.

(a) Manuscript processing and publishing decisions

Incoming manuscripts are processed by Nyameka. Decisions to publish are taken by Mothobi who, because of the many indigenous language manuscripts, tends to base some judgement on outside readers or the promises of the author. No formal publishing proposal procedure is undertaken. Apart from the costs of postage and the hidden costs of processing such manuscripts, we felt that far more manuscripts ought to be returned automatically, once certain quotas are filled.

Later on we will argue that, if a large proportion of Skotaville's function is to serve an underdeveloped pool of authors, then this function needs to be separately defined and accounted for. Currently such support is a large drain on Skotaville's overheads.

We developed a sample publication proposal form for Skotaville, given as Appendix VIII and suggested that this should be worked on for every title proposed for publication. We further suggested that both Mothobi and Nozipho agree to sign off each proposal form.

(b) Editing and design

Once accepted for publication, manuscripts are typeset in-house, which represents a substantial saving on outside typesetting costs. Although Halema demonstrated a proficiency in typesetting procedure and editorial practice, she is not skilled in language editing or practical book design. The more skilled editing work is carried out by freelance agents. This represents a double burden on overheads.

Mothobi also regretted the absence of Jaki Seroke, former Editor-in-chief, who is currently in jail for political reasons. Jaki's return would imply an increase in overheads. We suggested that, when he returns, Jaki might be appointed director of writer's development and that his salary be funded separately.

As far as typesetting equipment is concerned, we felt that the hardware might be upgraded to higher performance speeds. This might entail the release of an older PC for word processing and the development of a database for direct mail. Nevertheless a large overproductive capacity has developed in the editorial department, such that 22 manuscripts have been taken up to camera-ready stage ahead of the current financial year. This indicated a clear need for publishing planning and the moving of staff function away from editorial to sales and marketing.

(c) Costing and price-fixing

Because of its impact on sales and profitability (gross margins), the costing and pricing of books is crucial. There is no clear evidence at Skotaville Publishers of any formal costing and price-fixing procedure on a title-by-title basis. We therefore conducted some carry-outs with Mothobi and Nozipho and the results are given in Appendix I. We also produced a sample estimate/price-fixing form, given as Appendix IX.

Although Skotaville prices are competitive with related books in the commercial market, they suffer from negative gross margins. We suggest that the differing segments of the market may well be able to afford a two-tier pricing strategy where a high selling price in the retail market is offset by special discounts to segments of the informal market, such as trade unions.

(d) Contracts with authors

Mothobi was very keen to grant the most competitive royalties for authors. Certain important authors also receive advances against royalties. In the year 1990/91 two abnormal royalty fees were granted which Mothobi felt were exceptional and that such a concession would not occur again.

We suggested that the standard author's contract of 10% on sums received be maintained and that a rising royalty based on the performance of a particular title be encouraged. This is discussed further under Appendix II.

(e) <u>Putting print supplies out to tender</u>

Skotaville's costing procedures and adherence to low-run titles tends to produce negative or very low gross margins. A long-standing contract with a major Cape Town-based supplier was recently terminated. We conducted a snap survey of the suppliers in South Africa and suggested the following economies:

(i) reproduction - we suggested the further development of low-cost in-house methods of generating camera-ready art and/or transparent film to be funded internally;

(ii) printing - we investigated the feasibility of using jobbing printers who specialise in short runs; and

(iii) paper - two major constraints on the economic procurement of paper are sanctions and the South African paper cartel which tends to put its price at just below the imported price. Once sanctions are lifted, however, the first constraint will disappear. The second constraint is under investigation by the government. In the mid term, therefore, Skotaville ought to take advantage of a relatively open market for paper.

5.3 Promotion

(a) <u>Target audiences</u>

There is some dispute about the nature of the South African readership (see Joubert, op. cit.). Target audiences were identified by Mothobi as Black readers in the A income group; a minority of readers in the Black C income group; and a minority of white readers in the A and B income groups. He further identified learners from pre-school to junior secondary school. This definition was in sharp contrast to other informants in the trade who suggested that a black/white distinction was unnecessary. Given the fractured nature of South African society it is not surprising that such disputes should exist.

In an attempt to achieve some scientific evidence of the nature and status of Skotaville's potential audience, Mothobi approached a market research company who produced a feasibility study. Our examination of the study leads us to believe that the objectives and readership survey might well be performed by Mothobi alone, by a judicious process of travelling and interviews with major players in the target audience. We do not believe it would be economic at this stage to spend the equivalent of a third of current overheads on such an exercise without first exercising the current staff's talents.

While Skotaville has identified their target audience fairly clearly, no clear profile and prioritisation was given of intermediaries or actual customers. Neither was there clear evidence of the identification of customer needs, the critical paths nor the product mix. A workshop was conducted on these issues which is minuted as Appendix III.

(b) Promotions planning

Having broadly identified market niches under Strategic Planning above, Mothobi recognised that not enough planning is being devoted to promoting specific titles or groups of titles to specific target audiences. While there is clear evidence of some promotional activity, there is considerably less evidence of co-ordination and a systematic promotions plan and scheduling. We therefore approached the new titles for 1991 and produced a provisional promotions plan as reflected in Appendix IV. We suggested that this plan be fully developed by the relevant staff as a matter of priority.

We also produced a sample promotions meeting checklist to be used for each and every new title, which is given as Appendix X.

We believe that Skotaville could increase sales by -

(i) putting more sales through independent bookshops;

(ii) discovering new outlets at low discount;

(iii) developing market share in the teacher training market;

(iv) developing market share in the library market;

(v) increasing direct selling activity; and

(vi) dramatically increasing direct mail activity.

Most importantly, Skotaville requires skilled personnel to effect these improvements. We therefore suggest that job descriptions are refined and reallocated while Lucky is given specific targetted training to improve his marketing and selling skills.

We further suggest that if there is no improvement in the short term, there may be some justification for the appointment of a marketing professional.

(d) Sales monitoring and evaluation

From the above it is clear that periodic monitoring and evaluation is essential in order to assess performance against targets. For this a clear and readable sales analysis is required. Lucky and Nozipho make use of a Xenix-based Multisoft accounting system running on an old IBM PC. Reporting is uneven and we would advocate the regular production of an unambiguous report on the following topics:

(i) sales by category of title;

(ii) sales by customer group;

(iii) sales by geographic area; and

(iv) sales as percentage of agreed targets.

Nozipho and Lucky appeared to need far greater understanding of the processes and procedures they were expected to effect. Again this indicated the need for targetted training.

5.4 Distribution

Lucky Mogomotsi and Joe Monareng are responsible for nearly all promotional and distribution affairs. As such they have a tremendous workload and will require much needed support if sales are to be improved.

Lucky checks in all incoming stock, looks after orders, invoices, stock reprints, and so on. Although he is extremely alert and confident, he needs more effective systems to free him for more direct marketing and sales work.

