Funding and publishing models of independent publishing companies in South Africa and select English-speaking countries in Africa

Do funding models determine the publishing model used?

Leabiloe Molapo
(Student number: 1711592)
Supervisor: Colleen Dawson

A research report submitted to the Faculty of Humanities, School of Literature, Language and Media in partial fulfilment of the requirements for the degree of M.A. Publishing Studies at the University of the Witwatersrand.

January 2020

Declaration

I declare that this research report is my own unaided work. It is submitted in partial fulfilment of the requirements for the degree of Master of Arts in Publishing (by Coursework and Research Report) in the Department of Publishing Studies, School of Literature, Language and Media, University of the Witwatersrand.
It has not been submitted for any other degree or examination at any other university or institution.

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Leabiloe Molapo
November 2019

Abstract

The purpose of this study is to investigate the challenges facing independent publishers with respect to their funding models and how this relates to their publishing models, sales, marketing and distribution strategies. The study further investigates independent publishers' reception to non-traditional publishing models that would be more suitable and sustainable given the publishers' scale, capacity and challenges of access to finance.

Semi-structured interviews were conducted with twelve pico, micro and small independent trade publishers with the sampling restricted mostly to independent publishers that were established post-1994, thus eliminating the small oppositional publishers of pre-democratic South Africa.

Results from the study show that despite their limited size and capacity, small independent publishers defaulted to the tried-and-tested traditional publishing model, in which the publisher assumes all the risk, and often failed to explore alternative funding and publishing models that would be more suitable to the size and scale of their operations.

Factors such as insufficient information on alternative funding models, a lack of capacity to explore these alternatives, and the desire to operate unencumbered by financiers' expectations were some of the reasons given for not exploring alternative funding models. Private capital use was the most used funding model whilst financial institutional funding and National Arts Councils were the least accessed.

According to the publishers in this study, the financial industry's narrow understanding of the book publishing business restricted their access to finance. This limited their potential growth, as they had to work within the tight margins of their small-scale and restricted production and further posed potential challenges to the sustainability of their businesses.

The study results have shown that the degree to which the publishers emphasised cultural output over monetary gain also impacted on their choice of funding model and desire, or lack thereof, to seek out alternative models.

Keywords

Book publishing, independent publishing, funding models, publishing models, non-traditional publishing, small publishers, South Africa

Acknowledgements

Without the research participants, all of whom were very generous with their time, this study would not have been possible. For your generosity and patience, I thank you.

A huge thank you to my tribe – Jonathan, Naleli and Bereng – for their tireless support and unwavering encouragement.

My acknowledgements and deepest appreciation to my supervisor Colleen Dawson, who gently steered me in the direction I needed to go. Thank you very much.

Leabiloe Molapo

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Chapter 1 Introduction and background

1.1 Background

On the state of publishing in Africa, Zell (2008, p.188) writes: 'social, cultural and infrastructure problems,…,low literacy levels, the multiplicity of languages, limited access to books and library services, poor transport and communications networks, severely under-funded educational systems, shortages of capital, and skills are some of the obstacles that have always been cited as hindrances to the development of African publishing'.

Despite this profusion of challenges, there has been a noticeable growth in the number of independent publishers across the continent, many of which are small, individually owned or formed as limited corporations. These publishers can be categorised as either *small* – with 5 or less full-time publishers; *micro* – often one person operations producing less than 5 titles a year, and *pico* – usually run by 1 person, working full time, in another job, and producing a book every second year (Bold, 2016). While independent book publishing has grown over the last twenty years, as increasingly more small presses or 'indie' publishers make their mark in the industry, both in local and in developed markets, the same concerns, as stated above, remain unchanged for developing countries.

The challenges facing independent publishers comprise a myriad of issues that require an approach which ought to include both the publishing industry as well as the government or book development councils to address some of the issues that fall between public policy and the publishing industry. Issues such as book distribution, public policy on book development, clearly defined formal and informal selling channels and the role of public libraries in promoting book culture will continue to stymie growth in the publishing industry for as long as there is no clear national book policy. In addition, the challenges faced by independent publishers are commonplace for small businesses where marketing distribution strategies can be affected by either onerous legislation around the small business environment, by monopolistic practices by distribution companies, or by infrastructural challenges.

A small business environment, devoid of the bureaucratic processes that can stifle growth and hamper effectiveness, is as important for independent publishers as access to funding. A review of some of the key challenges facing independent publishers, in general, will be the premise to understanding how access to funding together with the publishing models used can have an impact on not only the publishing decisions and operations - namely sales and distribution - but also on the sustainability of these publishers.

The overarching constraint for independent publishing companies is access to finance, primarily because of the costs associated with funding creative industries, and secondly due to their categorisation as small and medium enterprises (SMEs). Beck and Demirguc-Kunt (2006, p.2936) sum this up in stating that, 'in a world with fixed transaction costs and information asymmetries, small firms with demand for smaller loans face higher transaction costs and face higher risk premiums since they are typically more opaque and have less collateral to offer'.

That independent companies will face the same constraints as any other SMEs is clear. That those same constraints will also be amplified because of the nature of the industry that publishers operate in raises the question of how the growth of independent publishers can be facilitated. By their very nature as small businesses, publishers will never have the complete information that is required by financiers, in addition to that, by operating in a creative industry, itself an opaque industry with low levels of predictability, this disadvantages publishers even further.

1.2 Challenges facing publishers in developing countries

Smith, Jr. (1995) articulates the factors that impede, and will continue to impede, on publishing in developing countries, as low literacy rates, low levels of disposable income, inadequate distribution systems, and the failure of public schools to inculcate a reading habit.

Alongside the large multinational publishers in many developing countries, there is a tier of nascent independent publishing houses that are often niche publishers, who offer differentiated products from the bigger publishers, such as feminist writing, local fiction, poetry and literary fiction which may not be as lucrative to the multinationals. These small and independent publishers remain undercapitalised and unable to transition from being small and marginally profitable to being medium enterprises because of a lack of funding, which impacts on their capacity to take on more or larger projects. Smith, Jr. (1995, p.218). listed the unavailability of capital for small enterprises as 'one of the most serious obstacles to book publishing development in Third World countries '. Over twenty years later, this is still the case. It is this lack of capital, for some publishers, that often impedes on publishers' book production because all aspects of book production workflow such as the editorial, the layout, the cover design, the printing, the marketing, and the book distribution all have to be considered and funded.

Whilst access to finance is still deemed the biggest hindrance to developing a thriving independent publishing industry, it cannot be looked at in isolation. It is not enough to fund the production of a book if the publisher does not have an efficient distribution system to get the books to readers. This issue of distribution remains, in addition to a lack of access to finance, one of the most crucial challenges to the development of a thriving publishing industry.

In his essay on print culture in the Cape during the nineteenth century, Dick (2015, p.21) lists some of the reasons that led to the failure of some newspapers as: 'language, subscription fees, printing costs, high levels of illiteracy, and transport to isolated areas'. Although specific to the newspaper industry, his observations on the print industry can be used as a proxy for the book publishing industry to illustrate some of the critical challenges that were prevalent at the time and remain equally relevant to book publishing even today.

1.3 Publishing in South Africa

1.3.1 A review of the past state of the South African publishing industry

South Africa's book publishing industry over the past ten to twenty plus years has been, and still is, dominated by educational publishers. Post 1994, in the newly formed democracy, the publishing industry emerged from years of censorship by the former Apartheid government, while recovering from international economic sanctions, moving from the 1954 legislation of the Bantu Education System, and facing illiteracy rates of more than 50% of its majority black population (Taylor, 1997).

A report by the Department of Arts, Culture and Technology (DACST) (1998) attributed a recorded 49% drop in the educational publishing sector between June 1997 and June 1998 to a decline in government expenditure of privately-published textbooks.

Post 1994, academic publishing realized a decline when the student profile of tertiary institutions changed as black students entered formerly white tertiary institutions, and new language policies now required English-language publishing (Galloway, 2002). Today, the academic publishing market remains dominated by imported international titles.

Trade publishing in South Africa saw significant decline between 1997 and 2007 but rebounded to show growth between 2007 and 2016. Trade publishing numbers have found a stable range of 15-19% over the past five years and are still growing year-on-year. Trade publishing in South Africa is dominated by the non-fiction market and segmented along English, Afrikaans, and to a much smaller extent, African languages (PASA, 2014).

1.3.2 The state of trade publishing: 1997 – 2007

A look at South Africa's trade book publishing over twenty years ago reveals a market that was dominated primarily by three main publishers: Perskor Publishers, Nasionale Pers, and Kagiso. In addition, there were the multinational and independent publishers including Juta, Maskew-Miller Longman, Van Schaik, Macmillan, Heinemann, Oxford University Press, Cambridge University Press, Schuter & Shooter Hodder, Struik and Stroughton Educational.

During the late 1990s, the industry faced downscaling in production, job losses, and mergers and acquisitions that changed the profile of the industry. Smaller independent publishers were taken over by the bigger houses, and according to Galloway (2002, p. 2), '[mergers and acquisitions within the industry] blurred the distinction between mainstream and independent publishers [and] between local and international concerns'. The crisis experienced by the education sector had a direct impact on trade publishing as trade publishers now found themselves serving a wider un-developed language market as the government pushed for the multilingualism enshrined in the Constitution. Further consolidation in this sector, coupled with the import of English language titles and with renowned English-language writers publishing internationally, resulted in a much smaller trade publishing sector.

With international sanctions lifted, the censorship of the apartheid years that had suppressed much of the oppositional publishing of those years no longer in effect, and a demand for relevant post-apartheid content, these years should have been the boom years for the publishing industry, and particularly for trade publishing. According to Galloway (2002) however, the number of independent publishers, whose businesses were undercapitalized, declined in this changed market. In addition, they had to deal with a lack of staff, as the intellectuals that had driven this market for years, joined the new ANC government departments.

1.3.3 The state of trade publishing: 2007 - 2017

The trade publishing sector's publication of new literary voices has shown that South African literature no longer bears the hallmarks of protest-style writing (Frenkel & MacKenzie, 2010), and trade publishers have been courting these new voices, even in the challenging publishing environment of declining reading rates . In 2009, Galloway (2009, p. 215) wrote that, ‘reading habits, language, access and price remain the main challenges in the general trade book sector’. A 2016 survey by the South African Book Development Council (SABDC) (2016, p. 28) revealed that the incidence of reading, as an activity, amongst South Africans had declined. It is within an industry beset with these challenges that emerging pico, micro and small, independent publishers also have to compete.

The continuing dominance of South Africa’s English language trade publishing landscape by the large multinational and local publishers: Penguin Random House, Pan Macmillan, Jonathan Ball and South Africa’s NB Publishers, most of which began operations on the wider continent and in South Africa as educational publishers, has been maintained by the financial dominance that comes with being part of global multinational organisations with extensive networks which, for some, stem from the pre-independence days of the African countries in which they operated. The capital and infrastructure-intensive nature of the business that is reliant on an upfront capital outlay without the guarantee of a payback makes book publishing a very risky industry.

Despite the risks of this creative industry, the burgeoning number of *pico*, *micro* and *small* publishers in the country, and the world, supports the notion that the development and proliferation of digital publishing technology has contributed to the growth of small, niche publishers as it has greatly reduced the costs and time associated with publishing (Bold, 2016). Small-scale publishing, self publishing or custom publishing services now form a part of the independent market, but it is still the independent publishers operating within the trade publishing space, competing with the larger publishing companies – with their substantial marketing budgets and global infrastructures – for a piece of the trade publishing market.

Independent trade publishing in post-democratic South Africa is no longer the protest or oppositional publishing of the apartheid years. Independent publishers that publish creative writing and literary fiction are pushing boundaries when it comes to publishing books that resonate with readers, and that are moving beyond the transitional literary themes of post-1994. Their publishing activities, however, are still constrained by their lack of critical mass.

1.4 Independent publishing in South Africa

South Africa’s independent trade publishers, especially those within the genre of creative writing and literary fiction, find themselves in an emergent industry that is still made up predominantly of publishers who sustain their publishing activities with incomes and funding from external non-publishing sources.

There is a small but growing number of independent publishers such as Modjaji Books, Geko Publishing, Hlomu Publishing, Uhlanga press, imphepho press, and the recently launched Kwasukela Books – which publishes only in isiZulu, to name a few. In the past five to ten years, the industry has seen increasing growth in the number of independent publishers that now make up part of the publishing landscape. The publishing industry, despite its high overheads, slow time-to-market and general risky nature of business, has relatively low barriers to entry – as evidenced by the growth in the number of new entrants. The publishers face the challenge of producing output or product that distinguishes itself from the rest, year after year, to ensure their longevity in the industry.

Independent publishers, locally and internationally tend to create specialised niche markets, such as becoming feminist publishers or publishers of first-time writers, and 'can be motivated by social, ideological, cultural or aesthetic agendas'[1]

The growth of independent publishing in developing countries is still stymied by the dominance and lucrative nature of textbook publishing, what Kamau (2015, p.25) calls the 'low hanging fruit' of book publishing. For independent publishers, entry into the market is often into trade publishing, a market already beset with high-risk, low profitability, and compounded by low reading cultures – of non-school books – across much of the developing world, South Africa included.

As with the rest of the world, where studies suggest that the development of alternative or small presses, in newspaper and book publishing, are borne out of a counter-cultural movement (Forde, 1997) and (Travis, 2008), South Africa's own oppositional publishing has evolved from the counter-cultural movement of Apartheid South Africa to become the modern-day counter-cultural movement that publishes new emerging voices that do not always fit onto mainstream publishers' lists. The emergence of feminist press Modjaji Books, black publisher Blackbird Books - from the Jacana Media stable, alongside other smaller presses publishing in indigenous languages such as Kwasukela Books and Geko publishing can all be attributed to this.

[1] Scottish Universities Insight Institute. (2012). Independent Publishing: Making and Preserving Culture in a Global Literary Marketplace. *Independent Publishing Report.* 1-28.

1.5 Context

Multinational publishing companies do not operate with similar financial constraints and are therefore able to embark on sales and marketing strategies that work towards the goal of meeting set profit margins. Their size, and often stronger balance sheet, ensure that they realise economies of scale without compromising on other aspects of the book production value chain.

This is not the case for independent publishers whose access to finance is often restricted by their size and operational capacity, and who operate in a small entrepreneurial business environment beset with a plethora of challenges: problems with access to finance, a shrinking print media, low readership levels, a lack of distribution capacity, and a business model that requires publishers to take on all the risk with limited guarantee of success. Given this context, the study will look into how small and independent publishers fund their entry into the publishing market; review the publishing models they use; and discuss how their entry into the market can be facilitated.

1.6 Purpose of the study

The purpose of this study is to investigate the different funding and publishing models of independent publishing companies operating in South Africa and the extent to which the models they use impact on their publishing decisions.

The study will:

- Review the broader impact of funding models used on the marketing, sales, and distribution strategies implemented;
- Analyse the implications for each stage of the book production process in the context of funding constraints;
- Explore how independents fund their publishing activities and what lessons can be learnt from non-traditional publishing models such as Print-On-Demand, crowdfunding, subscription models, and other alternatives to traditional publishing.

1.7 Problem statement

Non-traditional funding models such as crowdfunding, hybrid traditional and crowdfunding models and subscription-based publishing remain largely unexplored by publishing companies in South Africa. Without research into the different ways that independent publishers can finance their operations, will the industry see an independent sector whose growth will remain stifled, whilst the large multinational companies continue to dominate the publishing space, and possibly crowd out the few independents already operating in the market?

1.8 Research questions and objectives

1. What are the funding and publishing models used by independent trade publishers in South Africa?
2. How do current funding and publishing models impact on the performance and growth prospects of independent publishers?
3. What alternative funding and publishing models can be adapted to the local publishing environment to address existing challenges of funding and distribution?

With respect to the research questions, the study uses the example of De Souza et al.(2016) to guide the development of the research around the research questions above. They state that the research question, in qualitative research, can emerge during the study, in contrast with quantitative research where questions are specified prior to the study. They assert that having broad research questions allows for the exploration of other themes, as and when they emerge during the semi-structured interviews, and ‘not as a measurement of controlled variables’. As suggested by De Souza et al.(2016, p.8), the research questions have been kept specific and relevant to publishing, and without a preconceived answer.

Chapter 2 Literature Review

2.1 Introduction

Book production and distribution in the early nineteenth century was driven by scholarly thought. It therefore lent itself to a patronage that sought to encourage cultural production. The evolution of book production as a way to disseminate information and extend intellectual thought, to the advent of reading for pleasure, happened alongside the changing book production landscape as power dynamics within the industry changed and shifted between the different participants along the value and supply chains. Darnton's essays (1982 & 2007), which frame the history of book production shows this change. The funding of book production has evolved from the patronage model of earlier years to business models that concern themselves as much with cultural production as they do with profitability.

The book publishing industry has, over the years, seen a growth of conglomerates as mergers and acquisitions that sought to make publishing companies bigger and more profitable take on larger market shares in the industry. At the same time, there has been a small but steady growth in the number of small independent publishers who face greater financial risks and own only a fraction of the larger market. It is these small independents that have to be more creative in the way they fund their operations. Research in the funding and publishing models used by independent publishers is limited. Increasingly, however, there has been a move towards an out-for-the-box thinking that has been driven mainly by technology and publishers' realisation of the need to be innovative in order to remain relevant. This has meant that potentially independent publishers not only have a myriad of funding models they can explore, but also that their publishing models are driven by the funding model choices they make.

This chapter will explore the challenges to funding creative industries, the funding models that have gained popularity in recent years, and some of the key areas to book publishing that are impacted by the funding and publishing models used by publishers.

