UK Publishing Market Review

Description: Introduction
This report examines the UK publishing industry. Key Note estimates that the total market was worth £15.79bn in 1999 and that it will have reached £16.61bn by the end of 2000. Newspapers represent 45% of the market, magazines 34.2% and books 20.8%.

The majority of the companies in this industry are UK owned, but there are some notable exceptions. Three foreign newspaper groups now own UK newspapers: News Corporation (based in Australia), Telegraph Group (owned by Hollinger in Canada) and Independent News and Media (based in Dublin). Together, they own a significant share of the UK national press.

In the magazine sector, there are a number of foreign companies - especially in the consumer press. They include Condé Nast, The National Magazine Company, Attic Futura (part of PMP Communications in Australia), The Reader's Digest Association, Gruner and Jahr, and H Bauer. In the business magazine sector, VNU is owned by a Dutch group.

Some book publishers are also foreign owned. They include HarperCollins (owned by News Corporation), Random House (owned by Bertelsmann) and Macmillan (owned by Holtzbrinck). Reed Elsevier, which publishes books and journals, is an Anglo-Dutch company.

Since 1995, the volume of published books and magazines has increased but newspaper circulations have fallen.

Magazines
By the end of 1999, there were 8,887 magazines, including academic periodicals and professional journals. The number of titles has increased by 30.8% since 1996. The number of consumer titles grew by 46.7% during that time.

Travel/tourism/motoring and sports magazines account for the majority of consumer titles by number, but women's titles and TV listings magazines are the largest revenue earners. A big development in the last 2 years has been the increasing importance of customer magazines. These magazines are often given away free with membership of an association, although in some cases they are paid-for titles. Such titles include the AA Magazine, Ford Magazine, Debenhams Magazine and The National Trust Magazine. These magazines are becoming ever more significant and are taking readers from paid-for titles.

During 1999, few consumer magazines recorded any increases in circulation and indeed many saw their sales slip. Competition from customer titles, plus increasing competition from the ever growing range of magazines, has eaten into circulation figures. The best sector remains men's lifestyle, which is relatively young compared with the women's lifestyle sector.

Four companies are set to expand in 2000 and beyond: IPC Magazines, BBC Worldwide, Highbury House Communications (which bought Nexus Media in 1999) and VNU (which bought the European businesses of CMP Media in 1999). Another up-and-coming publisher is Paragon Publishing which bought a number of titles from IDG Publications in 1999.

Newspapers
There are nearly 1,600 regional newspaper titles and 13 national titles. Sales in both sectors are falling, and the fall is becoming greater in the national sector, thus overturning a historical trend which had seen sales of regional newspapers declining more quickly than those of the national titles. The regional newspapers, many of which have come under new ownership in the last 5 years, have fought back and for a time even stabilised their sales (from the beginning of 1998 to around the middle of 1999).

Rationalisation continues apace in this industry. In 1999, Trinity International PLC and Mirror Group PLC merged to form Trinity Mirror PLC, which has become a colossus in the regional press. Meanwhile, Johnston Press bought Portsmouth and Sunderland Newspapers.

Books
Book publishing continues to grow, although its margins are small. Retail sales in the UK increased by 7.1% in 1998 and by an estimated 7.2% in 1999. At the end of 1999, they stood at an estimated £3.28bn. The consumer market continues to be the major source of income. Total title output has grown from just over 100,000 in 1997 to 110,155 in 1999.

There have been four talking points in the book publishing sector: the impact of the Internet on publishing and bookselling, the acquisition of Hodder Headline by WH Smith, the takeover of Dorling Kindersley by Pearson PLC, and government grants for school book buying. Of these three, the Internet is perhaps the most important. The larger publishers are taking the Internet on board, opening websites and starting to enter the world of electronic commerce (e-commerce). The impact of WH Smith’s acquisition of a leading book publisher is still not clear. One effect undoubtedly will be that Hodder Headline will expand more quickly than it has done in the last 5 years, and it will make a greater impact in the children’s book sector.

Consumer Behaviour
A Bmrb Access survey of newspaper and magazine buying commissioned by Key Note has revealed some interesting conclusions:

- Magazine buying is particularly strong among the young
- Hobbies magazines appeal to all ages
- Magazine buying increases after the age of 44 and then falls away slightly after the age of AB buyers are the greatest consumers of magazines overall, although they do not display the highest penetration in a number of individual categories
- Newspaper columnists are a sought-after feature for those aged 55 and over
- Sports coverage is especially attractive to those aged 16 to young people are less concerned with the political complexion of a paper than with its price.

The Future
Key Note estimates that the UK publishing market will grow by 21.8% between 2000 and 2005. Magazine income will grow by 25.8%, newspaper turnover will increase by 16.3%, and book publishing revenues will rise by 26.9%.

Profitability will remain strongest in the magazine sector, followed by newspapers and then by book publishing. Book publishing margins are running at only 4% and some companies have over-stretched themselves financially by trying to increase sales and profits. More takeovers in the book publishing world look likely.

All sectors of the UK publishing industry will be affected by the advance of the Internet and e-commerce. In most cases, companies will probably be able to exploit the Internet profitably. The major loser in this market is likely to be the retailing community. It is perhaps no wonder that WH Smith has bought a book publisher and has invested in its own online business. It has seen the future of the industry.

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