We would therefore propose the following in the mid term:

(i) redesign the warehouse to maximise throughput;

(ii) allocate a computer terminal and keyboard at Lucky's work-station to streamline data processing and retrieval;

and in the short term:

(iii) install an easily accessible hard data filing system near his work-station.

Despatch currently takes place by post, rail, and occasionally by road. The bulk of Skotaville's trade distribution is handled by David Philip Publishers in Cape Town. If Skotaville were to take over Transvaal distribution, then despatch issues might become critical. As regards carriers, the same principle of careful analysis of tenders needs to be applied as was suggested under 5.2 (e) above.

5.5 Services and Administration

(a) Information storage and retrieval

Generally speaking, Skotaville demonstrates a fairly haphazard system of information management. We assessed the informational storage and retrieval needs of the staff members and made suggestions for improvement.

(b) Time management

Since time and information management are both aspects of productivity, Skotaville needs to improve the time spent on various tasks and to assess continuously their relative importance. One of the advantages that Skotaville currently enjoys over other houses is that all staff are able and willing to turn their hands to many different tasks. The important notion, however, is to identify and maintain those tasks which are vital. This implies a clear definition of responsibilities and objectives. Both Nozipho and Mothobi also expressed dissatisfaction with time-keeping. This was addressed in a separate session on staff management and counselling.

We believe that staff commitment is the most vital factor in the success of the proposed programme. It will be of extreme importance to carry the staff through the new adjustments so that their loyalty and commitment is maintained. This may be achieved by judicious counselling and training. As a general rule, we would advocate short targeted bursts of training (preferably assessed and implemented by an outside consultant) in order to redirect staff skills and thereby contribute to total organisational development.

An organisational structure was discussed with Mothobi and Nozipho and is given as Appendix XI.

5.6 Financial Controls

Since overhead expenditure is one of the major contributors to Skotaville's operating loss, we believe that a clear budgeting and financial controls procedure is required. This would apply not only to overall planning but to specific titles in production and promotion.

Monthly reports to Mothobi of sales, receipts and overhead expenses will be introduced. Quarterly P&L statements compared to budget will be prepared for use by Mothobi and Nozipho and for the board. A month-by-month forecast of sales, overheads and P&L has been developed. Suggestions for budgeting procedure is given in Appendix V.

6. Identification of Problem Areas

From the preceding section 5 we may identify the following problem areas:

6.1 First and foremost there is a clear need for systems in all operational areas. These we list as:

(a) long-range planning;

(b) budgeting and sales forecasts;

(c) management and financial reporting
- monthly to Mothobi
- quarterly to the Board

(d) publishing planning;

(e) costing and estimating for specific titles;

(f) production management;

(g) marketing planning;

(h) promotions planning for specific titles;

(i) sales travel plans;

(j) sales analysis;

(k) computerised stock management;

(l) filing and data processing; and

(m) customer services.

6.2 While there is evidence of entrepreneurial flair and a good working knowledge of the potential market for their product, few staff members have enough knowledge of standard marketing procedure, especially in the book trade in South Africa.

6.3 While some staff members exhibit some commitment some of the time, such commitment is not sustained.

6.4 Despite the existence of fairly sophisticated hardware, that staff do not appear to have taken full control of the equipment's potential.

6.5 More participation is required by the board, or at least an executive component thereof, to support Mothobi and Nozipho in the fulfilment of the development plan.

7. Recommendations for Action

7.1 Financial Management

(a) Planning and Budget preparation timetable. Mothobi and Nozipho should have an annual timetable for the preparation of a three year long range plan which should take place in September, to be followed by the preparation of a budget in December for the following financial year which begins on March 1. Each of these should be approved by the board.

(b) Monthly management reports. Nozipho should prepare a monthly report for Mothobi of sales, receipts and overheads compared to budget. These should be reviewed together for appropriate action.

(c) Quarterly P&L reports. Nozipho should prepare a quarterly report of P&L, cash position, donations and subsidies, all compared to budget. This should be presented to the board by Mothobi with relevant comments.

(d) Quarterly board meetings. Regular meetings of the board to monitor the company's progress is desirable. If quarterly board meetings prove difficult then it is recommended that a committee of the board is appointed to meet quarterly with Mothobi and Nozipho to review progress.

(e) Price-fixing targets. Price fixing estimates should be prepared by Halema and approved by Nozipho and Mothobi.

Those books which are not planned to reprint (one edition books) should be priced to achieve a gross profit excluding royalty of 55% of sales. If the royalty is 10% of sum received then this is 4 times production cost.

Those books which are planned to reprint should be priced over two printings. On the first printing it should achieve a gross profit excluding royalty of 45% of sales. If the royalty is 10% of sum received then this is 3.3 times production cost. On the second printing the gross profit excluding royalty should be 65% of sales. If the royalty is 10% of sum received then this is 5.2 times production cost.

If a subsidy has been received in respect of the title then this should be taken into account before the price fixing is calculated. Also see 7.7 (a) below.

(f) Writers' workshop as a separate accounting unit. A separate accounting identity should be established for the writers' workshop service as soon as funds are available. Separate funding should be sought from donors. Jaki Seroki might be appointed to direct this service when he returns.

(g) Price increase for the back list. The price increases agreed during the consultancy should be implemented by Nozipho and Mothobi over and above the increased already put in hand on March 1. This should be with effect from May 1.

(h) Financial control of expenditure. All expenditure by every department should be approved by Nozipho before commitment. The request should indicate when payment will be due.

7.2 Publishing Management

(a) Publishing plan. This should be prepared by Mothobi annually at the time of the budget preparation to include proposed, price and print run; planned publication date; projected sales by volume and value; and the projected gross margin as a percentage. This schedule will be updated as the year progresses.

(b) Decision to publish formalised. This should be formalised so that all staff know of new projects. The relevant form (see Appendix VIII) should be prepared by Mothobi as editor and then approved by Nozipho and Mothobi in his MD function.

(c) Authors royalties. Except in special circumstance these should be limited to 10% of sum received. The payment of a higher royalty (say 12.5%) on a reprint may on occasion be appropriate. Advances should be treated as an exception.

(d) Backlog of manuscripts. The present backlog of manuscripts should be cleared within the year subject to cash availability. This is the responsibility of Mothobi with Nozipho and Halema.

7.3 Sales & Marketing Management

(a) Annual promotion plan. As part of the budget process Lucky will prepare a promotion plan. This will list the visits to bookshops, colleges, universities and libraries. It will prioritise attendance at rallies and will list direct mail activity. The plan will include cost of travel, materials and postage.

(b) Individual title promotion plan. Each new book should have a plan prepared by Lucky. The suggested form is included as Appendix X.

(c) Informal markets sales plan. This should be prepared by Pinky to indicate outlets and proposed terms and allocation of responsibility for visiting together with costs and sales targets.