2.2 Funding creative industries

Art, design and literature, all fall under creative or cultural industries, a category in which creativity is the input and content and intellectual property the output. (Potts & Cunningham, 2008, p.233).

In his essay on the field of cultural production, Bourdieu (2002) sums up the conflicting interests in cultural production, namely literature and art, as driven by a struggle between autonomous and heteronomous principles. He contends that economic capital and cultural capital will always be at odds because the power base of either – economic and cultural – is determined by other social and political factors which ultimately situate cultural production, and its appreciation thereof, in a space determined by habitus, capital and the social setting or context – what Bourdieu refers to as the field. His essay, in part, explains some of the challenges of funding creative or cultural industries by explaining their importance or significance in the wider context of social and economic development.

For developing countries, this has always been of great concern, and is evident in the area of literature and book production, which, according to Bgoya and Jay (2015) has not always been prioritized. Potts, Cunningham, Hartley and Ormerod. (2008, p.167) opine that one of the causes for this is that arts and cultural economists 'view their subject domain through welfare theoretic glasses' and not based solely on market analysis in which 'the creative industries are part of the innovation system and the enterprise of a market economy'.

Creative industries start with an idea and develop from the premise that the product being produced will appeal sufficiently to consumers to be able to pay back the finance invested in its production.

In their article on the conceptual framework for SME finance, Berger and Udell (2006) state the difficulties of assessing SMEs for finance. Their assertions can be used to illustrate the difficulty of applying this same model to creative industries. Funding of creative industries requires different criteria of assessment for finance, yet their potential profitability is based entirely on the production of products whose success cannot be accurately predicted. Book publishing presents a challenge for funders because its very low predictability rates make it a risky industry. In an essay on the book publishing model, Combrinck and Davey (2000) point to the ludicrous nature of the trade publishing business model. A model that is not only risky because of the low predictability of success, but one in which trade publishers rarely make a serious return.

Voordeckers and Steijvers (2006, p.3068) state that the contractual relationship between borrowers and lenders – a risky endeavor even in non-creative industries – 'may be hampered by the presence of asymmetric information, adverse selection and moral hazard, usually leading to credit rationing'. For these reasons, collateral is used to mitigate again these risks. They point out that the use of collateral as risk mitigation is a lazy practice by banks, who could implement better screening procedures of investment projects, without a need for collateral. The authors also point to the inability of banks to distinguish between business and personal collateral. They assert that not sufficient research has been done to show that the two cannot be given an equal weighting because 'personal collateral is more effective in limiting the borrower's risk preference incentives by enhancing the likelihood that the principal will feel any losses personally' (Voordeckers and Steijvers, 2006, p.3068).

Hesmondhalgh (2006) likens alternative music production to what Bourdieu (2002), in his essay on the Field of Cultural Production, called small scale or restricted production, and what this research paper compares to independent publishing in the book industry. The publishing decisions of publishing companies are based on a host of processes, all of which require expertise that costs money. To take a book from the manuscript stage to the market entails the editorial process; book production and cover design; printing; marketing and sales; warehousing, order processing and book distribution. (Clark & Phillips, 2014). By their very nature, independent publishing companies operate outside the space of large businesses, unless they have had a large injection of venture capital, which then makes them well-placed to compete at the scale of multinationals. In reality, this is not often the case, and independents operate more like many small and medium-sized businesses (SMEs). Their funding requirements therefore are similar to many other SMEs, with the exception being that they fall within a creative industry.

Peterson and Shulman (1987) separate the components of funding by small businesses into various categories: use of bank debt, supplier trade credit, loans from friends and relatives, and personal capital. They state that the sector within which the small business operates is irrelevant when it comes to the funding mechanism, what remains important is the type of funding and the leverage that the firm has. The stage in which the business is in – start-up, growing and mature – will determine the debt-to-asset ratios of the business.

Funding must therefore be able to finance all the stages of the book production value chain. While, in theory, this seems straightforward, the difficulty is in the nature of book publishing itself. Caves (2003) contends that creative industries–in which book publishing falls– confounds many within and outside these sectors. The overarching *Nobody knows* principle applies to creative industries and effectively highlights the limited knowledge that producers of creative products – such as book publishers – face when it comes to determining the expected appeal of their books.

The costing of the production of a book can be done with some measure of accuracy even with the unpredictability of potential book sales. It is the minimal predictive value of the desirability of the book and of potential sales and that makes book publishing a risky venture. Publishers use all available tools at their disposal – namely their knowledge of the market; their access to sales figures of books previously published; and their sales and marketing strategies in order to mitigate some of the risks associated with the production of a product whose overall appeal to the consumers cannot be predicted with sufficient accuracy. For many trade book publishers, this lends book production and sales to cross-subsidization – where profits made on more popular titles compensate for the losses made on the less popular ones – thus maintaining an equilibrium for many publishers' lists. (Clark & Phillips, 2014, p.106). This notion of cross-subsidization extends further into the titles that are commissioned for publishers' front lists as well as the efforts extended in marketing books on back lists. It is this characteristic of book publishing and the creative industries' *Nobody knows* principle, that lends itself to the symmetrical ignorance of both the author and the publisher (Caves, 2003). This not only makes the business model of trade book publishing baffling but also makes its financing that much more difficult.

Hansmann and Kraakman (1992) suggest that the nature of hands-tying contracts which effectively force venture capitalists and debt financiers to either invest in, or to fund investments whose risk profile is high with respect to their predictability can be applied to book publishing– an industry whose very nature is based on imperfect information.
The imperfect information inherent in these types of contracts, and the overarching *Nobody knows* tenet in these relationships are risks that can be defined and priced into the funding, a priori, by publishers wishing to fund their operations through the traditional financial institution funding. There is no literature that supports such a practice in book publishing, perhaps it is the financiers' low risk appetite or the publishers' own cognisance of the difficultly in valuing books as cultural products, that has driven publishers to seek out alternative funding models.

2.2.1 Access to finance

Without financial capital, small businesses can remain ideas that never come to fruition. Beck and Demirguc-Kunt (2006, p. 2932) assert that the financing obstacles faced by small firms not only constrain the growth of small firms, but also 'prevent all firms from reaching their optimal size'. Whether it is the funding mechanism or the capital structure, there is a need to consider the fact that government policy, financial institutions and the legal framework within which businesses operate will always disadvantage small firms.

Barbosa and De Castro (2002, p.2) assess some of the issues that impact on a firm's capital structure, with a particular focus on small firms. Their assertion is that 'size, age and the level of economic development are important determinants of small firms' financial leverage'.

Although Barbosa and De Castro (2002) focus their study on capital structure, they do not consider the lending practices of financial institutions towards SMEs. Beck and Demirguc-Kunt (2006) examine the constraints that SMEs face, and assert that 'small firms face larger growth constraints and have less access to formal sources of external finance' because the business environment fails them.

While the literature on access to finance focuses predominantly on external finance, Carpenter and Petersen (2006) review how internal finance of firms is as important in the growth of small firms as access to external finance. Their assertion is that without internal finance, that is, owner capital, there will always be a constraint to a firm's growth based on the dollar-invested-to-dollar-generated notion, irrespective of their ability to access finance. Intuitively this plays on the idea of collateral and its quantum and thus puts firms with relatively higher amounts of internal finance at an advantage – not only from financiers' perspective, but with regards to the behavioural or operational risk they will exhibit (Voordeckers and Steijvers, 2006). With less restrictions placed on the publisher by financiers, publishers are likely to take on more risk in their publishing decisions, unencumbered by the fear of losing financiers' or investors' money.

2.3 Funding and publishing models of independent publishing companies

Technology has upended how people produce, distribute and consume books (Ho, Wang & Chang, 2011), and this has resulted in independent publishers looking not only to new ways to finance their publishing operations but also to new models of publishing. Increasingly, publishers are now exploring new and innovative solutions to address their funding challenges and support their entrepreneurial publishing ventures.

This has been illustrated by the success of the crowdfunding publishing company, Unbound, which uses a hybrid of traditional funding and crowdfunding. Innovative models of funding publishing activity are addressing the issue of capital in publishing, and the difficulties faced by publishers in attracting capital for an industry that seems to mystify financiers (Smith Jr., 1995). Referring to the practice of multinational publishers, who make use of their ease of access of capital – which often originates from the overseas-based parent company – Smith believes that multinational capital and publishing experience combined with local publishers' understanding of the local country's needs and interests eases the barriers to entry. It is in the absence of credible and experienced backing that local independent publishers struggle to finance their publishing activities.

The main barrier to entry for new entrants is the funding required to set up a fully functional publishing company that competes with established publishing houses. Requirements for setting up a publishing company, no matter how small, range from the skilled and experienced human resources across the editorial, production, design processes through to the sales, marketing and distribution capabilities. It is an industry that also has high infrastructure costs. Despite these obvious constraints, independent publishers are finding ways to circumvent these challenges, which is resulting in a changing publishing landscape, both locally and internationally, as increasingly more independents enter the industry.

The business regulation environment for start-ups is recognised as one of the barriers to entry for small businesses. Naudé (2009) reviews some of the reasons where a strict regulation environment may be used to weed out low quality entrepreneurs, to improve governance, and to limit tax evasion behaviour and protect the public from potential fraudulent businesses. As reviewed in the introductory chapter, the many constraints faced by small and medium enterprises apply equally to start-ups and to existing publishers. Compounded to the challenges that publishers face is that they have to operate within a creative industry– which is bound to certain restrictions when it comes to funding. For these reasons, seeking out alternative models for both their funding and publishing activities is an imperative for publishers.

2.3.1 Traditional Models for publishing

Thompson (2012) defines the publishing chain as both a supply chain and a value chain involving numerous players: authors, agents, publishers, designers, printers, retailers, wholesalers, libraries, institutions and ultimately readers. This was what Darnton (2006) called *the communications circuit*, a diagrammatical illustration that showed the inter-relationships of the very participants mentioned above, which are still as relevant today, as they were in the 1700s.

Traditional models of publishing have always put the onus on the publisher to fund the entire book production process, with the understanding that the market demand for the product–which would have increased in value after going through the various intermediaries in the value chain– would deliver sufficient return to the publisher thus enabling them to operate a profitable business model (Clark & Phillips, 2014). The traditional funding of the publishing process, whether in small or large publishing companies has traditionally been enabled by capital structures – debt and equity – in publishing companies.

These models fund projects based on a costing exercise that projects future earnings and an acceptable profit margin from a publishing project by costing all the inputs; accounting for author royalties and bookseller discounts and projecting the expected sales in order to arrive at an acceptable return. A budgeting process; front-list building and back-list management; author assessment; unique sales proposition of the book; understanding of the market and the competition; and the packaging and price of the book all inform the publishing decision. (Clark & Phillips, 2014). In larger publishing companies, there is also a need for specialization by employees, which also comes with costs. Small companies face similar cost structures because the professional staff employed still has an associated cost.

Given the unpredictability of sales, the funding of publishing projects has to ensure that the publishing mix is sufficiently profitable, and if some titles do not perform as well as forecasted, then the estimated contribution needs to be recouped from elsewhere (Clark & Phillips, 2014). This cross-subsidization of titles is typical in book publishing, whereby the overall financial position of a publisher is maintained by the more successful titles subsidizing the less successful, allowing the publisher to maintain a front and back list that appeals to wide audiences because of the variety it offers.

2.3.2 Hybrid traditional publishing and crowdfunding models

Innovative models to funding publishing are looking beyond traditional publishing and funding models, and are creating increasingly new ways in which publishers, and their authors, can access funding for their publishing efforts.

Unbound[2], is a UK-based publisher that involves the author, publisher and readers in its publishing decision, with 'its hybrid business model halfway between a traditional publisher and a crowdfunding platform' (Tondi, 2017, p.33). Unbound's reader community plays a vital role in the support and funding of ideas that are pitched by authors for publication. 'Unbound sets the budget to produce and market the book, and if enough readers contribute to the book's funding over a period of time and the target is reached, the book is published.'

[2] https://unbound.com

Pentian[3], another hybrid model of crowdfunding and traditional publishing, offers a blend of equity and reward-based crowdfunding. ‘Backers receive a percentage of the royalties from sales of the book they support in proportion to their initial pledge’ (Tondi, 2017, p.35).

2.3.3 Crowdfunding for publishing

Crowdfunding has gained popularity in recent years as a mode of funding for projects of any type and scale. The notable crowdfunding platforms for books are Pubslush[4], Indiegogo[5], Kickstarter[6]’s publishing section. With pure crowdfunding models, there can either be rewards-based crowdfunding, in which the funders receive rewards in varying forms, tiered according to their contribution. Some authors promise signed copies of their books, and others try and make the funder a part of the creative process, by promising drafts of book chapters in progress. Patreon[7], a business model based on a monthly pledge for creatives, such as writers and musicians, is perhaps the closest model to arts patronage because the pledge is towards the living expenses of the artist, who then dedicates time to their craft.

2.3.4 Subscription-based publishing

For a long time, this was the forte of literary and academic journals , but this publishing model is finding its way to trade book publishers. The risk associated with book publishing is inherent in the difficult of accurately predicting the success that a book will have. Subscription-based publishing is a model in which the publication costs are built into the pre-orders received for a book or a journal. Print runs are therefore determined by the existing subscribers to said journal, mitigating the risk of low sales. The challenge with subscription-based publishing lies in ensuring that there is a sufficient number of subscribers to justify the minimum print run. Marketing strategies in this instance need to work in tandem with publishing strategies, as it is the consumer demand in this case that drives the publishing decisions. Even with this model, the usual issues of authors wanting more marketing/advertising, booksellers wanting greater discounts and paper prices rising still persist, as pointed out by Pinter (2007, p.141).

[3] https://pentian.com
[4] https://www.pubslush.com
[5] https://www.indiegogo.com
[6] https://www.kickstarter.com
[7] https://www.patreon.com

2.3.5 Art councils and government funding

When it comes to government funding for book publishing, Arts Councils often operate under Ministries of Arts and Culture or under the auspices of Departments of Education.

In South Africa, this type of funding is project based and often works in the same way that a grant would work. This, therefore, does not give the publisher the freedom to publish work they want as the guidelines of government funding often determine what is published. In addition, South Africa's Department of Arts and Culture is often more likely to fund projects – even in the form of books – that extend the mandate of the department, that is, the backing of initiatives that support arts and culture within an educational context. This funding method tends to be prescriptive and is often not favoured by independent publishers who tend to take on projects that are counter-cultural or on the margins of more traditional publishing such as feminist publishing, poetry or projects that advance minority voices. Brooks (2001) extends the argument that arts funding is never without partisanship and Mark (2006) echoes this in his assertion that the evolution of Australian publishing between the 60s and 80s, a veritable cultural revolution, in reaction to British dominance and funding of publishing was the impetus that led to the development of the local canon of literary authors. South Africa's own awakening or cultural revolution is from a background of historical censorship and the limited output of oppositional publishers.

2.3.6 Print-On-Demand (POD) publishing

Although this model has increasingly been used by publishers, especially self publishers and the new entrants in publishing, it is increasingly being seen as a viable alternative by publishers who see it as a solution to overcoming 'issues of excess stock and problems with storage' according to Shao (2016, p.292) in his evaluation of China's POD development in book publishing.

The biggest challenge to South Africa's publishing industry is distribution, as evidenced by challenges the industry had to face when one of the largest distribution companies closed down in 2015 . This left the industry reeling as publishers were faced with moving their warehoused stock and finding alternatives for their distribution. POD is a model that can effectively mitigate some of the risks associated with warehousing. Shao (2016, p.294), points out however that 'Print-on-Demand should optimise publishing by leveraging the POD technology and new production model'. POD, a publishing model is often used more as a distribution model for publishers given the capability it affords to print very small copies as per demand. Its capability of producing and distributing small quantities makes it a viable and affordable non-traditional publishing and model (Bradley et al.,2009). The potential of POD in streamlining some of the challenges post book production is in the 'reduction or complete removal of the need to print speculative stock, tie up capital in the process and then warehouse it' (Gallagher, 2014, p.244), all of which according to make traditional book publishing significantly costly.

2.4 Sales, marketing and distribution strategies in book publishing

According to Pinter (2007, p.140), 'editing and marketing have a symbiotic relationship', an observation equally as important for the major publishers, as it is for the independents. Looking at the funding and publishing models of publishing companies has to incorporate a holistic approach whereby the models account for more than just the production and editorial process, but also the sales, marketing and distribution.

2.4.1 Sales

This part of the business, though taken up directly by booksellers to customers is critical to publishers. It is the projected sales that determine not just the profitability margins, but more importantly, whether a publishing project is undertaken. Decisions on titles and quantities are made by booksellers, but it is here that publishing companies have to have sales teams that can ensure that projected sales – which are part of the costing exercise – are realistic and achievable. The negotiation of discounts with booksellers is as critical as the costing for both the publishers and the booksellers (Shatzkin,1997) and without a strong sales team, this can adversely impact on publishing decisions and therefore inform the financing capital structures used.

2.4.2 Marketing

2.4.2.1 Online marketing and communications

Whilst new technology and advancements made in the sales and marketing of books have changed the way that people read, it is still not fully known whether these new technologies can be directly correlated with higher sales. Discoverability remains one of the key aspects in assessing the extent to which new technology can improve book sales (Schnittman, 2008; Criswell & Canty, 2014). In recent years – with the sales of eBooks having tapered off since their boom years after the 2007 launch of the Kindle– research has shown that without a focus to make books discoverable online, book publishers and marketers will not notice any marked difference in their sales (Wood, 2017). The use of technology, therefore, is only as good as the publisher's strategy. Beditz (2018) writes that a combination of traditional and digital marketing techniques will keep marketers relevant in the changing publishing landscape.

In his essay on the effects of technology and the internet revolution on sales in the creative industries, and on new-product success rate, Beck (2009, p.22) states that 'changes in information technology do not seem to have much affected the odds of success in the book industry'. His assertion that the odds of success in the book market have stayed largely the same and will likely remain the same with even further advancements in technology bases itself on Diderot's 1763 Rule that states that: 'only one out of ten published books is a commercial success, four recover costs in the long run, and five end up with losses' (Diderot as cited in Beck, 2008).

Online marketing strategies, like any other marketing strategy, assume that an additional expenditure on the online marketing strategy will yield additional sales, as part of an overall marketing strategy. Based on his research, Beck (2009) dispels this notion by suggesting that word-of-mouth marketing yields more positive results – measured as increased sales of a new product – than using the internet as a marketing tool. His assertion comes with the caveat that to have an effect on overall sales, word-of-mouth needs to take place between consumers that are heterogeneous in their propensity to buy. With homogenous consumers, Beck (2009) argues that sales trends are affected over time, but their overall level remains unchanged initially. Having an online marketing strategy is a good way to reaching a worldwide audience, '24 hours a day, 365 days a week', according to Baverstock (2015). However, unless a company has a well-articulated online marketing strategy, that is not only able to interrogate the data it collects from customers but is also able to use it to gain qualitative feedback in the process, relying on an online presence alone it not enough.

2.4.2.2 Other marketing capabilities

Book marketing however has come to include many other capabilities which have to be costed as an overall part of a publisher's marketing strategy for every potential book. The rule-of-thumb when creating a marketing strategy is the overall 'marketing budgets may be as high as 20 per cent of anticipated turnover, perhaps more to launch a major title in the first year after publication' (Baverstock, 2015, p.65). Whilst this is on a project-by-project basis and would not have an effect on how the company itself is funded, it remains a critical aspect of the entire publishing value chain, the importance of which will be felt directly on the company's bottom-line if the sales of books published fail to deliver sufficient levels of profit because marketing strategy was not up to par. Marketing capabilities are therefore as much a part of the overall funding model in their ability to affect profitability, and thus the cost and nature of funding employed.

2.4.3 Distribution

Distribution remains one of the most important aspects of book publishing. If the product cannot reach its buyers, the publishing model is not sustainable. In looking at how publishing companies fund their operations, it is imperative that this study analyze the distribution strategies that they employ.

Distribution, as an aspect of any businesses production value chain is a critical part of production. Distribution capabilities depend on the level of infrastructure development, particularly transport network, but more increasingly and more importantly, on the telecommunication and information technology infrastructure. Röller and Waverman (1996, p.5) assert that 'productivity and economic growth [challenges] are potentially very different from other types of infrastructure [challenges]' implying that externalities impact more profoundly on areas such as distribution, which is of critical importance to book publishers, than publishers realise.

Distribution models move the product from warehousing via order processing in the publishing value chain (Clark & Philips, 2014) to retailers and consumers. In South Africa this still remains one of the most challenging aspects of book publishing, where the industry is concentrated in the hands of a few distributors, and the same developmental challenges of road and telecommunications infrastructure that dog many developing countries are still as relevant. Distribution models do fail, and the costing of this failure becomes a part of a publisher's cost and funding structure.

2.5 The role of book pricing

Book pricing in publishing, and one of the key determinants of costing in book production, is an issue that is treated differently around the world. The concept of a fixed book price (FBP), a practice to be found in developed countries, where regulatory bodies such as book development councils or government cultural ministries are involved in the support of the industry. This can be seen as a subsidy.

‘FBP is vigorously defended in countries such as the Netherlands and Germany and more broadly in the European Union primarily on cultural grounds’ according to Van Der Ploeg (2003, p.1), but he contends that it is very difficult to defend on economic grounds as ‘theoretically the agreement pushes up book prices and depresses book sales’.

In South Africa, book pricing still includes a Value Added Tax (VAT) of 15%, increasing the book price burden for readers, and inadvertently contributing negatively to book-buying trends. In other countries, such as Denmark and Hungary, VAT levied on books in is the region of 25%, a concern for publishers who feel that this not does not contribute to the promotion of a book-reading culture as ‘the circulation of books is particularly sensitive to price, therefore especially vulnerable to the imposition of a VAT/GST’. (International Publishers Association, 2015).

While these are just some of the demand and consumer - side issues of publishing, they cannot be looked at in isolation as they are key to determining the supply and publisher-side concerns. The price of books is as much a part of the decision-making tree for publishers as it is for readers or consumers. ‘Consumer awareness determines what gets published, how it gets published, and why it gets published’(International Publishers Association, 2015), and for this reason the role that book pricing plays cannot be ignored or downplayed. Even though this is often determined at the costing stage, during commissioning, by publishers, it is important to consider the book pricing policy environment within which the publisher operates.

2.6 Conclusion

Robert Darnton’s Communications Circuit (1982) , describes a book trade that expanded and contracted over the years as competitors entered and left the field. The similarities in the challenges faced by publishers, and those involved in the book trade then remain even today. ‘The book trade contracted during the late 1770s and 1780s…,in hard times, the big booksellers squeezed out the small, and the tough outlasted the tender,’ (Finkelstein and McCleery, 2006, p.14).

As publishers contend with a range of challenges, from a polarized industry, to the rise of publishing corporations through mergers and acquisitions, the shrinking windows – as increasingly more books are published annually, and the digital revolution that is changing the way they publish (Thompson, 2010), independent publishers have to adapt their funding and publishing models to compete in this changing landscape. In reviewing the various publishing models used by independent publishers, the study will also explore how the sales, marketing and distribution strategies, and to a lesser extent, book pricing determine the publishing model and funding mechanism employed. It will give insight into how publishers are adapting to an industry characterised by low levels of predictability, and one that is about cultural production as much as it is about profit-making.

Chapter 3 Methodology

3.1 Research methodology

This was a qualitative research using a qualitative data collection method of semi-structured interviews and questionnaires. The interviews and questionnaires were structured around the main theme of funding, which is closely related to the publishing model used, and thereafter explored sales, marketing and distribution strategies.

3.2 Research design

The interviews questions that were used as the research instrument are attached in the appendix. They were a combination of informal conversational interviews with standardised open-ended questions. Open-ended interviews were used because there is limited information on the subject of publishing models, and this research is exploratory. They are standardised because all the respondents were asked the same questions to eliminate any potential bias. The informal element of the interviews guided the conversation and allowed for more detailed information-gathering and optimal responses. This also allowed for further probing and delving into the issues, depending on the responses that were given. Turner (2010), points out that these types of interviews allow for conversations to develop in a spontaneous manner and are mostly guided by the interaction of the participants.

3.3 The research sample

Twelve independent publishers were interviewed. [N=12]. The initial sample size was 18 South African publishers and 11 publishers from other countries. The challenging practicalities of arranging interviews; elimination of publishers on the original list that did not strictly fit the mould of independent trade publishers; coupled with some of the identified publishers not interested in participating in the study left a total of 10 South African publishers and only 2 foreign publishers being interviewed.

Because of the exploratory nature of qualitative research, it was not necessary to determine, a priori, the sample size in this research project. 'The sample size used in qualitative research methods is often smaller than that used in quantitative research methods', according to Dworkin (2012, p.1319), because research is often around the how and why of a particular issue, process, situation or subculture and in garnering an in-depth understanding of a phenomenon. As such, concerns around saturation or data-adequacy are entirely up to the researcher – it is this evaluation of 'the adequacy and comprehensiveness of the results' which will signal saturation. (Morse, 1995, p. 147). With this in mind, and given the landscape of the independent publishing sector in South Africa and in select Anglophone countries on the continent, the chosen sample size was expected to yield results that gave the required insight and understanding of the independent publishing sector, and addressed the themes already highlighted.

3.4 Research instruments

The main research instrument was detailed semi-structured interviews organised around the research question and the main themes. For the publishers based outside Cape Town and the two publishers based outside South Africa, questionnaires covering the scope of research were emailed to participants, thereafter interviews were conducted telephonically. Some participants completed the questionnaires and emailed them back, after which the researcher followed up with phone calls and emails where the answers were inadequate or incomplete.

3.5 Procedure for data collection

Appointments were set with the identified respondents in each organisation, thereafter one-on-one interviews were conducted. The interviews were confidential and anonymous. The confidential participant list and the results were saved electronically on a password-protected computer. Participants were made aware that the research report would be made available to them with only the assigned codes to each publisher disclosed. In the cases where one-on-one interviews were conducted, there was more information revealed about what may have seemed like marginal information, but which revealed a lot about the challenges faced and other issues around the industry. To overcome this potential bias of incomplete information, follow up emails – where relevant – were sent to participants who had responded via email, asking questions around the issues that were revealed by the one-on-one interviews.

3.6 Data analysis and interpretation

Data analysis and interpretation in qualitative research has a wider interpretative scope than in quantitative research. Morse et al.(2002, p.13) write that 'the emphasis on strategies that are implemented during the research process has been replaced by strategies for evaluating trustworthiness and utility that are implemented once a study is completed'.

Tests for reliability and validity in qualitative research therefore do not adhere to the same format as in quantitative research.

Reliability in quantitative research is a test for precision or standard error according to Gujarati (1988), when testing hypotheses that analyse relationships between variables. Golafshani (2003, p.600) distinguishes the difference with qualitative research, stating that ‘qualitative research uses a naturalistic approach to understand phenomena in context-specific settings’. With qualitative research, therefore, observations and interviews, which are open to wide interpretation of results, do not use extensive statistical analysis and tools that rigorously test for reliability. For this reason, in qualitative research, testing for reliability is about ensuring the trustworthiness of the research report.

For validity, Lincoln and Guba (1985), as cited in Golafshani (2003) believe that a demonstration of validity is sufficient in qualitative research to establish reliability, since there is no validity without reliability. Validity in qualitative research, according to Winter (2000), therefore becomes a measure of how defensible a researcher’s results are, and to what extent they can be seen as credible based on the researcher’s ability to elicit information. Winter (2000, p.3) opines that our understanding of validity greatly influences our belief in its importance in qualitative research. The authors reiterates that in research, validity is not a single, fixed or universal concept, but rather one that is ‘grounded in the processes and intentions of particular research methodologies and projects’ and allows for interpretive validity. He expounds on this by adding that interpretation is mutually constructed during the data collection between researchers and subjects, therefore disproving validity of results in qualitative research becomes unimaginable. Creswell (2012, p.24) adds to this need for wider interpretation in qualitative research by stating that, ‘procedures of research, such as data collection, data analysis, representing the material to audiences, and standards of evaluation and ethics, all emphasize an interpretive stance’.

This position around the interpretation of results is one of the criticisms levelled against qualitative research, which can be seen as subject to bias and subjectivity. Pandey and Patnaik (2014) posit that a new approach may be required as there are increasingly more qualitative researchers arguing for tools that measure rigour and responsibility, rather than applying tools that test for reliability and validity, as is the case in quantitative research.

The data analysis was compiled along the themes being investigated, namely, funding, publishing model, sales, marketing and distribution strategies. Content analysis according to Hsieh and Shannon (2005, p.1278) ‘is the coding of text data into categories, then using statistical analysis to describe it’. It is seen as a quantitative approach to qualitative data. This research report used content analysis to the extent where it guided the identification of themes from the interviews. It was more about the interpretation of the data than statistical analysis as ‘the conventional approach to content analysis uses interpretative researcher skills rather than statistical analysis’ (Hsieh & Shannon, 2005, p.1279).

3.7 Limitations of the study

Limitations of this study were in the limited number of interviews that were conducted as a larger sample size would have better informed the analysis and interpretation. Access to financial information was a dominant limitation. Because of the confidential nature of the information required participants were either not willing to disclose this even though they were informed of the confidentiality and anonymity conditions of the research; or they had recently started their business and could therefore not provide accurate figures; and others simply did not keep financial statements.

Chapter 4 Results and discussion

4.1 Introduction

The results of the study have been presented in tabular and graphic form for ease of interpretation. The publishing companies interviewed have been renamed Publisher A, B, C, etc. in order to protect participant anonymity and ensure confidentiality. Analysis of the results is organized along the themes discussed in the literature review: funding and publishing models, marketing, sales and distribution. The intention was to determine whether the results from the participant interviews could be easily collated along the identified themes, primarily funding and publishing models and secondarily sales, marketing and distribution strategies.

Publishing comprises editing, book design, digital production, marketing and distribution, illustrating both the supply and value chains across the entire publishing chain (Shea, 2018; Thompson, 2012). Interviewing participants around the key themes that are most likely to influence any one of the inputs in the publishing chain was important in determining which aspects of their business publishers prioritized when working with limited funding, and which aspects were the key drivers in their publishing decisions.

4.2 Funding creative industries

The independent publishing sector is generally characterized by low profit margins and challenging market conditions especially for ambitious literary projects such as poetry or publishing in indigenous languages, which are located outside the mainstream publishing sector. (Martin, et al., 2018). Some of the challenges faced by small presses are further exacerbated by having to attract and retain quality manuscripts, as well as generate publicity and sales of books, all while working with limited budgets and still competing with the majors (Chaiken, 2018). In his paper, he expands more on the commerce-culture dichotomy as a recognized characteristic of the independent publishing industry where publishers seek to put forth quality works of cultural significance, without the requisite capital or staff, yet are constrained by the need to also earn a profit.

Most of the publishers interviewed did not explicitly state monetary factors as a motivation for their entry into the publishing industry. For 7 of the 12, the main reason was one of cultural creation. The publishers that put more emphasis on the creation or curation of culture versus monetary gain were not as proactive in investigating alternative forms of funding, such as crowdfunding, approaching the Arts Council, or even pursuing private investors. This can be explained by the multiple reasons given in Table 2 and the fact that for 8 of the 12 publishers, running a publishing company is secondary to their day jobs. The common thread with all the participants was a lack of capacity.

The publishers' positions on what Martin, et al. (2018) call the economic versus cultural continuum is evident in their not prioritizing or seeking out alternative means of funding which could benefit their companies financially. Cultural producers are not focused on the means in which they fund their publishing, but on just getting their work published even if it means self funding much of the publishing process. Despite the successes that some of the micro publishers had with some of their publications, their reluctance in obtaining more funding from alternative sources – which would mean further capitalization of their business in order to take on more work – came with varying reasons. These are summarized in Table 2.

Types of independent publishing companies:

While independent publishers tend to be grouped into one homogenous grouping, they do however differ in size and thus in their publishing capacity. The publishers interviewed were micro and small independent publishers. Bold (2016) identifies the independent publisher as falling into three categories:

Pico publisher: an entity run by one person, working full time, in another job, and producing a book every second year

Micro publisher: publishing companies that are a one-person operation, producing less than five titles a year

Small publisher: employs five or less full-time publishers

The sample size used has however shown that even though, by definition, independent publishers can be categorized into the groups above, there is a fluidity to how they operate that lends itself to an overlap of the categories. What was common across the publishers interviewed was that their foray into publishing was secondary to their everyday jobs. For 7 of the 12 participants, the publishing business was run by one or two people, often working on a part-time basis on their publishing activities; and although they outsourced much of the book production process, namely book design, artwork and typesetting, they still remained very involved with the commissioning and editorial processes.