(d) Direct mail database. A plan is required by Pinky for the expansion of the present mailing list which will include division by subject interest. There will be an estimate of cost of list building and preparation of proposed mailing campaigns with costs.

(e) Plan for increased promotion to independent bookshops. This is required from Lucky to show visit plans and other promotion by mail and phone. It will include costs and sales targets.

(f) Plan for discovery of new outlets. This is to be prepared by Lucky and will include bookshops but also other book buying entities. It will include method of approach and timetable together with costs and target sales.

(g) Prepare plan to take back Transvaal bookshop visiting. As part of the update of the three-year plan next September, review the possibility of taking back from David Philip the visiting of the Transvaal book trade.

7.4 Production Management

(a) Competitive print buying. Competitive estimates should be obtained by Mothobi from three printers for all new titles in order to establish the current going price for buying print. This practice should continue for at least a year, before a new favourable contract with a reliable printer is considered.

(b) Short-run technology. An investigation is required into short-run printing technology. This will be suitable for titles which are not planned to sell more than 400 per annum. Mothobi will lead on this project.

(c) In-house film creation. Final camera ready copy should be reproduced on film from the computer printer. This has to be compatible with the machines in use at the printers and should be internally funded. This is a major recommendation with a significant impact on the Cost of Goods Sold. This is a joint responsibility of Mothobi and Nozipho. Halema will produce the required film.

7.5 Equipment

(a) Warehouse redesign. In the second or third year of the plan increased warehouse throughput will necessitate redesign of the existing facilities. Estimates will be required for racking plus redesign including the removal of some non-structural walls. Subject to satisfactory estimates this should be put in hand either in 1992-3 or 1993-4.

(b) Filing systems. The present system in the editorial section requires review and new filing cabinet(s) and system is required in warehouse area. Nyameka should supervise this.

(c) Transport costs analysis. Before the annual budget review a transport costs analysis should be made by Lucky to ensure that the most economic methods of delivery are being used.

7.6 Personnel

(a) Job descriptions. These should be revised in light of the new tasks which staff are undertaking to achieve the new goals. This will be done by Mothobi and Nozipho after discussion with individual members of staff. This will include objectives for the coming year. Drafts will be completed by the consultants before the end of their assignment.

(b) Training requirements. An analysis of training needs has been prepared in light of the new tasks. See Appendix XII.

(c) Annual review of all staff. Mothobi and Nozipho will review with each member of staff their performance in light of the objectives agreed. This should take place after the end of the financial year and before the annual salary review.

(d) Incentive scheme for all staff. Given the difficult nature of the challenge which this plan entails, an incentive scheme for all the staff is recommended. We suggest some form of thirteenth month's salary providing the agreed objectives are met.

(e) Staff salary review. The annual review should be considered by the board for all staff, including the executive directors. A survey of salaries in publishing houses of a comparable size should be accompany any recommendations from Mothobi.

(e) Timekeeping. To achieve the plan every moment of the day will be needed. This whole question should be reviewed by all staff. An individual's record should be part of the annual performance review.

7.7 General

(a) Inclusion of overhead element in subsidy requests. In any future application for subsidy an element for general overhead should be included providing this is acceptable to the donor. Historically the overhead has been very high measured as a percentage of sales. In 1991-2 the overhead (less royalty) is planned to be 67% of sales and is planned to improve to 35% in 1993-4.

(b) Process evaluation. A regular review of the implementation of the details of the plan is strongly recommended. This should probably take place twice in the first year against the benchmarks listed in section 8. This should be in September 1991 at the half year and in March 1992 at the end of the financial year. A week should be adequate for each review. Mike Kantey would be available for this assignment if desired.

8. Strategic Options

We identified three possible strategies for Skotaville.

8.1 Growth Strategy

To grow the company by rapidly increasing sales from present level below R 400,000 to about R 2 million while containing overheads and allowing only very limited increase in staff. This would be achieved by refocussing staff, increasing new title production, changing the publishing towards more material which will reprint and commissioning major sponsored sports and general leisure titles. The writers' workshop service would be an independent division of Skotaville separately funded by donors.

There is a high risk associated with this strategy. Success depends on good market conditions, application by all members of staff of the recommendations in this report and a modicum of luck. A business plan based on this strategy is outlined in section 10.

8.2 Containment Strategy

This is a lower risk alternative to 8.1 and would use less cash. Reduce the overhead immediately by reducing staff numbers radically. Eliminate from present publishing programme all titles not forecast to sell 1,000 in two years. Change publishing policy as in 8.1 but limit new publishing to 10 titles per annum. The writers' workshop service would be funded independently.

An alternative business plan is outlined in section 10. If this strategy is followed then a number of the recommendations in section 7 would have to be modified.

8.3 Writers Development and Literary Agency Strategy

Under this strategy Skotaville would develop those activities associated with writers' workshops and would seek co-editions with existing publishers and also act as literary agents. They would phase out their existing publishing.

8.4 Strategic Option to be Followed

After consideration of these options, the executive directors of Skotaville decided, subject to the approval of the board, to explore the possibility of following the growth strategy (8.1 above) with the writers' workshop service to be funded and accounted for separately. They decided not to develop at this time the rest of 8.3 above.

9. Benchmarks

The following benchmarks are suggested to measure progress of Skotaville in fulfilling the plan. Note that if a major number of benchmarks have not been achieved at either the half-year of the full financial year then the Skotaville management may decide to change their strategy from growth to containment or a mixture of both.

9.1 September 1991.

On completion of the first six months when the financial management information is to hand:

(a) Kaiser Chiefs. The successful completion of the publishing of this important title. It is the only sponsored leisure title included in 1991-2. See Appendix VI for details.

(b) Satisfactory six months' P&L performance. Satisfactory performance of the operation aside from Kaiser Chiefs as follows:

Sales R 215,000   Gross profit R 28,000   Overhead R 260,000

(c) Monthly and quarterly reports. See 7.1(b) and 7.1(c) above. These reports will have been produced and in use.

(d) Board supervision. See 7.1(d) above. A board meeting will have been held, or a meeting of an appointed sub-committee, to review the progress of the company.

(e) Publishing plan and decision to publish. See 7.2(a) and 7.2(b) above. The plan will have been fully developed and the decisions to publish formally implemented.

(f) Annual promotion plan. See 7.3(a) above. This will have been fully developed and in use.

(g) Direct Mail. See 7.3(d) above. This will have begun being implemented and have been used.

(i) Production. See 7.4 above. All the recommendations for competitive estimates, short-run printing, and in-house film making are will have been implemented.

(j) Job descriptions and objectives. See 7.6(a) above. These will be in hand and staff will be aware of their objectives.