Table 1: Publisher activity, size & years in business

Publisher	Publishing Activity	No. of people	Years
Publisher A	Trade publisher of fiction. Also publishes in isiZulu.	1	1
Publisher B	Trade publisher of fiction, non-fiction and poetry. Also publishes in Sesotho.	1	7
Publisher C	Trade publisher of fiction, non-fiction, poetry and children's books.	1	3
Publisher D	Trade publisher of non-fiction books with Black Consciousness topics that relate to African literature. Self publishing services Collaborative publishing[8]services.	5	4
Publisher E	Trade publisher of fiction, non-fiction and children's books.	3	+40
Publisher F	Trade publisher of poetry. Offers publishing assistance to self published authors.	1	4
Publisher G	Trade publisher of fiction, non-fiction, poetry and reference books.	1	12
Publisher H	Trade and education publisher of children and young adult fiction and non-fiction.	7	10
Publisher I	Trade publisher of fiction, non-fiction and poetry.	1	25
Publisher J	Trade publisher of fiction. Self publishing services	1	4
Publisher K	Trade publisher of poetry.	5	5
Publisher L	Trade publisher of fiction and non-fiction.	2	21

When graphed, the interview results show a linear relationship between the age of the publisher – as indicated by the years in business, and their publishing output – as illustrated by the number of books published up to the interview dates . Barring two distinct outliers, that is, Publisher G and Publisher I whose publishing activity as graphed against years in operation did not fall near the linear trend line, 10 of the 12 publishers produced increasingly more books the longer they were in the business. Publisher I, publishes on average 1 to 3 titles per year. As compared to the other publishers in the study who have been publishing for

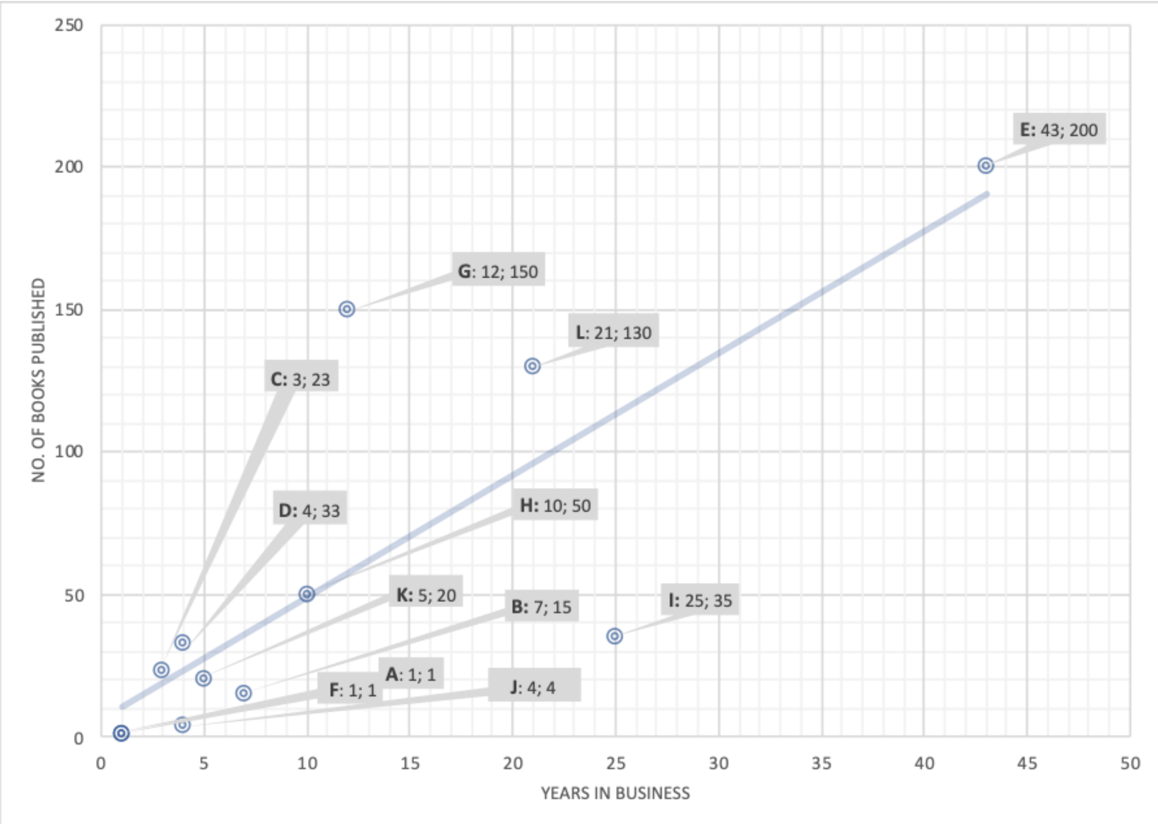
[8] *Collaborative publishing* – the publisher covers the production costs of the book and the author the marketing, PR and print. This can vary from project to project at the discretion of the publisher

more than 20 years, the publisher's activity and output is comparable to more recently established publishers. In Figure 1, this is shown by the publishers falling within the quadrant bounded by 10 years and less in business and publishing output of 50 books and less. These are 7 of the 12 Publishers: A, B, C, D, F, J and K, all of whom are independent micro publishers with teams of between 1 and 5 people. Although falling in this same quadrant, publisher H is unique in that it can be categorized as more of a small independent than a micro publisher. What differentiates this publisher from the rest is that they also cater to the schools market and not just the trade market. Another factor owing to this low output by the outlier, Publisher I, can be attributed to the genre the publisher mainly produces – poetry, as well as the two four-year periods of non-publishing activity. Poetry publication in South Africa and internationally is characterized by low sales, and as a result is often a genre that has marginal importance on trade publishers' lists. The statement that 'few poets are condemned to fame and fortune' (Brown, 2015) supports a similar sentiment expressed by Biggs (1985) and Brito (2015) that poetry publication is by nature non-profitable, and often delegated to the margins of publishing where it becomes the foray of small presses in their bid to promote its cultural globalization. In this study, 5 of the 12 publishers produce poetry, and even when comparing the poetry publishers' publishing output, Publisher I still published a markedly lower number of titles, as compared to the other poetry publishers: Publisher F which is a newly established publisher in its first year of operation, with one book published to date and Publisher K – which has 20 published titles to date.

Publisher G is an outlier for different reasons, publishing approximately 10 to 15 titles per year, with approximately 150 titles published in its 12 years of operation. This makes this publisher an anomaly when compared to publishers that have been operating for longer periods. What makes the publisher's prolific activity more distinct is that they are a micro publisher, that employs one intern who works part-time, yet their publishing output is comparable to that of small publishers – as defined within the definition of those publishers that employ 5 or less full time publishers and produce more than five titles per year.

Despite not often accessing formal and alternative funding sources, post their initial capital inputs into their businesses, the publishers' longevity in the business is remarkable. Although they did not grow the size of their businesses, where growth is defined strictly as higher turnover and increased staff, they exhibited a different behavioural pattern of small businesses. When entering into a growth phase, small businesses will access bridging finance to help grow their businesses (Peterson & Shulman, 1987). The publishers did not follow this pattern, as is shown in the section under funding, but they did continue to grow their publishing output, even though it was small and restricted and atypical of Bourdieu's cultural production.

Figure 1: Publishers' years in business to publishing output



Source: Compiled from interviews with publishers

Figure 1 The letters are assigned to each publisher ; the number of years they have been in operation is represented by the first number in the coordinate; the number of books published to date is represented by the second number.

4.3 Funding

The main premise of this study was to determine whether access to finance, or lack thereof, impacted on small publishers' entry into the publishing space. While the problem statement sought to establish whether funding was a barrier to entry, the results have shown otherwise.

Of the 12 publishers interviewed, six were new entrants that had been operating for 5 years and less. 2 of 12 were less than two years old and both were operating in what can be perceived as niche publishing – poetry and isiZulu fiction. The other publishers were also producing work that is not mainstream – when looking at traditional publishing companies and the works they publish. The publishers' approach on entering into the sector was not based on securing funding beforehand. Worth noting is that 10 of the 12 publishers' entry into book publishing was primarily to cater to underserviced markets, varying from publishing women writers; works in indigenous languages; non-fiction writing on Black Consciousness to highlighting emerging women poets.

Sourcing funding for the publishing companies was secondary to setting up the publishing company and producing the books. Of the 12 publishers interviewed, only one sought external funding from traditional sources like financial institutions; 2 had external private sector investment, while nine self-funded their operations through a variety of creative ways which included personal savings ; prize money from a writing competition; and money gifted to them on their wedding.

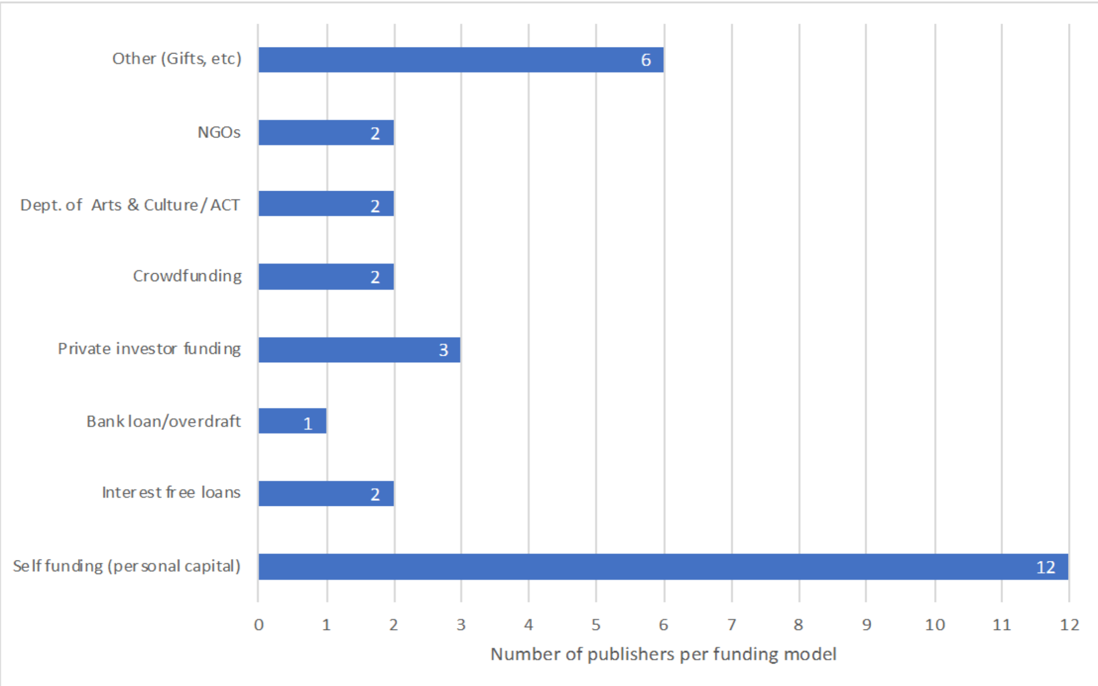
The table below shows the preferred method of funding and the start up and bridging capital used by the publishers. For each category the types of capital and the conditions it came with are noted.

Table 2: Start-up and bridging capital used by publishers

Type of capital and proportion of users	Details
Personal capital: 12/12	• personal savings • salary from primary employment • part of their pension money • partial sale of their house • freelance work such as editing for NGOs
Other (Gifts, etc.) : 6/12	• prize money from a literature prize • money gifted as a wedding present • money from friends and family • money made from the sales of first book
Private investor funding: 3/12	• shareholders that bought a portion of the business
Interest free loans : 2/12	• loans from friends and family • short-term loans from distributors • loans from authors (in lieu of royalty payments)
Crowdfunding: 2/12	• funding for a book project
Department of Arts & Culture/ ACT: 2/12	• funding for a book project
NGOs : 2/12	• funding for a collaborative book project
Bank loans/ overdraft: 1/12	• short term loan facility for the business

Source: Compiled from interviews with publishers

Figure 2: Sources of funding for publishers



Source: Compiled from interviews with publishers

The reasons for using or not using particular sources varied from publishers not wanting to be accountable to other people – as would be the case with private investor funding – to the publishers not knowing that they could access funding sources such as the Department of Arts and Culture, the Arts and Culture Trust, Foundations and NGO funding. Access in funding provided by NGOs also differed in interpretation. For two of the publishers, the funding did not come in the form of direct funding, but rather in the collaborative publishing opportunity it presented. It is in these arrangements that the inextricable relationship between funding and publishing model become apparent. Collaboration between a publisher and a funder becomes a model that not only enables the publishing activity but also gives access to potential book sales. This model, where there is a title-per-title subsidy or a grant that can come in a variety of different ways, is itself both a funding and a publishing model. According to the publisher, this is a model they only ever use once every three years. The model itself requires writing a project proposal to persuade funders of their capability to take on the work – some of the very reasons mentioned in Table 3 for not accessing alternative channels.

"If a book is done with an NGO or an academic publisher, 90% of the print run goes to the NGO for free distribution, they fund the book, we produce it for them. We then have a small percentage of the book to sell." – Publisher L

This model of accessing NGO funding also has two aspects to it:

"It is freelance work for a variety of NGOs to keep ourselves afloat, and the subsidized books which still go through the normal publication process." – Publisher L

Grants are also awarded to publishers to put a stipulated number of titles into libraries. This model works similarly to the subsidies. Donors give funding to the publisher to put books into libraries, the donors buy the books and the publisher distributes them. This can be for both academic and fiction titles. Publisher G, also makes use of the university grants given to academics who want to get published to help subsidize the book production and printing costs. This model falls squarely between the funding and the publishing model as it requires some level of collaboration between author and publisher.

Financial institution funding – bank loans or overdrafts – was the least accessed form of funding with only 1 of 12 publishers accessing this source. Petersen and Shulman (1987) asserted that the sector within which the small business operates is irrelevant in accessing finance. This view is challenged by the results. Publishers in this study felt that operating within an industry that financiers have a narrow understanding of made their access to financial institutional funding difficult. Figure 2, however, shows the components of funding that publishers use, the very same – barring supplier trade credit – that would be used by any small business in any other sector.

The bureaucratic processes that publishers anticipated having to go through discouraged any proactiveness towards approaching banks . This speaks to the view put forward by Voordeckers & Steijvers (2006) on the issue of banks' inability to exercise flexibility in their lending practices when assessing small businesses such as micro publishers. The low preference for bank loans and overdrafts by publishers, 1/12 to the 2/12 that accessed interest-free loans; and 3/12 that went with private investor funding is a further illustration of publishers' reluctance in explaining their business models, as they felt that this would disadvantage them with financial institutions. The results also echo viewpoints put forward by Beck and Demirguc-Kurt (2006) that the opaque nature of publishing, coupled with information asymmetries potentially mean higher transaction costs for small businesses as the industry comes with a higher risk premium.

Self funding or private capital was used by all of the publishers interviewed. Carpenter and Petersen (2006) point to the importance of internal finance or owner capital for small businesses as an indicator of the amount of risk small businesses take on. The study did not analyze whether a reluctance to seek out external sources of funding was influenced by the publishers' risk perception, but the overarching sentiment was that of a need for operational independence. The notion of more risk-taking in publishing decisions and more freedom to operate unchecked is confirmed by publishers when questioned about seeking alternative funding.

4 of 12 publishers: A, B, I & K expressed a preference to operating independently of external funding, even as 3 of the 4 confirmed having sought out Arts Council funding. The overlying sentiment was that even though Arts Council funding came with an onerous application process, it presented less prescriptive restrictions for the publishers. A sentiment expressed by (Voordeckers & Steijvers, 2006) that with less restrictions placed on the publisher by financiers, publishers are likely to take on more behavioural and operational risk in their publishing decisions, unencumbered by the fear of losing financiers' or investors' money.

Crowdfunding is a hand-tying contract whose risk is mitigated by spreading it across many investors (Hansmann & Kraakman, 1992). The imperfect information nature of book publishing makes this model ideal. Its success or popularity however is not evident for local publishers even though it has been used with relative success by international publishers. Two of twelve publishers have used crowdfunding. This is a low proportion – ranking second to POD as an alternative publishing model. With respect to crowdfunding, the reasons given for not using it varied from publishers having never considered it as an alternative model to publishers believing that the traditional model – of them taking on all the risk – worked just as well. The varying preferences of publishers is shown in Figure 4, on page 40, and presents publishers' use of and interest in alternative models.

Table 3 below gives a breakdown of the reasons alternative sources of funding were not accessed. The participants' varying reasons showed that even though these different sources were not accessed, the publishers were very aware of them. The main reasons given can be grouped into:

- *Lack of access to information or products* meaning that although the publishers knew about these alternative channels, they did not know how to go about accessing them.
- *Lack of support for applicants* where the publishers felt that the requirements excluded them because of the nature of their business

- *Other reasons* included considering the financial health of their business and not wanting to use a channel that would come with too much administration or affect the funding structure of the existing business.

Table 3: Reasons given for not using alternative sources of funding

Financial institutions	
Support for applicants	"I doubt that I would ever qualify. I believe the lack of physical stock of the product being sold makes it more complicated for banks to understand. It is also such a tedious long process of forms and sureties and all of that, it's just something that I do not have time for. The turnaround times are also so long." – Publisher B "Did not pursue further as it would have been difficult to explain the business model of the publishing business." – Publisher K
Other reasons	"Wanted to make sure that we do not run into debt." – Publisher F
National Arts Council	
Access to information	"I don't know the channels to approach, maybe I will consider it later." – Publisher A "No real avenues for that." – Publisher C "Never considered it, would not know where to start." – Publisher I
Support for applicants	"Their rrequirements were very limiting because they requested that the publisher give 'five authors to publish' – publishing doesn't work that way. Their requirements did not make sense." – Publisher D "I have considered the process too cumbersome. Also, most funders such as the NAC require formal, audited financial statements, which because this is more of a hobby than anything – I do not keep." – Publisher I
Other reasons	"Their attitude stinks. There are too many hoops that one has to go through to secure a mere R15,000 of funding…it is off-putting." – Publisher B
Non-governmental/non-profit organizations	
Access to products	"A lot of funding is coming from abroad at the moment (through foreign NGOs) then it goes to non profits." – Publisher E
Other reasons	"I have never given the public funding model much thought." – Publisher I
Crowdfunding	

Access to information/platforms	"Have never thought to use this as an alternative." – Publisher A "The traditional publishing seems to work alright. Would not know where to start with that." – Publisher J
Other reasons	"These alternative models however would come with a lot of admin, and also complicate the relationship between authors and the publisher – bringing up issues of: 'how do you then pay royalties if the author is also an investor in the company or in the publishing costs of the book?'." – Publisher B
Private investor funding	
Other reasons	"Would like, as much as possible, to retain the editorial integrity [of the company]. Opening up to all other funding arrangements can also mean opening to answering to others regarding publishing decisions. For now, publishing and funding decisions all fall on me." – Publisher K "I considered it once, but it did not materialise… It had been proposed, and I was interested, but then the potential investor did not mention it again and I did not pursue it. I generally like to sail my own ship, even though it can be restrictive." – Publisher I "I feel like I have not gotten to a point where this is a well-oiled machine, where somebody can trust me with their company…I don't think I have gotten to a space where I can say I have space for shareholders." – Publisher B

Source: Compiled from interviews & questionnaires completed by the participants

4.3.1 Self-funding or personal equity & Other sources of funding

Self funding or personal equity was the route taken by all the participants in the start up of their publishing companies. 50% of participants interviewed, however, used income from other publishing and non-publishing activities to supplement their publishing activity. It should be noted that this supplementary income was not from the publishers' other employment, but from other activities that complemented the publishing business.
These other non-publishing activities included:

- doing editing work for NGOs;
- giving day courses on book publishing
- assisting self published authors with book production and
- providing distribution services to self-published authors and to other micro publishers.

Funding was not only seen as the financial contribution or in pure monetary terms but also in kind. The micro publishers interviewed in this study leave themselves room to alternate between treating their publishing as a business or as a hobby. These nebulous arrangements of extending and receiving free services would otherwise not be viable business models for profit-making objectives.

"Sometimes funding has come in terms of free services. For example, two books were laid and designed for free by the author's spouse."
– Publisher I

"I have had a few people donate work. The person who does the royalty calculations for me did it for free. And I have had a couple of people donate editing and proofreading."
– Publisher G

Personal loans and private financiers are the most common way in which independent publishers fund their companies. These traditional forms of funding come with the challenges already explored in chapter one. The private investor is a form of patronage, as the relationship hinges on the private investor's belief in the publisher and in the potential of the company and is no different from a patronage of the arts.
The results show that publishers' start-up and bridging capital came from a variety of other income streams which were complementary to their publishing businesses. These sources of alternative funding illustrate that funders fail to account for the heterogeneity of small businesses, and therefore continue to apply a one-size-fits-all model when it comes to providing access to finance (Berger & Udell, 2006). The small sample of micro publishers in this study, exhibits the very heterogeneity that makes the funding of creative industries challenging.

That micro publishers face larger growth constraints (Beck & Demirguc-Kunt, 2006) has been illustrated by the participants' slow growth – as illustrated by the relationship between years in business and publishing output in Figure 1. Irrespective of the owner capital that is supposed to put publishers at an advantage (Carpenter & Petersen, 2006), the results confirm that it is the quantum of this owner capital that determines the behavioural or operational risk that publishers will take. The micro publishers here are working on a very low capital base that does not provide the adequate leverage to give the publishers that competitive advantage.

4.3.2 Private investor funding

When asked about whether they had considered private investor funding for the business, their responses affirm the challenges referred to by Caves (2003) that the minimal predictive value of creative industries – such as book publishing – confound many when it comes to determining the expected appeal of their product, including the publishers themselves. Responses ranged from not wanting interference – in the editorial process – from private investor funders, to not knowing what the valuation of their companies would be, were they to seek private investor funding.

Worth noting is that the private investor funding, used by 4 of the participants, was capital input – with undefined expectations of nominal returns. The publishers made the distinction that the capital injections were not interest-free loans, but investment in the business. Publisher G, who had private investor funding from an angel investor that was also a shareholder in the company, noted that despite the arrangement being a pure private equity investment there was no real expectation of nominal returns by the investor.

4.4 Publishing Models

Determining which funding and publishing model publishers used yielded a mixed set of results as the publishing model used was in most cases also seen as the funding model.
By definition the publishing models can be defined as the following:

i. traditional publishing model where the publisher takes all the risk
ii. crowdfunding model where parts or all of the book production costs are crowdfunded
iii. subscription-based publishing where readers or customers subscribe to a number of copies before publication – used predominantly by academic publishers
iv. print-on-demand – a digital printing system where copies are only printed once orders have been received. A more cost-effective model for single copies.

The participants revealed other publishing models that were a hybrid of the above and in some cases borrowed some elements from academic publishing.
Innovative publishing models used by participants included:

i. collaborative publishing model, where the publisher and the author shared either the costs of book production or the printing costs and
ii. hybrid traditional/subscription model whereby the publisher still incurred the costs of re-printing certain books on their backlist, but only did so after the customers had

ordered and paid for those books. In addition, the publisher also offered unpublished books that could be included in the pre-orders that readers subscribed to.

Traditional publishing is used by all of the publishers interviewed. Collaborative and subscription-type models following at 3/12 and 1/12 of publishers respectively.

The collaborative model, used by 3 publishers in this study, has been used by publishers to service individual writers and other non-for-profit publishers. With all three of the publishers that used this model, they each adapted the model to suit the publishing project. Publisher D, who uses the model often for publishing projects sees the model as different from self-publishing because they still research the marketability of the project and research the authors before taking on projects. This assessment of publishing projects, similar to using the traditional model, differs only in the publisher's risk mitigation.

"I cover production and the authors cover other elements such as marketing, PR and print. We try to see how we collaborate on which aspects" – Publisher D

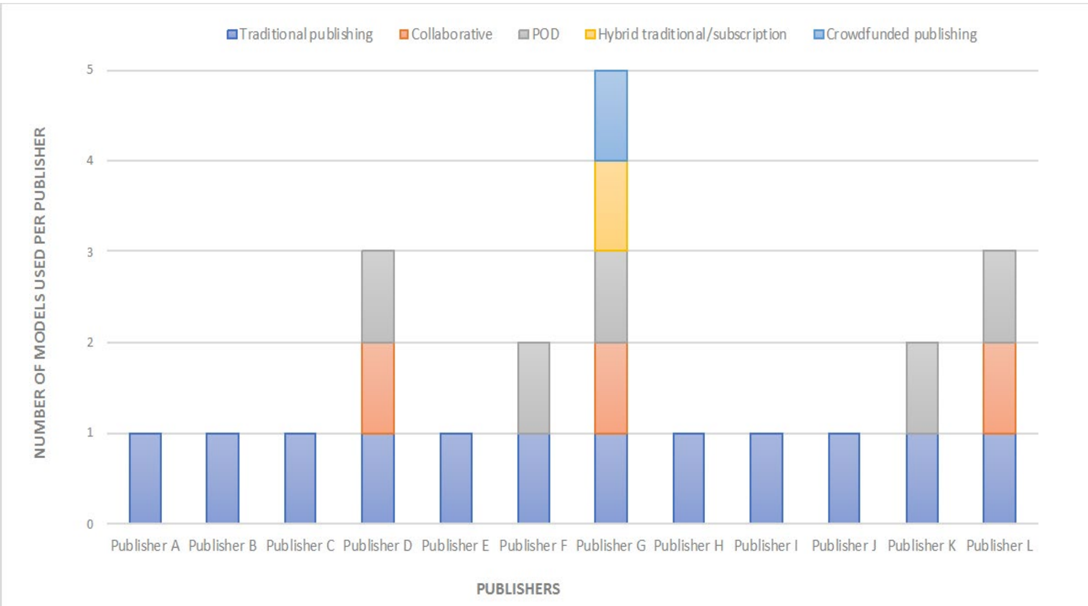
This cost-sharing method is used by Publisher's G & L servicing authors, organisations and even non-profit organisations. Crow (2006) writes that a publishing cooperative can provide a scalable publishing model that would address the twin imperatives of financial sustainability and mission fulfilment. This cooperative model is also used by Publishers G and L, with the latter publishing for non-profit organisations. The publisher uses a model, working with NGOs, that is similar to a cooperative model that does well to service not-for-profit publishers that produce one or two publications and subcontract some or all of the publishing process to another publisher (Morris, 2001). For these non-profits, mission-driven publishing is often the crux of their operations.

Although Print-on-Demand (POD) as is understood the world over as printing single copies, as and when orders are received, is used by five of the publishers, and it is used as an international distribution strategy rather than a model to produce books for the local market. Gallagher (2009, p.8) wrote that 'the use of POD has been steadily increasing over recent years but tough times appear to be accelerating this trend. Printers say POD enables publishers to produce the exact number of books required…the service can also reduce costs by shortening the supply chain, with some printers offering distribution direct to customers.'

For South African independent publishers, using digital printers is the preferred printing model as it allows then to control the size of their print runs, which can also mean no inventory, no surplus and no remainders. Because the cost of litho printing, that is traditional printing, of small print runs is prohibitive for publishers, digital printers that can print small print runs (between 1 and 500 copies) has become the compromise for publishers. Digital printing however is not to be confused with POD as used internationally as it allows for small print runs, of between 1 and 500 copies. It is when the print runs go into the 800 plus mark that the costs of digital printing match those of traditional litho printing.

All five publishers, who used the strict one-print-copy-per-order POD, distribute to the rest of the continent though African Books Collective (ABC). Books are ordered through ABC, which then prints and distributes them to readers. It is in instances such as that that the POD model becomes less about printing but more about distribution, sales and global reach, as stated by Gallagher (2014).

Figure 3: Publishing models used by publishers



Source: Compiled from interviews with publishers

Figure 3 shows only 3 publishers exploring models beyond the traditional model, excluding POD, for distribution. All the participants had, to varying degrees, researched other publishing models, and when asked to elaborate on their choice of model they gave varying views supporting their choice, as shown in Table 3.

Cost considerations are not the driving factor for most of them because, despite being micro publishers, they are all using the traditional method, which means bearing the entire cost of the book production across the value and the supply chain. This risky and financially cumbersome model seems to be the default even for the micro publishers who, given their size and potential agility and flexibility, could explore and use other less risky, cost-sharing models. The entrenched nature of the model across the industry means that new entrants do not look to alternatives, choosing instead to adopt a tried-and-tested model that may not necessarily suit them – given their size – but one which is the default model of the industry.

On exploring digital formats and how they could best utilise existing technology to publish their books, one of the new entrants were, however, very conscious of choosing the traditional route over alternative models, irrespective of the financial risks the traditional method comes with for micro publishers. 2 of the 12 felt that the value of the content would be diminished by publishing in any other format than print, whereas for the rest, 9 of 12, choosing print over other digital formats was more of a practical consideration. One publisher was of the opinion that the traditional model worked well for monitoring sales.

"I want to do the more traditional approach because I want the beautiful content that people are writing to be in the beautiful form that people can buy." – Publisher A

"Publishing in print [over putting the book on a digital format] lends a certain gravitas to the work…I feel." – Publisher K

"When I started, I offered the books as a download, but now I feel it is easier to monitor sales and how well the books are doing when they are in print form." – Publisher J

"I feel as though the relationship between eBooks (that are offered in a digital format only) and print books (as the expensive option) keeps print expensive, and it remains: this is the premium option (print)and this is the cheap option (eBook)."
– Publisher A

Prioritizing the cultural output value of books over the potential monetary value bears little resemblance to the culture-commerce dichotomy that Chaiken (2018) writes about. This prioritization is a recurring theme for most of the publishers interviewed, which in part explains their choice of publishing method, irrespective of its associated cost. What is evident from the results is that, of the non-traditional models that publishers are interviewed about, their consideration is about lower costs, but not to the extent where the non-traditional models – when used – should compromise on quality. One publisher, who also provides publishing consulting services to self-publishing authors is emphatic that if in the use of non-traditional models, where the author foregoes any editorial input from the publishers, they will not put their stamp on the final product.

"We are full publishers, we take on all the risk of publishing but when people come to us wanting a collaborative agreement or asking us to consult on their books, if they do not want any editing input from us, we will not put our logo on it." – Publisher F

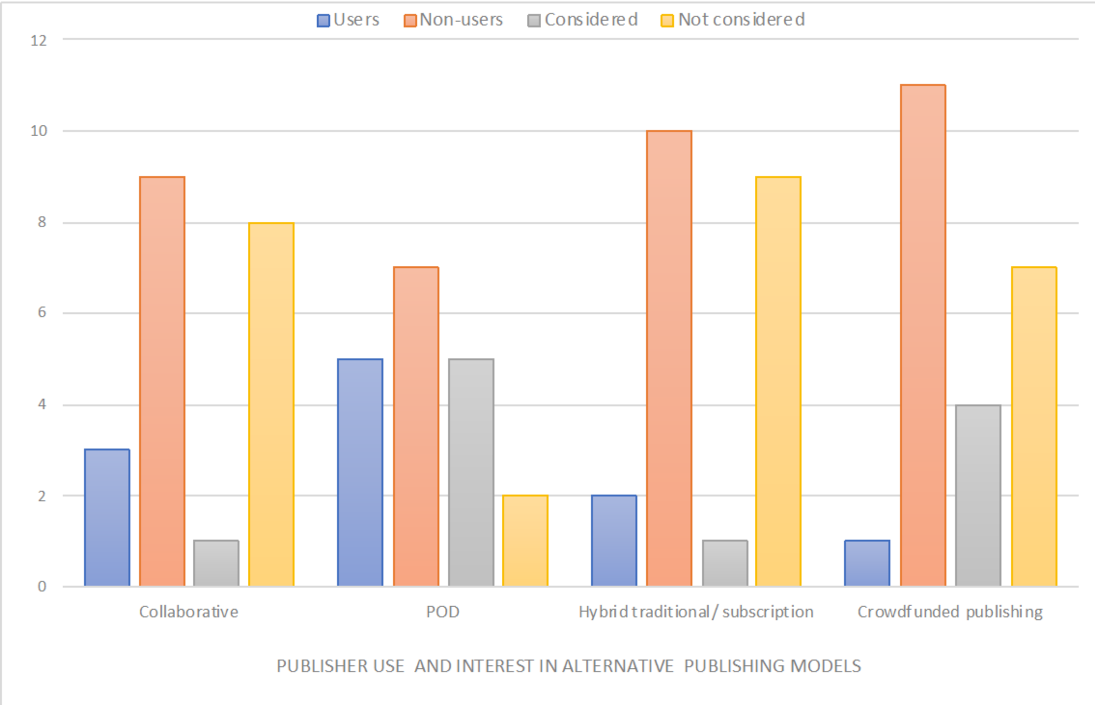
"If I am doing that role [of publishing] I have to do it properly. I have now decided to approach it in a sort of blended way – litho for bigger projects and digital printers for smaller niche products that don't have a big name attached." – Publisher A

Even with limited exposure to non-traditional models, publishers were not averse to trying them at some point. Presented with the question of whether they would use non-traditional models, their responses showed that they had started with the standard traditional model, because it was the standard, and had just not given much thought to alternative models.

The collaborative model is the second most used alternative model, and publishers that used it preferred it because it allocated the costs of book production between the author and the publisher and in part mitigated some of the risk associated with new publishing projects. 3 of 12 publishers used this model, and of the 9 publishers that did not use it, 8 had never considered it at all. Only 1 of the 9 that did not use the model had considered it. Reverting to the traditional publishing model was the default for many, even as they considered alternative models. Another recurring theme was that publishers went with the traditional model because it allowed them greater involvement along the creative value chain. Publishers stipulated that exploring alternative methods, especially for funding, would mean giving up complete control of the book production process. Even if they were not directly involved in some of the technical aspects such as design and layout, they wanted to remain part of the value creation. Speaking on being part of the value creation, one publisher noted that all the books they had published that had not done well were the ones that were co-written with an international publisher.

"I no longer prefer these arrangements as they have proven not to make money, also I am not sure what the value add is for us." – Publisher K

Figure 4: Results showing publishers' use of and interest in alternative models



Source: Compiled from interviews & questionnaires completed by the participants

Digital printing for small print runs was used by all of the publishers. A result that is not surprising when looking at the fact that most of the publishers are micro publishers and also start-ups, with 4 of 12 publishing poetry – a genre not known for high print runs or sales. Worth noting is that one of the poetry publishers saw considerable success with their poetry publication selling 5000 copies. They chose to use litho printers instead of digital printers because of the nine reprints they had to do.

POD is a model that can effectively mitigate some of the risks associated with warehousing (Shao 2016). The technology unfortunately is not accessible to local publishers, with the 5 of 12 publishers who use it do so only for international distribution on the rest of the continent through the distributor African Books Collective.

The subscription-based model used by two of the publishers capitalized on the cross-subsidization of book publishing (Clark & Phillips, 2014). In their packaging of books that readers could order, and which would then be sold together. One publisher identified books that were previously unpublished, put a list out to social media, people could then select the books they wanted from the list, pay for their selection and wait for the publications.

"I posted a list of 10 unpublished titles on social media, then people wrote to me and told me which titles they wanted, people then paid R1000 and chose their titles"– Publisher G

Although this was not a formal subscription model, there were no forms completed, it worked in the same way as a subscription model for journals published by academic publishers. The funding was up front, and the books were distributed to readers that had subscribed once they were published.

4.5 Marketing, sales and distribution

4.5.1 Marketing

The traditional publishing method uses prescribed marketing strategies that publishers follow to promote and generate their new books. With the combination of a shrinking printing media, in recent years, and advancements in digital marketing, publishers' marketing strategies are changing to meet the changed ways that people consume books and content (Ho,Wang & Hsueh-Ju, 2011). The huge marketing budgets that used to be associated with publishing have shrunk as 'the web has opened up new marketing opportunities, often at a low direct cost' (Clark and Phillips, 2014, p.221).

Because of their limited budgets and small-scale publishing, the publishers in this study use technology to build their own communities around their titles thus capitalizing on social media and overcoming the hurdle of costly print-based marketing. Figure 4 shows social media engagement as the most popular marketing strategy. The popularity of digital publishing is a direct result of the low use of old school book marketing of television, printed marketing material and print media.

Publishers recognize the need to go directly to readers and of the 12 participants, 10 eschewed traditional marketing channels such as print media, book signings and newsletters. Only 4 of 12 used radio, while 4/12 benefited from an increased awareness of their books through word-of-mouth. One publisher used both book launches and a public relations consultant for press engagement and had seen increased sales as a result of this.