9.2 March 1992.

On the completion of the financial year with all the relevant financial management information available:

(a) 1991-2 financial year results. These will be compared against the plan which is:

Sales R 808,000 G.P. R 290,000 O'head (Less roy.) R 542,000

(b) Update of three-year plan. Record of the update of the three-year plan to cover period 1992-95, including the quality of this work.

(c) Budget preparation for 1992-3. Record and quality of this work including the involvement of all members of staff as appropriate.

(d) Board supervision. Record of board involvement, or of a committee of the board, to show their participation in the fulfilment of the plan.

(e) Writers' workshop service. This will have been made a separate accounting unit with its own business plan.

(f) Backlog of manuscripts. See 7.2(d) above. This will have been eliminated.

(g) New promotion plan. A plan for 1992-3 will be in place and will be included in the budget.

(h) New direct mail plan. A plan for 1992-3 will be in place and will be included in the budget.

(g) Decision on Transvaal bookshop work. See 7.3(g) above. This will have been decided and the consequent action put in hand.

(h) Warehouse organisation review. See 7.5(a) above. The review will have been completed.

9.3 1992 and 1993.

Benchmarks in subsequent years should be based on financial objectives agreed in the updates of the three year plans and specific evidence of implementation of publishing and marketing plans.

10. Business Plans: 1991-94

10.1 General Background

(a) These plans are based on the assumption that the recommendations for action in section 7 have been implemented. By the end of three years, Skotaville will be making an operational surplus and that its activities will be confined to traditional book publishing. It is not proposed during this three-year period that Skotaville should be changed to a Pty Ltd. This might be appropriate at the end of the period.

(b) The first year of the plans is based on present work in hand and donations already pledged which it is assumed will be fulfilled. If pledges are for any reason not forthcoming or are considerably delayed then the planned new book production cannot take place with an adverse effect on the plans. No other subsidies are included in these plans though Skotaville might seek sponsorship from appropriate South African corporate donors.

(c) The expense implications of the recommendations in this report have not been included in these plans. For instance, no allowance has been made for cost of training. It is envisaged that donor funding might be appropriate in some of these cases.

10.2 Growth Strategy

(a) Under this strategy there will be an expansion of activity by the current staff. They will have their jobs more clearly defined and there will be a shift to more active targeted sales promotion work. Only in the second year will there be the addition of a specialist marketing manager and in the third year a further sales representative. Mothobi suggested that a further editor might be required but this has not been included.

(b) The sales forecast for 1991-92 is based on a line-by-line assessment. The forecast for the second and third years are based on extrapolations of sales by year of publication. Details are included in Appendix VI.

(c) A major piece of sponsored publishing in 1991-2 is Kaiser Chiefs to be supported by the football club. If successful, this will alter the whole pattern of Skotaville publishing for the year. If further such general sports and leisure titles can be commissioned, then this will represent an important new departure for the company. We have assumed in the second and third years that further titles are published. As this type of project has such a marked financial impact on the company's performance the forecasts are shown with and without the leisure titles. See Appendix VI for further details.

(d) There will be an increased emphasis on direct mail. Sales will be at full price and the cost of the operation should not exceed the equivalent of the standard bookshop discount.

(e) Present discounts to the trade will continue; David Philip who represent Skotaville to much of the trade receive 60% discount. Possibly in the second year, with the acquisition of a marketing manager, Skotaville will take back the work with the Transvaal booksellers. There will be an increased marketing effort by Skotaville immediately to the independent bookshops (who enjoy 33.3% discount and comprise 40% of present sales). See Appendix VI for the details of these assumptions.

(f) The cost of goods sold (cost of production of books sold) will decrease as a percentage of sales over the three years. This is a major component of the plan. Search for more economic methods of film making for new books will continue and price fixing will be more rigorous than heretofore. Details are included in Appendix VI.

(g) The overhead projections are based on the current year but the costs of writers' workshops have been deducted. Jaki Seroke's salary, if he rejoins Skotaville during year, will not be included as it is assumed that he will administer the writers' workshops, under a separate funding and budget. Freelance reporting will be reduced to reflect tighter control of mss checking. Advertising and sales expenses will be increased to reflect greater sales activity. Authors royalties will increase because of higher sales.

(h) A total of R 531,000 donations has been pledged for specific projects during 1991-2. There is of course some uncertainty about the precise timing of pledges. R 19,000 is promised in connection with publication of Kaiser Chiefs.

(i) Cash flow net of donations is negative during 1991-2 but with donations is positive. In the second and third years the cash flow is neutral. See Appendix VI for details.

(j) The P&L is forecast as follows:

(Current Rands '000)	91-92	92-93	93-94
SALES	808	1154	1970
COST OF GOODS SOLD	518	569	810
GROSS PROFIT	290	585	1160
OTHER INCOME	20	20	20
OVERHEAD	542	604	673
ROYALTY	105	139	234
OPERATING LOSS/PROFIT	(337)	(155)	237
DONATIONS etc.	550	-	-

(k) If the Kaiser chiefs and similar leisure titles are excluded the P&L is as follows:

(Current Rands '000)	91-92	92-93	93-94
SALES	561	784	1229
COST OF GOODS SOLD	473	501	675
GROSS PROFIT	88	284	554
OTHER INCOME	20	20	20
OVERHEAD	542	604	673
ROYALTY	80	102	160
OPERATING LOSS	(514)	(402)	(259)
DONATIONS	531	-	-

(l) Stock movements (R '000) are estimated as follows:

	91-2	92-3	93-4
Opening stock	388	400	550
Purchased	530	719	860
Closing stock	400	550	600

If this can be achieved then the cash flow implications are neutral. It is estimated that there will be R 193,000 cash at end of 1991-2 and R 211,000 at the end of 1993-4. No allowance is made for further subsidies.

10.3 Containment Strategy

(a) Under this strategy the overhead is reduced by lowering staff costs. It is assumed that there will be four staff initially rising to five in 1993-4 with the addition of a sales person. Selling expenses would be increased in a similar proportion to the growth plan.

(b) The publishing programme for 1991-2 would be drastically pruned to eliminate those titles not expected to sell 1,000 in two years. Ten titles would be cancelled.

(c) Because of reduced staff ten titles only would be processed in 1992-3 and 1993-4. The number of niches in which Skotaville would specialise would be reduced. We have assumed there would be 6 tertiary education titles, 2 fiction and 2 childrens.

(d) Leisure titles similar to Kaiser Chiefs would be commissioned, the original one in 1991-2 and others in the following two years.

(e) The Cost of Goods Sold would improve in a similar way to the Growth Strategy.