"This is geared towards marketing to readers. This has a spin-off on book sales"
– Publisher G

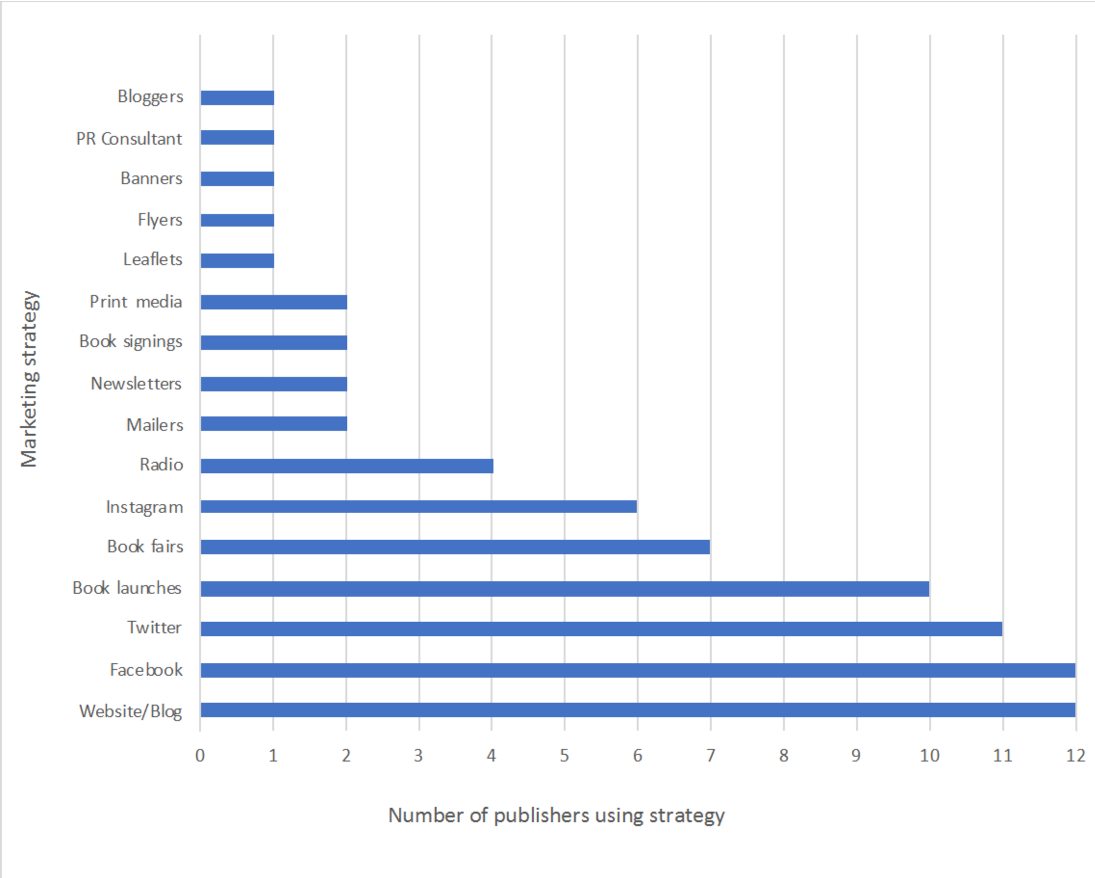
One publisher notes that many bookstores in their operating environment do not buy books off spec – without an order – at the same time the operating environment is such that book sales have declined as people prioritize other expenditures. The views around book launches vary, however.

"The sale of poetry is best event-driven. Sales are most successful at events – the sales might not be as high as such – but are certainly higher than if the books were sitting in a bookshop. But events – such as launches – are not magic keys to sales. I have known book launches to be absolute flops, not just of our titles but of titles from other publishers – and of books by well-established authors." – Publisher I

"Usually what we do is we have a launch and at a launch a book can sell very well. Book launches tend to be the main place that people will buy books, and not book stores. Even though the cost of launches far outweighs the sales, launches create a buzz around the books. But this only works well if the authors has a good following on social media."
– Publisher L

Despite the views about book launches not yielding proportionate sales for the effort and money exerted, for the Publishers I and L above, launches were also a sales channel. This was the fourth most popular marketing strategy, used by 10 of 12 publishers. Four of the publishers expressed the view that the launches worked well for publicity but often yielded very poor sales. Social media – websites and blogs (12), Facebook (12) and twitter (11) were the most widely used strategies. Traditional print media and newspapers (2), radio (4) and television (0) ranked poorly as marketing strategies.
Worth noting is that even as publishers recognized that as a potential sales channel, book launches were not always successful, they still continued to use them. This observation is parallel to that of traditional publishing models – publishers are aware that there are alternatives that work but do not make the time to explore these alternatives to see how they would work for the differing sizes of the businesses. Book launches appear a default marketing strategy even though for most social media and word-of-mouth that have proven more effective in raising the profile of a book or awareness to it.

Figure 5: Marketing strategies used by the publishers



Source: Compiled from interviews & questionnaires completed by the participants

On the effectiveness of marketing strategies, given their size and the fact that there was no focused marketing strategy – as one would find in bigger companies with larger marketing budgets – participants did not always know whether or not their efforts were effective. Responses indicated an intuitive understanding that the more exposure a book got, through social media channels and other ways, the more book orders they tended to see.

"Media reviews are touch and go, especially with the minimum space given in the media to book reviews these days." – Publisher I

"It depends on the project. Sometimes the books hit the mark, sometimes they don't. But the more the publicity, the more the sales"

– Publisher H

"Authors play a large role here. Marketing has not always been an issue as the poetry writing and publishing community is fairly small. Word-of-mouth and social media gain traction quickly and work well as marketing tools." – Publisher K

" 'Likes' in social media do not necessarily translate into sales. One can get 200 likes for a post about a new book, but only 10 orders may emanate from it. It has to be ongoing." – Publisher I.

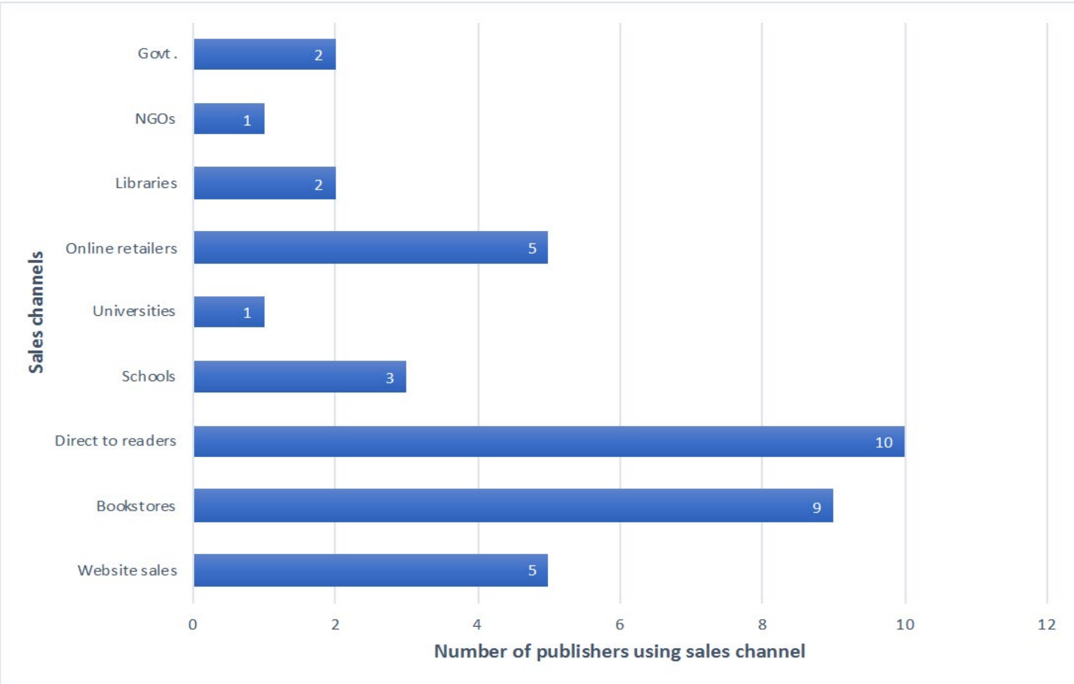
Discoverability remains one of the key aspects in assessing the extent to which new technology can improve book sales (Schnittman, 2008; Criswell & Canty, 2014) and none of the publishers had tracked the sales response over long periods of time. What the results revealed was that even though book launches were ranked fairly high by publishers, with 10 of 12 publishers using them, there was general consensus that these were not nearly as effective in increasing book sales.

Word-of-mouth was a recurring mention by publishers as a way that created awareness around their books. This is not listed as a strategy, as it is beyond the control of the publishers, but it is a positive consequence of publishers' use of social media as a marketing strategy.

Financial and people capacity was, for most of the publishers the biggest constraint in putting together elaborate marketing strategies. For the publishers in this study, made up of one to three people teams, there was more reliance on authors to do their own marketing. Without the large marketing budgets to be found with large publishers, these micro publishers relied heavily on the free social media platforms – Twitter, Facebook and Websites for their marketing strategies and less so on strategies that would cost them money such as banners, flyers or print media.

4.5.2 Sales & distribution

Figure 6: Sales channels used by publishers



Source: Compiled from interviews & questionnaires completed by the participants

The proportion of publishers using distribution companies was 7 of 12. Of these seven that used distributors, three stated that they had started off distributing their own books. The move to using a distribution company was driven mainly by publishers' lack of capacity. For micro publishers operating on the backbone of between one and five staff, distribution presents the biggest challenge in such start-ups. This is often the result of the poor transport and communications that Zell (2008) refers to. It is also the part of the book publishing value chain that greatly affects publishers' cost structure, with distributor costs taking between 15% to 35% of publishers' margins. Some publishers have chosen to self-distribute to try to mitigate this cost.

"We do all our distribution and warehousing in-house. We even act as distributors to self-published authors who don't have the relationships with bookstores." – Publisher D

Self distribution does not come without its challenges, as pointed out by one publisher:

"[Distribution] is the last leg of the publishing value chain that publishers are not participating in. We have enough material, we have enough books, we just don't have an

outlet [for the books]. Bookshops don't order centrally, they order independently, so if a branch does not know about your book, they are not going to order it. So, it adds another dimension of admin - going there physically to market the book" – Publisher B

Admittedly the high distribution costs make book prices more expensive as the cost of distribution is priced in during the budgeting process. It is at this part of the book publishing value chain that the negative consequence of working within capital -restrictive models and at very small scales are most felt. The publishers have creatively circumvented some of the distribution challenges as shown by the Figure 6 above. 10 of 12 publishers distributed directly to readers, more than through bookstores. They used a combination of their website sales orders and social media channels to drive the sales, marketing and distribution functions.

"We have a website that also does sales. With a social media push, more sales tend to be realized on the website, say 5-10 purchases" – Publisher G.

"While I was waiting to hear back from distributor, after I had contacted them, I marketed the book on Facebook and continues to distribute it myself. I got online orders"
– Publisher A

"One of the things that traditional publishers do no do is meet the people that will potentially buy the book. People don't go to bookstores, so you have to meet them outside of bookstores." – Publisher D.

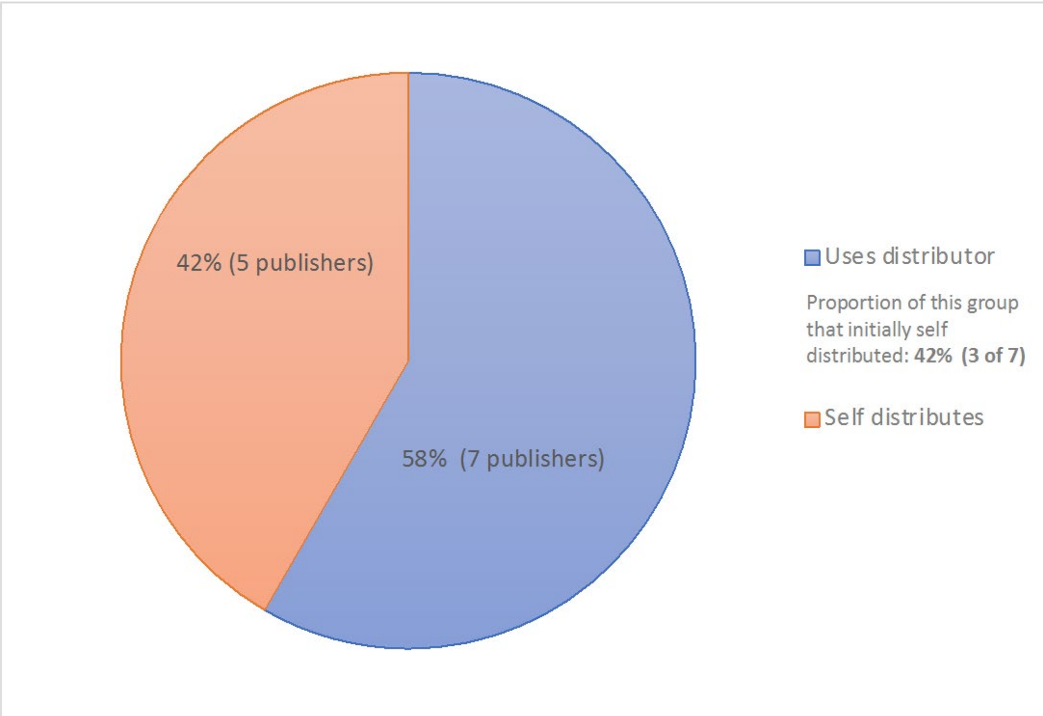
This same sentiment is echoed by another Publisher I who states that book marketing to books should be targeted and that booksellers are not always attune to what their customers want.

"Ironically, I met an individual who bought 20 copies of the book directly from me at a mall, at the coffee shop right next to the bookstore. My marketing is done by social media (Facebook, etc.), word-of-mouth. My distributor gets books into the bookstores. I sell some by mail order to individuals" – Publisher I.

"In bigger companies somebody processes the order, it's not part of sales. But here if there is an opportunity to sell, we sell." – Publisher E

"We will use a small independent distributor and we also distribute the books ourselves. Our authors do a good job of selling their own books." – Publisher F

Figure 7: Distributor use by publishers



Source: Compiled from interviews & questionnaires completed by the participants

The assertion that without a strong sales team publishing decisions are adversely impacted (Shatzkin,1997) is valid theoretically and practically. The micro publishers have, however, circumvented the adverse effects of working with small one or two person sales teams, relying solely on their distributors to take care of the sales function. The bigger challenge faced by some lies in distributing books that generally do not sell that well, irrespective of the size of the sales team.

To the question of how a different publishing model would affect distribution strategy, responses indicated cost savings primarily, but secondary to that was the difficulty of distributing genres that do not sell well.

"I have often thought of reverting simply to direct sales, particularly for poetry, which bookstores hardly stock anymore." – Publisher I

“Distributors have also shown themselves to be pedantic with challenging restrictions and are not interested in distributing certain books. Mother-tongue [indigenous language] books are especially difficult to sell to distributors. Sometimes they will not distribute non-fiction if they are not familiar with the subject matter.” – Publisher B

“The distribution costs are exorbitant, but this comes with being a small player. The distributor gets the books into the major bookstores.” – Publisher K.

An interview with one publisher showed that as much as sales and distribution strategies are tightly interwoven – that is, without book sales there will be no distribution – this relationship is often not as straightforward for micro publishers – who often do not have a clear-cut sales and distribution strategy. Responding to questions on marketing strategies, the publisher revealed that some of their better sales have been at book launches, a part of the publishing book chain that can strictly be defined under book marketing but which, for the publisher’s operating environment becomes a sales channel.

Traditional publishing has clear demarcated functions for each part of the value chain, and often these functions operate in near text-book perfect order. From the editorial to the book distribution, when working with a large team and on projects that justify the staff numbers, the publishing models used and strategies for sales, marketing and distribution are clearly understood. Micro publishers apply strategies that work for small teams and their single projects. The results have been as disparate – from not only the initial assumptions of this study but also from the problem statement. Chapter five draws conclusion on the results presented in this chapter.

Chapter 5 Conclusions

'The challenge for the small publisher wishing to become financially viable seems to be able to make that leap between what might be called a "hobbyist" model of production, and a more professional, competitive model' – Hollier, 2008, p.169

5.1 Decision-making around the themes

5.1.1 Funding model

The emerging themes from the results are mainly around the funding models used by publishers and the reasons given by the publishers for their reluctance to pursue external and alternative forms of funding. On the use of private capital, which was the funding method that all of the publishers used for initial start-up and bridging capital, publishers associated external capital as encumbered with onerous terms and conditions with a potential loss of autonomy for their publishing and operational decisions.

Views put forward in the literature review about small businesses having a higher appetite for risk in their operational activities due to being unencumbered by financiers' expectations are partially supported by the results. As is illustrated by publishers' sentiments towards the different funding models and to their publishing output. The limitations of being self-funded included the limited number of projects that publishers took on because the size of teams remained small due to budget constraints. The only indicator of risk taking, with the publishers in this study, is not in the financial decisions made but in their editorial or publishing decisions. In this regard, publishers felt that they could pursue any creative projects, and do so without having to be accountable to external shareholders. The publishers' approach to their publishing decisions therefore took on a sentiment of pursuing art for art's sake – effectively being more concerned with the cultural output than with any potential monetary gains. On the other aspects of the book production value chain, which still followed the normal traditional form, decision-making was prudent and risk averse. For many of the publishers, small print runs; small teams and taking on only those projects that they had the capacity for, shows a risk-averse way of operating. The risk appetite for financial risk that Voordeckers and Steijvers (2006) allude to is not evident with these publishers, but it is in their preference to remain small, to eschew encumbered funding, and to continue to operate within an industry known for its low profitability, that the risk-taking can be seen.

Money or capital is an important consideration for many of the small publishers as it impacts on the publishing decisions made. For example, taking on less projects because of a lack of capacity – thus limiting output, or choosing not to outsource some aspects of the work along the value chain – thus affecting time taken for the product to reach the market, all of which are decisions that would not form part of the decision tree in larger publishing houses where there is no over-arching capital constraint.

Two of the publishers (A & F), both just over a year in operation, did not see the capital constraints they faced as micro publishers as affecting the decisions they made, but instead involved themselves with every aspect of the workflow, and to take on the work they could manage – without having to incur costs.