(f) As a consequence the three year planned P&L would be as follows:

(R '000)	91-2	92-3	93-4
SALES	729	947	1107
COGS	445	429	411
GROSS PROFIT	284	518	696
OTHER INCOME	20	20	20
OVERHEAD	460	476	531
ROYALTY	92	123	144
LOSS/SURPLUS	(248)	(61)	41

(g) This plan also depends on the leisure titles. Without them the P&L is as follows:

(R '000)	91-2	92-3	93-4
SALES	482	577	613
COGS	400	361	321
GROSS PROFIT	82	216	292
OTHER INCOME	20	20	20
OVERHEAD	460	476	531
ROYALTY	68	86	95
LOSS	(462)	(326)	(314)

Stock movements (R '000) for this plan including the leisure titles are estimated as follows:

	91-2	92-3	93-4
Opening stock	388	373	418
Purchased	430	474	567
Closing stock	373	418	574

If this can be achieved then the cash flow implications are negative by about R 180,000 in 1991-2 and neutral thereafter. This would place Skotaville in stronger cash position than in the Growth Plan.

10.4 Writers' Workshop Service Plan.

(a) Under this plan the service to writers would be considered independently of any publishing. Initially there would be a staff of two, an director and an assistant. Workshops would be held as at present with invited participation. They would probably be thematic in content. The service would include both advice and criticism at the workshop and written reports as appropriate.

(b) Skotaville would have a first option on the product of the workshop but would not be otherwise committed. The service would then try to place the work elsewhere. The Writers' workshop would on occasion be developing authors in fields outside Skotaville's area of publishing interest. For work placed with other publishers the service might charge an author's agency commission.

If the Writers' workshop staff did any editorial work for Skotaville they would charge a service fee.

(c) It is envisaged in the first year that the operating expenses might be about R 100,000 and staff cost about R 60,000.

Appendix I: Notes on Price Fixing and Carry Outs

(a) The overall aim at the end of the three-year plan is to achieve a Gross Profit as a percentage of sales of 59%. This is sufficient to produce an operating profit or surplus.

If Kaiser Chiefs and similar leisure books are excluded the Gross Profit is 45%. There is an operating loss. It is necessary to average a Gross Profit of 55% over the whole list to maintain an operating profit.

(b) Many publishing companies include royalties with their production costs when preparing estimates as any increase in the royalty rate means that the published price (or list price) must be increased if the operating profit is to be maintained. One way to do this is to increase the published price.

When comparing pricing policy with other publishers it is important to establish whether they include royalty with the production cost when preparing their price fixing estimate.

(c) A short cut to establishing the published price is to establish the ratio by which the production cost (print and paper) has to be multiplied to arrive at the published price. Those noted below assume a royalty of 10% of the sum received. If the royalty is higher then a greater ratio is required.

(d) If a title is not planned to reprint this is called a one edition book. A novel is often such a title. The price-fixing formula demands a higher ratio (and therefore published price) as this title has to make its contribution to the list quicker than a title which is planned to reprint.

(e) A title planned to reprint such as a textbook is priced over two printings so that the high first printing charges can be spread over many more copies. There is lower ratio required for the first printing and a much higher one based on the lower unit cost of the reprint.

(f) Subsidies are common in South African publishing. Where a subsidy has been negotiated in connection with a title this should be credited against the production cost before the price-fixing estimate is carried out.

(g) Recommended price-fixing formulae are as follows. Note that they are all based on the receipts of the printing being 100. It is the ratios and the percentage targets which are important.

One edition book.

Pub price 1.81 less 45% = 100
Production = 45
Gross Profit = 55 i.e.55% of sales
Ratio of production cost to pub price is 4 x

Title planned to reprint.

(a) First print.

Pub price 1.81 less 45% = 100
Production = 55
Gross Profit = 45 i.e. 45% of sales
Ratio of production cost to pub price is 3.3 x

(b) Second print.

Pub price 1.81 less 45% = 100
Production = 35
Gross Profit = 65 i.e. 65% of sales
Ratio of production cost to pub price is 5.2 x

Note first and second printings average Gross Profit of 55%.

Appendix II: Notes on the Skotaville Standard Agreement

(a) As adequate agreements are essential for good author relations and the running of an efficient publishing house these notes are offered to help clarify the existing agreement. They are not written by a legal expert and it may be felt that a formal review would be in order.

(b) Clause 1.1. "delivery ... by such date as may be agreed upon". Suggest space is left for date to be inserted and also length of manuscript in number of words.

(c) Clause 6. "within two months ... to publish the work". Suggest this is altered to nine months which reflects usual trade practice.

(d) Clause 8. Wording of royalty payment conditions is obscure. Suggest this might be redrafted as follows:

> "The Publisher shall account to the Author bi-annually for sales for the period to 31 March and 30 September and make payment within 60 days thereof except that the first accounting date will be that following the anniversary of the works publication."

(e) Clause 8.1. Delete "Paperback editions" and "for 1 000 to 3 000 copies". Where a rising royalty is being offered then a version of the agreement form is required with clause 8.1 left blank.

(f) Clause 8.2. Remainders have not been defined. Suggest omit this clause altogether as the royalties are calculated on the sum received which will ensure the author gets a share of any special priced sales.

(g) Clause 8.4. Layout error. Correct when form reprinted.

(h) Clause 8.7. "publisher's price" is confusing. Suggest change to "manufacturing cost".

Appendix III: Minutes of a Market Analysis Workshop 13/3/91

A. Target Audience and Critical Path

We started the workshop by first identifying the target audience and the critical paths to that audience. This produced a mind map as follows.

B. Customer Profile

From the mind map above we identified the following critical customers.

1. Booksellers

These were defined as -

(a) David Philip Publishers, currently receiving 60% discount and responsible for 28,3% of all sales;

(b) the CNA chain, currently receiving 50% discount and responsible for 8,3% of sales;

(c) the Literary Group, currently receiving 35% discount;

(d) the independent and other outlets, receiving 33,33% discount and - most importantly - responsible for 50,3% of sales.

2. Universities

These included the two Vista campuses of Mamelodi and Soweto; the University of the Witwatersrand; the University of South Africa; Giyani College; the University of Bophuthatswana; and the University of the North.

3. Colleges of Education and Technikons

These included the Johannesburg College of Education; the Rand Technikon; the Northern Technikon in Pretoria; the Soweto College of Education and the Transvaal College of Education at Soshanguve.

4. Democratic Trade Unions and Other Structures

We identified among these NACTU, COSATU, COSAW, and so on.

5. Libraries

Here we mentioned the Soweto libraries; the Transvaal Provincial Administration libraries; Education Service organisation libraries; the Johannesburg Municipal libraries; and so on.

We suggested that this list could be further developed and consolidated. We stressed that the library market was a potential source of immediate sales and that the key selectors should be visited as a matter of urgency.

We then took a closer look at one customer - the CNA - as an example of developing a customer profile.

The CNA (or Central News Agency) is a massive chain of 320 stores situated throughout South Africa. Although they have traditionally catered for mass market and "middle-of-the-road" cosmopolian tastes, our interview with Geoff Cooper and Abdullah Gallie revealed a clear acceptance of the need for a more directive approach to "African" product.

We suggested that Skotaville needs to get much closer to these two buyers on a regular basis and to discover precisely what their needs are. It was agreed that a mere posting of material was insufficient and that the buyers needed much more warning about forthcoming product.

Many buyers and executives we spoke to in the industry suggested that a more visible presence in their offices would increase Skotaville's sales.

C. Product Development, Product Mix and Brand Image

Prior to the workshop, all the authors, customers and friends of Skotaville seemed to agree on one thing: that Skotaville needed to move away from its image as a "Black" publishing house. While the substance and content of their publishing might reflect African experience and African languages, it was expressed that South Africa was searching for a unified national culture and that the old Black-White perceptions were no longer appropriate.

In the search for penetration of the educational market (conducted in consultation with author and educationist Michael Cross) it was agreed that Skotaville's greatest strengths lay in product for pre-service teacher training, whether at universities or colleges of education. Mothobi had previously admitted that marketing to schools had not been successful, and with the large schoolbook publishers capable of commanding over 50 representatives in the school market, we felt that a direct assault on the classroom textbook market was inappropriate in the short term.

An analysis of the existing and proposed product revealed the following product categories:

1. Theology, with an average market price of R 22.

2. Children's fiction and non-fiction, with an ave. price of R 20.

3. Educational product, which was divided into -

   (a) pre-school product at an average price of R 15;

   (b) secondary product at an average price of R 12;

(c) tertiary product at ana average price of R 60; and

(d) adult (workers') education at an average price of R 15.

4. Health.

5. Adult fiction, drama and poetry.

6. Politics, history, sociology.

7. Adult non-fiction, or leisure reading.

8. Literature in the African languages.

Generally speaking, Skotaville are well placed in the fields of Theology, Politics, Tertiary education, and Literature in the African languages. They would like to penetrate more fully the leisure reading, children's fiction, and pre-school activity markets.

Appendix IV: Provisional Promotions Plan

A. Campaigns

Campaigns can take place around the company image (repositioning in the market), around a category or group of titles, or around a single title. We looked at one category - children's literature - and discussed a campaign as follows:

Lead title: Folk Tales by Gcina Mhlophe

Second lead title: River Queen by Bob Leshoai

Supporting titles: The Snake with Seven Heads
The Queen of the Tortoises
Isong le Khono
The Boy Who Tried to Fly, and so on.

Launch date: August 15 1991

Action: June 1991: Advance Information release, showing prices, discounts, author profile, date of publication, and so on. Subscription to CNA, DPP, Young Reading, READ, Exclusives, Books Only, libraries, teachers in primary schools, parents, and so on.

Action: July 1991: Media Alert: City Press, Sowetan, Weekly Mail, Magazines, television, radio, direct mail drive, and so on.

** MAKE SURE BOOKS ARE ON SCHEDULE IN PRODUCTION PROCESS **

Action: August 1991: Last check on sales quantities, push for a few sale-or-return extras, deliver books but hold in store, until release date, book authors for appearances if possible, drum up more media support, put paid ads in for appearance on release date...

Action: September 1991: Follow up quickly and frequently on sales re-ordering. Personal visits to key shops ...

B. General Promotions Plan and specific title promotion

Apart from this campaign, similar plans must be put into hand for all other publications: academic, literature, African literature, theological, and most importantly, for Kaiser Chiefs. As we shall see in Appendix VIII, EVERY title must have its own promotions plan.

All of this planned activity must then have travelling and budgeting implications. We suggested the development of a clear travelling plan by all concerned to cover all of the planned activity. We also suggested that Nozipho should be informed of all planned expenditure within agreed budgets and of the month of such expenditure.

C. Direct Mail

We discussed the development of a direct mail operation in some detail. The first element of importance is the development of a mailing list, or list-building. We discussed how such a list might be developed and we discovered the following techniques:

* ask friends or authors

* ask other institutions: libraries, AWA, COSAW, etc.

* put out a notebook at rallies and exhibitions, etc.

* ask for prospectuses from the registrars of universities, etc.

* advertise

* buy from agencies: Bridge, List-Wise, etc.

* piggy back on commercial enterprises: Natbev, Sales House, etc.

Once the list had been developed we agreed of the importance of a friendly usable mailing programme, such as dBase IV. The subscribers could then be put into a database with designated fields according to category of book, or whatever. It would then be equally important to maintain this list as time went on. We estimated that a reasonable return for a mailing list was between 6 and 10%. Since we are aiming to make around R 20,000 sales from direct mail at an average price of R 20 a book, we should seek to develop a mailing list of around 10,000 names.

Appendix V: Suggested Budgeting Procedure

(a) It is of prime importance that all sections of the company are involved in the preparation of the budget. This is not only because the quality of the information underlying the budget is ensured but also because the staff involved then "own" the results of the consultation and observe the rules laid down in the budget.

(b) To prepare for the budget, Nozipho should send to the editorial and marketing departments and any other cost centres she may identify, a request for information of activity for the coming year with cost implications. The Publishing plan and the Annual promotion plans are such responses to this request.

(c) Marketing and editorial will prepare a sales forecast based on new publishing, performance of back list, and any price increases planned. This forecast will reflect the results of the publishing and promotion plans noted above.

(d) Nozipho will collect all these responses and add together the costs. These she will consolidate with all other known overhead costs and review with Mothobi in light of the sales forecast. Cuts and adjustments may be required at this stage.

(e) Estimate gross margin according to age of sector of the list. The back list will have a higher GP than new publishing. Major titles should be estimated individually.

(f) Calendarise by quarter so that the subsequent P&L reports by quarter can be compared to budget.

(g) Sales and overhead should be calendarised monthly so monthly management reports can be compared to budget.

(h) Prepare cash flow forecast. Obtain from Mothobi a forecast of possible subsidies. Forecast sales receipts in light of sales forecast and average days outstanding for receivables. Forecast production and paper expenses in light of new title production and reprint forecasts. Forecast royalties in light of sales forecast. Forecast general monthly overhead expenses. Prepare calendarised cash flow by month.

Appendix VI: Assumptions Behind Business Plans

(a) <u>Sales 1991-2</u>

To February 1992 it is forecast that sales will comprise the following:

Backlist (Books published before March 1991) following title by title sales forecast and price increase of 20% on average:		R 271,000
New titles (less titles below) following specific title forecasts:		R 142,000
Two main titles for 1991-92		
Pedagogy of Domination	R 45,000	
Kaiser Chiefs	R 247,000	R 292,000
Additional sales from direct mail		R 20,000
Add for greater activity in independent bookshops and new outlets, 20% of backlist and new title sales		R 83,000
		R 808,000

(b) <u>Kaiser Chiefs P&L statement</u>

800 to CNA @ R 30 less 50%		R 12,000
200 to club. Hardback R 50 no disc.		R 10,000
9,000 to supporters @ R 25 no disc.		R 225,000
		R 247,000
Production costs	R 45,000	
Royalty 10% sr	R 24,700	(R 69,700)
		R 177,300
Add subsidy from club		R 19,000
		R 196,300

Note that there are about 40,000 paid-up supporters.

(c) <u>Direct Mail</u>

Currently produces 4% of sales or R 16,000. Extra activity will grow this to R 36,000 in 1991-2 and subsequently to R 50,000 and R 150,000.

(d) <u>Additional Sales Activity</u>

The additional sales activity to the independent bookshops will produce an extra 10% sales and finding new outlets will produce a further 10%.

(e) Cost of Goods Sold

Will decrease as follows:

1991-2. Backlist 78% due to price increases.
New titles 100%.
1992-3. Backlist 60%. New 75%.
1993-4. Backlist 50%. New 65%.

Kaiser Chiefs-type books as for actual carry-out.

(f) Overheads

Based on 1990-1 actual but less writers' workshop (R 112,000). Freelance reporting reduced by R 10,000. Advertising increased by R 30,000 to 10% of sales in 1991-2 (and same % in following years). Royalties held at 13% of sales receipts.

(g) Cashflow

Negative R 357,000 in 1991-2 and neutral in following two years. No allowance for possible donations.

(h) Publishing Assumptions for 1992-3 and 1993-4

39 new titles will be added in 1992-3 and 52 in 1993-4 compared to 26 in 1991-2. Improved publishing planning will provide university textbook titles which will perform significantly better in second year of publication than previous new publishing. One third of 1992-3 new list will so perform and half of 1993-4 list.

Mothobi hopes to find another sponsored publication like Kaiser Chiefs and one in music field which will be half as large a project in 1992-3 and hopes to find twice as many such projects in 1993-4.

(i) Sales Assumptions for 1992-3 and 1993-4

Additional effort to the independent stores begun in 1991-2 will continue plus new outlets adding 20% to new title sales in each year.

A new drive to improve selling to David Philip (33% of sales) and CNA (10%) will result in 20% increase in 1992-3 of all sales less the Kaiser Chiefs type books and 20% of new titles in 1993-4.

(j) Overhead assumptions for 1992-3 and 1993-4

Overheads will be increased by appointment of a marketing manager in 1992-3 and an additional sales person in 1993-4. Sales expenses will increase in each year to 10% of sales (less special sponsored titles).

(k) Containment Strategy Assumptions

Pruning of publishing programme in 1991-2 will reduce sales contribution in year from R 142,000 to R 117,000.

Kaiser Chiefs type books: 1 in 1991-2; equivalent of 1.5 in second year and 2 in third year.

New publishing in 1992-3 would contribute R 100,000 in first year and R 133,000 in second year and new publishing in 1993-4 would perform similarly. Assume 6 tertiary education; 2 fiction and 2 childrens.

SKOTAVILLE PUBLISHERS: Publishing Plan for the Year ____ (page

TITLE	DATE OF PUBLICATION	PROJECTED PRICE	PROJECTED PRINT RUN (copies)	SALES VOLUME (copies)	SALES VALUE (R000's)	GROSS PROFIT (R000's)	%

APPENDIX VII: Sample Publishing Planning Form

Publication Proposal Form

TITLE ______________________

AUTHOR ______________________

ISBN □ - □□□□□□ - □□ - □

Projected format ___ × ___ mm projected price: R ___ . ___

projected extent: ______ pages projected print: ___ cop
reprint: ___ cop

TARGET AUDIENCE 1 ______________________
2. ______________________
3. ______________________

projected average discount: ___ %

PROJECTED SALES Year 1 Volume ___ copies Value R ___
Year 2 Volume ___ copies Value R ___
Year 3 Volume ___ copies Value R ___

Comments by Proposing Editor Date:

Comments by Marketing Manager Date:

Comments by Managing Director

Accepted/Declined for Publication Date:

Signed ______________
Managing Director

Estimate/Price-fixing Form

TITLE ______________________________

Author ______________________________

ISBN ______________________________

Extent ______ pages

Format ___ x ____ mm

	FIXED COSTS estimate	FIXED COSTS actual	VARIABLE COSTS estimate	VARIABLE COSTS actual
ORIGINATION				
typesetting				
galley correction				
page layout				
page proofing				
bromides				
ARTWORK				
___ illustrations ___ col. line				
___ illustrations ___ col. tone				
REPRODUCTION				
film				
dyelines				
PRINTING ______ copies				
imposition				
plates				
machining				
MATERIAL __________				
_____ sheets ______ gsm				
guillotining				
folding				
collating				
BINDING				
☐ sms ☐ perfect				
☐ saddle-stitched				
☐ cloth ☐ limp				
COVER				
artwork _____ colours				
reproduction				
chromalins				
run-ons				
material __________				
_____ sheets ____ gsm				
TOTALS	43			

FIRST PRINTING

_____ copies @ R ____ ea. = R ______

less _____ % discount ( )

= R ______ (Sum Receive

less production costs (_____)

= R ______ (Gross Profit)

∴ Gross Profit as Percentage of Sum Received

$= \frac{GP}{SR} \times \frac{100}{1}$ = ______ %

REPRINT

_____ copies @ R ____ ea. = R ______

less ____ % discount (_____)

= R ______ (Sum Receive

less production costs (_____)

= R ______ (Gross Profit

∴ Gross Profit as Percentage of Sum Received

$= \frac{GP}{SR} \times \frac{100}{1}$ = ______ %

PRICE FIXED AT R _____ date _________

signed ________________ (Financial Director)

Signed ________________ (Managing Director)

PROMOTIONS MEETING CHECKLIST

TITLE ______________________

AUTHOR ______________________

ISBN ______________________

EXTENT ______________

FORMAT ______________

PRICE ______________

date of meeting ______________

Present
____
____
____
____
____

INTENDED AUDIENCE
1. ______________________
2. ______________________
3. ______________________

KEY SELLING POINTS ______________________
____
____

- ☐ Advance Information
- ☐ Covers
- ☐ page proofs
- ☐ Other (specify)
____
____
____
____

	Date sent
☐ David Philip	
☐ CNA	
☐ ABC	
☐ Literary Group	
☐ Independents	
☐ Universities	
☐ Libraries	
☐ Unions, etc.	

☐ Book launch : Venue ______________ Date ______________

☐ Paid advertising	☐ Sowetan	Date
☐ Radio interviews	☐ City Press	Date
☐ TV interviews	☐ Weekly Mail	Date
☐ Magazine interviews	☐ Other (specify)	
☐ Magazine excerpts	______________	Date
	______________	Date

Author available for interviews? ☐ Yes ☐ No

Publicity photographs needed? ☐ Yes ☐ No

☐ Competitions : ______________________

☐ Tie-ins : ______________________

☐ Workshops Venue ______________ date ________

☐ Seminars Venue ______________ date ________

☐ Exhibitions Venue ______________ date ________

☐ Review Media list (specify) date sent

______________________ ________

______________________ ________

______________________ ________

______________________ ________

______________________ ________

______________________ ________

______________________ ________

☐ Author's copies : number of copies ____ date sent ________

name ______________________ ________

______________________ ________

______________________ ________

______________________ ________

☐ Legal deposit libraries ________

☐ Submissions to education departments

☐ TED ______________________ ________

☐ CED ______________________ ________

☐ NED ______________________ ________

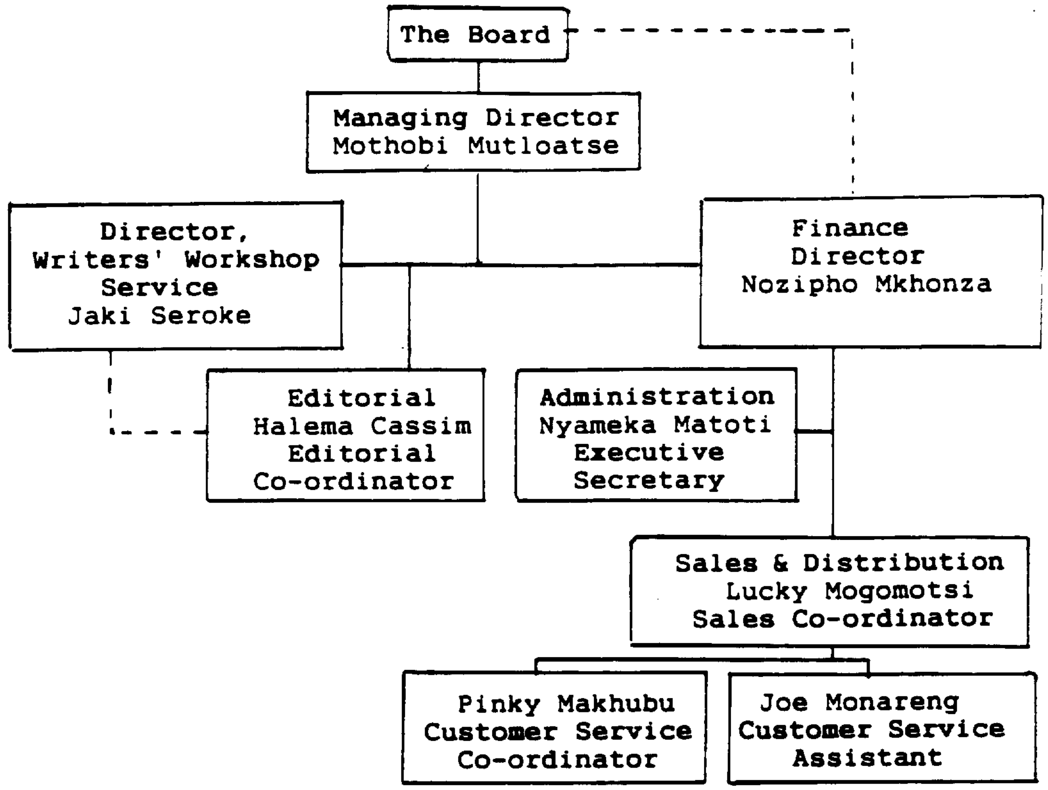
☐ DET ______________________ ________

☐ Bop. ______________________ ________

☐ Other (specify) ______________________ ________

______________________ ________

Appendix XI: Organisational Structure



Appendix X: Training Needs

(a) The successful fulfilment of the plan depends upon clear definition of each person's job together with agreed objectives to be achieved within a definite time. In addition further training is required to enable individuals to perform to their fullest capacity. The training needs of the staff are of three kinds.

(b) The first kind is concerned with the whole group and relates to team building and personal development. Mothobi and Nozipho both raised this problem on a number of occasions. It was presented as how to motivate staff and how to prevent staff from withdrawing into themselves and not participating.

(c) The second kind of training is concerned with general business training of a more factual nature such as the development of personal secretarial skills.

(d) The third kind is concerned with publishing based training such as book design skills.

(e) An immediate and urgent need was identified for the first kind, that is team building training. We discussed this with MAST S.A.who specialise in this type of training. They suggested a programme of interrelated workshops for all the staff addressing team building, personal development, elementary finance, customer relations and sales negotiating skills. A proper assessment and a proposal would follow a detailed interview with the Skotaville management.

(f) Mothobi will review whether Damelin or other organisations can offer a comparable service.

(g) The cost of a series of workshops in team building as described would be about R 25,000 and further specific training courses would cost up to R 15,000 totalling about R 40,000.

(h) Any good team building course would use specifics of the plan resulting from this consultancy. If it was considered appropriate Michael Kantey would be available to take part especially in the section addressing selling skills and customer relations.

Glossary

ABC: African Book Collective

Advances: Money given to an author ahead of sales

ASSA: Association of Sociologists of South Africa

AWA: The African Writers Association

Camera-ready: The stage at which the prepared pages of a book are ready for reproduction (q.v.)

Carry-out: The process whereby a book price is determined

CNA: The Central News Agency

COSATU: The Congress of South African Trade Unions

COSAW: The Congress of South African Writers

Cost of Goods Sold: The cost of originating, reproducing and printing a book, sometimes called "production costs"

DET: The Department of Education and Training, one of 18 educational departments in South Africa. The DET is responsible for the education of those students classified "African" who live in that part of South Africa not designated a "homeland" or "independent state".

DPP: David Philip Publishers

Gross Margins: The ratio of gross profits (before overheads - q.v. - are subtracted) to sales receipts. Usually expressed as a percentage.

Hard Data: All printed matter in loose-leaf form (e.g. invoices, correspondences, etc.)

Market niches: Particular kinds of demand which can be separately identified. In publishing, that segment of the market that will respond to a particular category of product (e.g. children's library market)

NACTU: The National Council of Trade Unions

NAMDA: The National Medical and Dental Association

OASSA: The Organisation for Appropriate Social Services in SA

Overhead: All those expenses not attributable to COGS (q.v)

P&L: Profit and Loss: a standard accounting summary of business performance, indicating the surplus or deficit on trading over a given period

Price-fixing: Determining the final price of a new book

Print run: The number of copies printed at any one time

Product mix: The relationship between various kinds of product. In publishing, the different kinds and numbers of titles according to category (e.g. Theology, Politics, Children's, etc.)

Remaindering: Selling excess stock at a high discount

Reproduction: Development of a film positive from finished art

Sales receipts: The money obtained after all discounts have been granted, sometimes expressed as "sums received"

Short run: any print run (q.v.) below 1,000 copies

TED: The Transvaal Education Department

Ubuntu: Loosely, "humanity" or "humane-ness"; the concept expressed through the African proverb, "A person is a person through others"

UNISA: The University of South Africa

Wits: The University of the Witwatersrand