"I have had to do pretty much everything by myself, so I learnt manuscript design, cover design, getting the ISBN code, the formatting, the editing. Being self funded does affect the speed at which I can go. I don't know if it affects the publishing decisions." – Publisher A

"At the moment it is more cost-effective to focus on poetry because we have the capacity to edit our own poetry. If we had to go to other genres, we would have to get an external editor. Right now, we are trying to focus on work that we have the capacity to do so that we do not incur additional costs." – Publisher F

What has been noticeable from the results has been the lack of use by publishers of crowdfunding as a means to raise funding for their companies or to fund the publication of some of their books. A lack of awareness of this model as a possibility and a reluctance to embark on what they deem potentially administrative-heavy work were the main reasons given. The capacity issue was a great inhibitor for many, and understandably so, given the time that would be required to set up and manage crowdfunding campaigns.

The micro publishers, already constrained by people capacity and with the book publishing as secondary work, would not be well-suited for this model. Crowdfunding uses a technology platform to finance projects or causes by people looking towards alternative funding to the traditional avenues (Rossi, 2014). As a publishing model, similar to that used by the UK-based company Unbound, once the required funding has been raised for a book, the publisher still follows the same workflow they would in any normal traditional publication process. For publishers, this model would work best as a donation-based model which then exempts publishers from maintaining rewards databases, managing equity partnerships – for equity-based crowdfunding, or debt drawdowns – for debt-based crowdfunding.

The sustainability of this model, as a donation-based model, when compared with traditional forms of funding is very low. Its successful use by Publisher G in the study can be attributable to it having been a once-off solution, to a book that can be categorized as a reference book, non-fiction, children's book – spanning that broad categorization and therefore having a wider appeal.

Other models that the publishers have considered are:

- an author-owned publishing company where authors would be offered co-ownership in the publishing company. A model that can pay authors with share ownership in the company.
- Serialized online publication of chapters - which the author would get paid for and sign over their copyright to the publisher. These chapters would be compiled into a book that the publisher would publish.

Accessing traditional financial lending avenues was not a sought-after alternative, for reasons such as the level of bureaucracy involved. Overwhelmingly it was about potentially trading off their independence for the funding – something most of them were unwilling to do. Without further capital injections to their initial start-up stages, most of these companies remained in the early growth stage of business, unable to make that transition from early stage to rapid growth and expansion. Because the publishing business for most is a second job or a hobby, the lack of further capital injection – the choice made by many to eschew external funding – stymied the rapid growth stage of the businesses. This affected the number of projects they could take on because of the lack of capacity. The result of this was that it affected decision-making on other aspects of the book chain – that is, marketing and distribution.

5.1.2 Book production

The imperfect information characteristic of creative industries, in general, and book publishing, in particular, is discussed by Hansmann and Kraakman (1992), Caves (2003) and Hesmondhalgh (2006). This is well illustrated by the trial-and-error approach to certain aspects of the book production process by the publishers interviewed, such as the initial size of print runs, decisions on whether to outsource the editing or do it in-house, typesetting, and other decisions along the book production value chain.

Two of the publishers (A & K) explained how their decisions to print small print runs was influenced more by the low predictability of success, and less so by the cash flow issue. Despite this prudent decision-making in the face of imperfect information, their books went into their second and third print runs. These publishers show that even when working within what Bourdieu calls small scale or restricted production, there was still an element of risk undertaken by the publishers which was mitigated by the success of their cultural output – a rare occurrence in creative industries where cultural and economic output are not always aligned.

It is when publishers make such decisions about one element of the book production process, such as the size of the print run, that one can point to some of the inefficiencies that, with more funding, more staff, and a stronger balance sheet could have been avoided. By publishing numerous small print runs of a successful publication, publishers are unable to take advantage of the economies-of-scale to be had in initial large print runs. This observation, made with the luxury of hindsight, is important to consider when one analyses the disadvantages that micro publishers have to work with – within the context of capital constraints. For mid-sized to large publishing companies, because of the financial capacity to absorb the poor sales of a new publication, large print runs – in excess of 1000 copies can realise the publisher 'savings' with regard to lowered marginal cost of higher print runs.

Because of the effect on cash-flow that large print runs can have, the capital outlay required of the large print runs that are in excess of 500 to 1000 copies were reserved for projects that publishers calculated as having potentially high levels of success, which for the start-up micro publishers was not that many. Operating within the micro publishers' small-scale production of print runs of up to 300 copies, even less for poetry publications, was well within their financial capabilities but had the potential to be more costly for publications that were successful.

Being micro publishers, with one to three person teams, much of the work was outsourced. On the editorial work, from commissioning to editing and in some cases typesetting and design, 7 of the 12 publishers were hands-on and involved in the workflow. When making decisions around printing, for example, the lack of capital greatly informed the print runs of their books and the mode of print. Digital printing remained the preferred model because it not only allowed for small print runs, but it also mitigated the risk of publishers having to incur the cost of holding stock, thus eliminating the need for warehousing for those publishers that self distribute.

Generally, the negative consequence of remaining small and being self-funded is that this creates a vicious cycle for the publishers, who often find it challenging to access more funding primarily because of their size. The difficulty in explaining their business to financial institutions – whose prudence and risk-aversion make them hesitant to lend to businesses that have no product to show; have long lead times to the production of a finished product, and work within a business model that requires capital injections along every part of the value creation chain contributes to this cycle of not being able to access funding.

Within the sample of participants in this study, decisions around the quantum of publishing projects that the publishers took on was made independent of concerns around access to finance but were based more on the physical people capacity that they had or did not have. Some of the micro publishers are hobbyists who keep their operations deliberately small because they do not have the capacity to grow bigger and are not seeking out alternative funding methods that would move them into a more competitive playing field.

5.1.3 Marketing

The sales and marketing channels used illustrate publishers' preference for channels that did not require a financial outlay. Using social media channels was the most popular marketing strategy. Only two of the publishers had clearly defined marketing strategies in place. One publisher printed out flyers along with using social media and relying on book launches to generate sales. The other publisher not only used the same marketing strategies as the rest, such as social media, book fairs and book launches but also had a public relations consultant to market directly to readers.

The traditional approach to marketing, which is used by large publishing companies with large budgets, includes author appearances on television and radio, print media reviews and book launches. This has changed along with the type of publisher that is now operating in today's publishing industry. Digital marketing, word-of-mouth publicity, book fairs and social media interactions that are highly reliant on authors that also take ownership of not only their author and book marketing, but also of the sales of their books. A publisher's use of technology is only as good as their strategy, however, even without a clear marketing strategy, the participants' use of technological platforms was primarily through websites and blogs – an online platform that is increasingly being used by publishers to connect and communicate with niche audiences (Nelson 2006). Websites and blogs were used by all 12 publishers; Facebook by 12 and Twitter by 11. Traditional marketing techniques such as book launches – used by 10 publishers; radio shows by 4, and print media by 2, all came secondary. The assertion by Beck (2009) that word-of-mouth marketing yields more positive results than additional expenditure on online marketing strategy cannot be proven in this study because participants did not spend money on their online marketing strategies, nor did they consistently track buyers' response to their social media campaigns. By being on social media platforms however, thereby engaging potential readers directly as well as ensuring discoverability of their books, they still managed to reach their audiences even without the well-articulated online marketing strategy that Baverstock (2015) points to as being imperative in book marketing. The publishers may not have been able to gain quantitative data-backed feedback about their social media marketing, however, 5 of the publishers (A,B,C,H and K) responded that there were always higher sales associated with online posts about their books, two publishers (D &I) stated that social media drives created an awareness to their books but this did not translate into increased sales. Worth noting is that it is also these same publishers (D&I) who felt that publishers and book sellers should be researching their target market more deeply and taking their books to the right audience.

Developing effective marketing capabilities should be a part of any publisher's funding and publishing model, however, the participants have circumvented expanding their limited financial resources to marketing, eschewing traditional marketing strategies but still engaging their audiences, boosting sales and increasing discoverability. The publishers' successes in marketing their books using social media channels – with success measured against the proportion of books sold to total print run – is supported by the fact that for most of them, their authors also played a significant role in the marketing and sales of their books. Both the publishers and the authors fully understood the brand power that authors can have and the possible visibility and sales traction than an author can bring to a book. A notion that is not new in book publishing but one that is increasingly being encouraged by book publishers who recognize the need for authors to be engaging as part of a publisher's overall marketing strategy (Carolan & Evain, 2013).

Prioritizing funding towards the editorial and book production processes more than to marketing is the pervasive theme among the participants. The use of social media channels, websites and blogs, together with word-of-mouth marketing – all of them free to use channels – ensured that the publishers channeled their limited resources towards getting their products market-ready rather than extending money in their marketing. Although Pinter (2007) states that editing and marketing have a symbiotic relationship, within small one-person teams, this relationship becomes more relaxed, effectively becoming one function.

The success of a publisher's online social media marketing strategy should be that it targets the modern customer who is more discerning, individualistic, demanding, independent, informed and critical (Bhatt and Emdad, 2001). It is here that traditional marketing strategies have their shortcomings because they do not always get the attention of the consumer that is constantly plugged into social media channels, and use of these traditional strategies fails to recognize that publishers are competing for consumers' attention in a market saturated with content offerings across a myriad of formats and platforms.

5.1.4 Sales and distribution

Involvement in every aspect of the book production workflow is critical for the micro publishers. Because they are working with capital constraints and within limited teams, they have to ensure that their publishing decisions are timeously coordinated with their marketing and sales decisions, and that they have the capacity to do everything. They do not have the luxury of delegating certain workflow functions – as would be the case in larger companies.

While distribution was seen as the most challenging aspect of book publishing, almost half of the publishers self distributed. Distribution cost was stated as the main reason publishers would consider using alternative methods. For those that incurred the cost of having a distributor, a lack of capacity was the key reason given. The interesting similarity with all the publishers was their affinity to not separate the book production too much from the sales and distribution. For instance, publishers that self distributed tended to work in a more flexible, entrepreneurial manner, where the bookselling is opportunistic and not as coordinated as it would be in larger organizations.

Views on distribution methods used and whether a different publishing model would affect distribution strategy varied.

"It would be cheaper, but we do not have the capacity to distribute our own books. [the publishing model] would not change because we would still publish books in print as well as offer eBooks" – Publisher F

"We are the distributors; we've got a warehouse, so we warehouse and distribute. We lease the space for warehousing. Not it would not [change the publishing model]." – Publisher E

"We do all our distribution and warehousing inhouse. It would mean higher costs for us because we would have to pay the associated fee" – Publisher D

"We take the books to the bookshop. This is very difficult because of cash flow. I go to the biggest bookstore. We also do our own deliveries. I keep the books at my house. No [it would not change the publishing model used]." – Publisher C

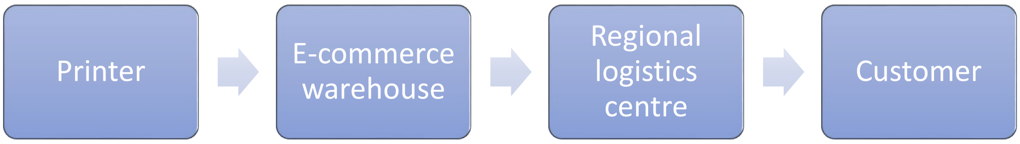
"Yes, if I were not using digital printers, I would be required to use a distributor, which would incur the warehousing cost. It would make my books more expensive." – Publisher B

Alternative distribution methods have not been considered by the participants in this study, with most continuing with the conventional distribution methods of traditional publishers. Given infrastructure challenges, the prudence of staying with distribution strategies that work – either self-distributing or using a distribution company – and coupled with a lack of capacity, it is no surprise that alternatives remain unexplored. An example of itinerant book sellers in Ghana, who, despite shortcomings such as flouting copyright laws and distributing material of dubious quality, are seen as a potential solution to the book distribution problems in the country (Opoku-Amankwa, et al., 2012). Similar to those booksellers to be found in the informal book trade in the Johannesburg CBD – it is these booksellers that play a vital role in book distribution by taking the products directly to the customer, irrespective of their location (Shea, 2016). This example of itinerant booksellers, both in the South African and Ghanaian contexts, not only shows similarities in the distribution challenges of both countries, but also points to how underground book selling – that which competes with book publishers – is addressing the issue of making books accessible to readers but is not distributing good quality books. This alternative to traditional bookselling in bookstores is vital in a country, like South Africa, where there are not enough bookstores in the country and where those that do exist are often located in larger towns and affluent suburbs, catering to a minority of the population and leaving those in smaller towns and in peri-urban centres without access. It, however, creates a further challenge to book publishers, who would have to compete with the itinerant booksellers, within a market dominated by plagiarised books of inferior quality, selling to an audience that may deem the newly-published books offered by publishers as either too expensive or of not catering to the niche market served by these itinerant booksellers.

In this study, results have revealed that independent publishers have changed the traditional book publishing logistics chain from Figure 8a to Figure 8b because of their small operating teams, their small print runs and their use of e-commerce retailing companies such as Amazon, Take-A-Lot, Loot and African Books Collective which utilises the POD model. The chain is shortened and the returns from the retailers – a significant problem for publishers – does not exist in Fig 8b.

Figure 8a: Traditional book publishing logistics chain

Figure 8b: Independent book publishing logistics chain



Adapted from Matthews, et.al (2001).

Book distribution remains one of the most challenging aspects for book publication. South Africa's challenges are exacerbated by booksellers operating mainly in urban areas, serving the minority middle class population, while peri-urban and rural areas remain poorly serviced by booksellers.

Even with a book publishing logistics chain similar to Figure 8b, funding models for start-up publishers have to be cognisant of the challenges and costs of getting products to customers. The operating flexibility of the publishers, in this study, demonstrates their willingness to not only focus on their core function as publishers, but to also cost for the inevitability of participating actively in the book trade in order to sell their books, thus making book distribution as much a part of their entire business model as book production is.

5.2 What the results say about the problem statement

The prevailing theme among the publishers interviewed for this paper when it came to accessing funding for their publishing activities was a reluctance to embark on the tedious and arduous bureaucratic processes of being vetted – by the Arts Council – and being required to provide audited financial statements and accompanying information – by financial institutions – for what was deemed too much work for too little reward.

Implementing better screening procedures that consider the industry's characteristics would go a long way in creating more access to funding. Banks fail to consider that if potential borrowers are assessed in their personal capacity, this could provide the natural hedge against any potential default in business loans. Putting personal assets, and not business assets at risk creates natural risk mitigation.

While recommendations about the industry would be ambitious given the different publishing models and approaches that publishers use. What is clear is that small publishers do not get much support from formal bodies such as the National Arts Council. The reasons given for not accessing these bodies varied, but they were predominantly skewed towards: too much bureaucracy; a lack of understanding of the industry; and unsupportive structures for small publishers.

One of the assertions made in the problem statement was that 'the increasing number of independents will be crowded out by the multi-nationals'. The results of this study have shown that despite the challenges faced by small publishers, the number of new entrants entering the market has not slowed down.

Of the twelve publishers interviewed, excluding the three that were older than 21 years, the average age was 5.2 years. In the proposal for this study, the focus was meant to be on publishers established post-1994. Some of the publishers in the sample, however, although falling outside this period, share the same characteristics as the new entrants in both their size as micro publishers and in and their production output – publishing for alternative niche markets. Two of the publishers were a year old ; six were 5 years in operation, and three were between 5 and 12 years in operation.

National Arts and Culture bodies have to see creative industries as a part of the larger economy before they can address some of the funding challenges in the industry. This shift in attitude is equally required of private sector entities when assessing book publishers' credit worthiness. Increasing their risk appetite for the book publishing industry should also be done in tandem with an assessment of publishers' personal and business collateral. Voordeckers and Steijvers (2006) point to potential risk mitigation that can result from such a practice. In the sample size of participants – all of whom, with the exception on one, are micro publishers employed full time in other sectors, this alone would be a significant factor when assessing their credit worthiness if personal rather than business collateral was used. The average print run per book for most of the publishers was 300 copies, and only in exceptional cases – often based on educated, research-supported decisions and assured book orders – did they exceed this number. Publisher K, with an exceptionally successful poetry publication; Publisher A on their first isiZulu fiction title that was written by a well-renowned author; and Publisher G who had the assurance of a large book order from a government department. Given their size, the publishers worked within the tight margins of their small-scale and restricted production.

Book publishers face similar challenges as SMEs and still have to submit to the same credit assessments, even with the opaque information they often have about their product and coupled with the length of time it can often take to get their product to market. This characteristic of the industry therefore requires lenders that are imaginative in their lending practices and willing to see beyond the overarching *Nobody knows* principle – that fundamental uncertainty that faces the producers of creative goods. The minimal predictive value of the desirability of publishers' products makes the industry a potential market for venture capitalists, but like government policies and cultural economists, their low appetite for the risk associated with book publishing will continue to ration the amount of funding that publishers can access.

Private capital was the most used form of funding; whilst financial institutional funding and the National Arts Council (NAC) and Arts and Culture Trust (ACT) the least and second least used avenues respectively. This is telling of both private and public sector perceptions of funding creative industries and perpetuates the thinking that without a concerted re-evaluation of perceptions, the industry will continue to be seen through welfare glasses. Brooks (2001) and Mark (2006) extend the view that arts funding always comes with some form of patronage. Worth noting is that, of the two publishers that received National Arts funding, their publishing decisions and book production were not aligned with the department's view on where such disbursements could be allocated. The publishers still made their own editorial and publishing decisions.

The importance of internal finance – owner capital, as opposed to external finance should not be underestimated. Carpenter and Petersen's (2006) assertion that irrespective of a company's ability to access finance, the constraint on the firm's growth is greatly affected by the quantity of internal finance that the company has.

All of the publishers interviewed started their companies with private capital, with only one accessing financial institution capital. For those that had been operating between 3 and 10 years, publishing output ranged from 4 to 33 books. Prudent and smart publishing decisions kept the longer-operating publishers in the market, and those that were late entrants remained keen to continue with their businesses in this risky industry. It is in using criterion such as the average success rates of published books and publishers' personal credit worthiness that lenders can enable better access to funding.

5.3 Suggestions for further research

The growing number of micro and small independent publishers within trade publishing is driven predominantly by publishers who want to publish work that they feel is neglected by larger publishers – namely poetry and fiction. Many of the emerging publishers in this study used the traditional publishing model, without much consideration for its effectiveness, given the size of their businesses, but based solely on confidence in a model that have been tried and tested.

Without further research into alternative funding and publishing models new entrants will continue to default to familiar models. For those willing to transition from micro to small-sized, this growth path may be stymied by the challenges of accessing further funding, given the risky characteristics of the industry, and by insufficient information on proven alternative models that work as well, or better than the traditional publishing model.

Further research into the following areas could contribute to the repository of information that potential and existing new entrants could access before either entering into the industry or adapting to accordingly if already in the industry.

- Technology use to processes along the book production value chain to make multi-format production a reality as soon as the print version is available. This would allow publishers to access different sales channels immediately. It should be noted that Electric Book Works, a Cape Town-based company is already operating within this space. Exploring similar, cost-effective models for micro publishers in important.
- Funding models that are supported by arts councils and are fully attuned to the book publishing process sufficiently. Funders need to understand that as important as the value creation is in the production process, funding must also account for the supply chain post book production. It is also in this area that research can focus on the viability of hybrid models such as collaborative, reward-based crowdfunding, and risk-sharing agreements with writers.
- The role of libraries in book publishing. Although this falls outside the ambit of business models for publishers, it is still crucial in the post-production supply chain, especially for those micro publishers looking to enter into the children's and Young Adult fiction markets. It is also important to understand, in the absence of parental

structures that support young readers, what role libraries can play in nurturing a future generation of readers – a critical market for book publishers.

- Further research into Print-on-demand as a viable non-traditional alternative for small publishers. International research suggests that as a publishing model it can be effectively used to eliminate the need to hold stock; as a distribution strategy for global reach; and to ensure perpetual replenishment of out-of-print books from backlists. (Gallagher, 2014; Bradley et al.,2011; Vergara, 2018). For small emerging publishers, many of which print on average 300 copies or less, this can be an alternative model that significant capital outlays of traditional publishing.

5.4 Summary

The business regulation environment for start-ups is recognised as one of the barriers to entry for small businesses (Naudé, 2009), but in the publishing industry, the barriers to entry are low for micro publishers – hence the numerous new entrants each year. Despite the fact that setting up a publishing house, no matter how small, still requires the skilled expertise of editors, designers, typesetters and marketers, the micro publishers run their publishing companies by outsourcing much of the work along the book production value chain. The reasons for entry vary, but the results have shown that it is more for the cultural output than it is for the financial gain that publishers enter into this sector.

"People who go into publishing, small publishing, generally have a passion for it, for one reason or other an then they get caught up in it and it is difficult to leave. But it is very rarely lucrative" – Publisher L.

The trade publishers in this study, had a particular focus on fiction, poetry and children's books – all of which are areas that, according to Nielsen BookScan tables – the aggregator for retail point of sales data – do not sell as well as non-fiction titles do in the South African book market. The publishers produced: Feminist writing; fiction in indigenous languages; Children's and Young Adult fiction; and impactful political non-fiction that resonated with Black Consciousness middle-class readers. All of these can be defined as *niche* as looked at within the greater South African publishing offering.

Funding plays a critical role in the setting up of publishing companies, making it possible for publishers to either remain pico- or micro-publishers or transition to being small publishers. It impacts immensely on publishing output and plays a significant role in what distribution strategies are employed. The high infrastructure costs of setting up a micro publishing company do not factor highly, in the sample of publishers in this study. It is, however, the other requirements of the skilled and experienced people across the book production value chain : editorial, production and design as well as distribution capabilities that require the most attention and funding. The publishers often do not have dedicated space to work from, and their infrastructural needs extend to the computers that they use because they outsource the majority of the book production.

On the issue of bookselling and distribution, this effort needs to be addressed by not just the publishers and formal booksellers, but also by the Book Development Council and Publishers Association of South Africa (PASA), both of whom ought to be fully invested in how the breakdown in the distribution chain has the potential to stymie growth in the book publishing chain. More systemic socio-economic issues, such as poverty and illiteracy, familiar issues not just specific to African countries but common in developing countries in general, adversely impact on the supply chain of book production.

The micro publishers have navigated the challenges of distribution by outsourcing to distribution companies – which effectively takes care of the sales and distribution aspects of their business. Their marketing is done in-house and varying in use from book launches, to a connected social media presence, to word-of-mouth – all of which are marketing strategies that have moved away from the traditional book marketing strategies of newspaper reviews, book launches and print media interviews. This move to more innovative marketing strategies is a result of a changed operating environment, in which print media is no longer as accessible, or is expensive for micro publishers. In addition, publishers are producing books within an environment where readers are now engaging with content differently.

The study has shown that the various publishing models that publishers can choose from are not determined solely by the funding that publishers have access to, but are a choice influenced by the degree to which publishers emphasise cultural output over monetary gain. Creating more opportunities for publishers to access funding is important in order to create a critical mass of micro publishers who continue to produce the work that fills the gap which large publishers cannot meet – niche publications such as poetry and literary fiction, both of which are often not prioritised by the bigger trade publishers.

Even as new entrants defaulted to using the traditional publishing model and failed to consider that the size of their start-ups could use other models that allowed for more agility and flexibility, interviews revealed that the publishers did consider the alternatives, even if they did not use them. Despite the challenges faced by new entrants into the industry, it still draws more participants as production methods have improved and the logistics of book distribution have changed to phase out the printer-to-warehouse-to-bookseller model. Even with the relative unprofitability of trade book publishing (Tat Keh, 1998), publishers are seeing more niche markets they can create in South Africa's changing literary landscape. This transitioning landscape plays a significant role in the burgeoning number of independent publishers. It is with this in mind that the National Arts Councils should be cognisant that the transition from censorship and oppositional publishing, to post-democratic struggle publishing is creating more apolitical and socially-aware publishing, and that this changed book publishing environment requires both public and private sector participation to keep up with the numerous transitions.

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Appendices

Appendix A: Questionnaire/ Interview guideline

QUESTIONNAIRE / INTERVIEW GUIDE

Leabiloe Molapo is a Master of Arts candidate at the University of the Witwatersrand.
She is undertaking research in the area of Publishing Studies. Her topic of study is:

Funding and publishing models of independent publishing companies in South Africa and select English-speaking countries in Africa

Do funding models determine the publishing model used?

The purpose of the study is to investigate the different publishing and funding models used by independent publishers and determine whether the funding model greatly determines the publishing model used. The study will determine how the models used affect efficiencies along the publishing value chain.

CONFIDENTIALITY Your opinion on the different questions below is valued. All information provided will be treated with the utmost care and confidentiality. Neither your name nor the name of your company will be mentioned, in relation to the answers given, in the analysis and in the final research report. If you are interested, the research report can be made available to you. For this study, the responses to these interviews will be kept completely anonymous.

Publisher:	**Date of interview:** / / *2019*
Sections:	*Tick completed sections:*
A. Size	
B. Publishing activities	
C. Financing/Sources of funding	
D. Art councils, SME support, NGOs	
E. Publishing model	
F. Sales strategy	
G. Marketing strategy	
H. Distribution strategy	

A. Size	
1. Annual Turnover	
2. Years in business	
3. Geographic location	
4. Number of employees	
5. Full time:	Part time:
6. Do you use paid, freelance or volunteer staff?	
7. If yes, how many?	

B. Publishing activities	
1. Genres published: Fiction/Non-Fiction/Poetry	
2. Ratio of F to NF books published per year	
3. Number of titles published per year	
4. Average print run per book	
5. No. of books published by your company	
6. Number that were profitable	
7. Number that were not profitable	
8. Number that broke even	

C. Financing/Sources of funding
1. Debt financing: Yes/No
2. Is your company financed through a **loan/overdraft** facility? Yes/No
3. What is the percentage of your debt service to total expenses?
4. External funding: Yes/No
5. What is the percentage of income received from other external funding?
6. What other **external funding** do you use? i.e. Supplier trade credit /Credit-free loans from friends and relatives / Personal capital? Explain
7. How difficult was it to apply for funding from your financial institution? Explain
8. Was there **collateral** required? Y/N
9. If yes to above question, state the percentage or explain the form of collateral required
10. When applying for a loan, was the industry you operate in a factor for lenders in your application? Explain
11. Does your business have **private investor funding?** Y/N
12. If yes, is there an expectation of nominal returns from the investor? Explain
13. If not, what is the expectation from the investor for the funding extended? Explain
14. Do you use a **crowdfunding /hybrid traditional-crowdfunding?** Select
15. If no to the above, would you ever use crowdfunding/hybrid? Explain

16. What has prevented you from using these models in the past? No real-life examples in the local industry / Insufficient information / Have never considered them? Explain

D.	**Art councils, SME support, NGOs**
1.	Have you ever applied for support from the Department of Arts and Culture? Y/N
2.	If yes, did you secure the funding you needed? Explain
3.	If no, what were the reasons given for non-funding?
4.	If you have never applied, what are your reasons?
5.	Have you ever applied to other govt. initiatives/NGOs that offer SME support?
6.	Which ones? List them
7.	How successful were you in securing the funding you needed?
8.	If you have never applied, what are the reasons for not applying?

E.	**Publishing model**
1.	Favoured publishing format: Circle or specify POD publishing/ subscription-based publishing/traditional publishing models/crowdfunding/traditional-crowdfunding hybrid model
2.	If you use POD, etc. irregularly, under what circumstances do you do this?
3.	If no, would you ever use POD/subscription-based publishing/traditional publishing models/ crowdfunding/ traditional-crowdfunding hybrid model? Y/N
4.	What has prevented you from using these models in the past? Explain
5.	Has the use of technology impacted on or restricted the publishing model used? Explain

F.	**Sales strategy**
1.	Size of the sales team
2.	Number of staff involved directly in sales
3.	Who are your clients/customers? Bookstores/Libraries/Book clubs/Other. Select
4.	Number of clients/customers in each category:
5.	In your opinion, is this an optimal number of clients/customers? Explain
6.	If no, why have you not increased/decreased the number of customers you have? Give reasons. i.e. the size of the operation / financial constraint / other:

7.	What is your sales strategy? i.e. bookstore/library visits Explain
8.	How often do you visit customers per year?
9.	Are your customer visits coordinated with the release of new books? Explain
10.	How far in advance prior to the release of a new book do you makes sales visits?
11.	Number of visits to customers post the release of a new book:
12.	Do you have an **online sales strategy** such as a website or other online channels? Y/N Explain
13.	If no, what are the reasons you do not have one? Explain

G.	**Marketing strategy**
1.	How big is your marketing team? No of people:
2.	Number of people involved directly with marketing:
3.	What is your company's marketing strategy? List the strategies used
4.	Are you able to assess the effectiveness of your marketing strategy? If yes, how? Explain
5.	Are you able to track if there is a direct relationship between your marketing communications and your sales figures? If yes, how? Explain
6.	What is your **online marketing and communications** strategy? Give examples o E.g. Facebook, Instagram, Twitter, Newsletter, Mailers
7.	Do you have a dedicated permanent/freelance digital marketer? Y/N
8.	Do they work closely with the sales team? Y/N . Explain
9.	Do they work closely with the publishing team? Y/N. Explain
10.	Do you use any of the following?Email newsletter / Social media engagement / Online sales page / Other. Explain
11.	What other marketing capabilities do you use? Book launches / Press engagement / Other. Explain
12.	If you **do not** have a dedicated digital marketer, what are the reasons you have not used one? Explain

H.	Distribution strategy
1.	What distribution strategy do you use? Explain
2.	Do you use one distribution company or various?
3.	What are your reasons for using one/various? Explain
4.	Does the service you get from your distribution company affect your cost structure? Y/N. Explain
5.	How would your cost structure change if you changed your distributor? Explain
6.	Do you use warehousing services? Y/N. List
7.	If yes, what percentage of the warehousing costs are part of your cost structure?
8.	Would a different publishing model affect your distribution strategy? Y/N If yes, How? Explain

Appendix B: Criteria of the publishers selected

Number of books published annually and average print run for each book published

These numbers place publishing companies in categories of size. Size means larger print runs as their capital strength allows this. The logistics of large print runs also come with associated costs, and this too is determined by the turnover of a company and its size –which is also the number of employees and its overall operational capacity.

Size of the business by turnover, number of employees

The companies will be categorised into small, micro and medium- sized business depending on their turnover.

When the company was established

For South African publishers, this will be those companies established post- 1994, and post-independence for other African publishers

The reason for this is to eliminate the oppositional publishers that were formed during the apartheid years because their publishing agendas, though independent, did not always operate on a purely commercial basis. Many were formed to give publishing platforms to the marginalised black writers and others as part of the system to disseminate information as part of the struggle, and thus had a subsistence character to their operations.

For African countries, the formation of independent publishers became more prolific after independence, opening up for indigenous publishers to enter the industry.

What genres do they publish?

Focus on popular and literary fiction, non-fiction, creative writing, poetry and short stories.

Marketing and distribution strategies

What their marketing and distribution strategies are and how much they allocate towards these costs.

Whether they use distribution companies or alternative sales channels.

Appendix C: Example of a consent form

Title of project:
Funding and publishing models of independent publishing companies in South Africa and select English-speaking countries in Africa

Do funding models determine the publishing model used?

Name of researcher: **Leabiloe Molapo**

I, ___________________________________ agree to participate in this research project. The research has been explained to me and I understand what my participation will involve.

Please circle the relevant options below.

I agree that my participation will remain anonymous:	YES	NO
I agree that the researcher may use anonymous quotes in her research report:	YES	NO
I agree that the interview may be audio recorded:	YES	NO
I agree that the information I provide may be used anonymously by other researchers following this project:	YES	NO

____(signature)

____ (name of participant)

___________________(date)

Appendix D: Example of a consent form for audio recording of interview

Consent for audio recording of interview

Title of project:
Funding and publishing models of independent publishing companies in South Africa and select English-speaking countries in Africa
Do funding models determine the publishing model used?
Name of researcher: **Leabiloe Molapo**

I, ___________________________________ , agree to participate in this research project through either an interview or responses to a questionnaire. The research has been explained to me and I understand what my participation will involve.

- I agree to the interview being audio recorded and the recording used by the researcher for the sole purpose of this research report YES NO
- I have been informed that my participation and recording will be kept anonymous and confidential YES NO

____(signature)
____ (name of participant)
____________________(date)

Appendix E: Example of a participant information sheet

1 Jan Smuts Avenue
Braamfontein 2000
Johannesburg,
South Africa
Tel: +27 (0)11 717 1000

Dear

My name is Leabiloe Molapo and I am a Masters student in the Publishing Studies program at the University of the Witwatersrand in Johannesburg.
As part of my studies, I have to undertake a research project, and I am investigating the **funding and publishing models of independent publishing companies in South Africa and select English-speaking countries in Africa.** The aim of this research project is to investigate whether the funding models used by publishers determine the publishing model, and if this affects efficiencies along the publishing value chain.

As part of this project, I would like to invite you to take part in an interview. This activity will involve a guided interview and will take around 1 hour.
With your permission, I would also like to record the interview using a digital device.

The following terms and conditions apply:

- You will not receive any direct benefits from participating in this research, and there are no disadvantages or penalties for not participating.
- You may withdraw at any time or not answer any question if you do not want to.
- The interview will be completely **confidential** and **anonymous** as I will not be asking for your name or any identifying information. I will be using a random number to represent your participation in my final research report.
- The information you give to me will be held securely and not disclosed to anyone else.
- This study will be written up as a research report which will be available online through the university library website.
- If you wish to receive a summary of this report, I will be happy to send it to you.

If you have any questions during or afterwards about this research, feel free to contact me on the details listed below. If you have any concerns or complaints regarding the ethical procedures of this study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrec-medical.researchoffice@wits.ac.za

Yours sincerely,

Leabiloe Molapo
leabiloe.molapo@gmail.com / +27 72 502 7416

Supervisor: Colleen Dawson
colleen.dawson@wits.ac.za / +27 11 717 4140

Appendix F: Ethics Clearance Certificate

SCHOOL OF Literature, Language and Media RESEARCH ETHICS COMMITTEE

CLEARANCE CERTIFICATE **PROTOCOL NUMBER: SLLM/M19/P/ 02**

PROJECT TITLE Funding and publishing models of independent publishing companies in South Africa and select English-speaking countries in Africa: Do funding models determine the publishing model used?

INVESTIGATOR Leabiloe Molapo

SCHOOL/DEPARTMENT SLLM/Publishing Studies

DATE CONSIDERED Oct 2018

DECISION OF THE COMMITTEE Approved

This ethical clearance is valid for 2 years and may be renewed upon application.

EXPIRY DATE Dec 2021

ISSUE DATE OF CERTIFICATE Dec 2018

CHAIRPERSON ______________________

cc: Supervisor : Colleen Dawson

DECLARATION OF INVESTIGATOR

To be completed in duplicate and **ONE COPY** returned to the Chairperson of the School/Department ethics committee.

I fully understand the conditions under which I am are authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee.

______________________ 19, 02, 2019

Signature **Date**

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES