The impact of COVID-19 on the UK publishing industry: Findings and opportunity

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Key points

- Challenges of the current environment are balanced by opportunities – more digital delivery, more efficient systems, greater collaboration.
- Consumption has not reduced, but delivery mechanisms need adaptation to ensure the right products in the right media are offered and delivered.
- Changes to the cost base by redeploying staff and rethinking premises are underway and support improved resource allocation.
- Leadership is required to accommodate adaptive and flexible remote working.
- Ensuring access and implementing licences that permit non-commercial use is both a moral and a practical response.

Change and disruption are stressful, especially when there is continuing uncertainty as to what the future holds for the publishing industry. This paper assesses the findings arising from an industry report, ‘The Impact of COVID-19 on the UK Publishing Industry’, published by Maverick Publishing Specialists in July 2020 (Brinton & Wilkins, 2020). These findings are based on 18 interviews conducted anonymously by video conference with UK-based publishing leadership across scholarly, education, and trade sectors that included CEOs, managing directors, rights directors, and commercial and sales directors. With the support of the Association of Learned & Professional Society Publishers (ALPSP) and Publishers Association (PA), data from 38 responses (6.8% of the total survey pool) were captured from an online survey deployed to respective members during May and June. It presents a snapshot in time. Amid supply chain disruption and changing trends in consumerism, it explores the challenges publishers face and the opportunity to refine short-to-medium term strategy. Business is anything but ‘business as usual’.

INTRODUCTION

Irrefutably, the COVID-19 pandemic has disrupted business and affected publishers on a vast and unprecedented scale. Many challenges that publishers faced prior to the pandemic have been exposed, exacerbated, and accelerated. Our report captured the UK publishing industry’s initial reaction to the impact of the virus and is intended to assist publishers by refining their forward strategies. The emerging key issues arising from our findings, presented in this paper, inform that process in a global marketplace.

Disruption to the print supply chain has necessitated a pivot and renewed focus on digital transformation. Digital is no longer an add-on service. It is customer driven. It is central to the business agenda and requires a digital mindset to ensure survival and growth post-COVID-19. This level of enterprise requires investment and cultural change to product development, customer relationships, core competencies, access to and discoverability of content, and the capacity to deliver this transformation. Our research confirms that academic and scholarly publishers, less reliant on print sales and offering a largely digital portfolio, have fared better than their trade publisher counterparts. Publishers across all sectors have had to react quickly to supply digital content; 50% of publishers found their models and product plans to be commercially robust, while others found that a move to digital is a strategy they need to define better and quickly move towards. Customer access to information and content is ever wider, including open-access resources and other free
sources. As the market becomes more saturated, competition for publishers increases. As the intervening period has proven, online purchasing power of customers has remained strong during the pandemic as habits have changed, driven by digital content consumption and enforced remote learning. This really does become a pivot point where publishers need to define and execute their strategies far more effectively in order to meet the changing demands of their customers.

WHAT DOES THE NEW SUPPLY CHAIN LOOK LIKE?

The pandemic has shifted print to digital and highlighted the need to accelerate the number of books available digitally, enforced by campus closures and the increased demand for remote learning. Leadership is vested in agile ways of working guided by a common purpose, driven by data, and powered by proven technology. Managing increased manuscript submissions and scholarly research output, speed-to-market has never been more important to drive growth and deliver competitive advantage. Publishers, particularly humanities and social science publishers, have brought in additional resources to convert print files to offer customers a full, albeit print-faithful, digital list.

Opportunities

- Publishers as ‘content creators’ should listen to and survey their customers to understand their digital content needs to create a sustainable digital roadmap.
- Third-party partnerships can create strong offerings. Signed deals with e-retailers and aggregators can serve to mitigate the ongoing shortfall in print sales.
- Reviewing technology infrastructure requires a short- to medium-term investment but can provide immediate and longer return. Both legacy system change and improving workflow planning can serve to reduce costs.
- Adopting seamless automated systems will improve efficiencies of the business.
- A proven intuitive Customer Relationship Management system will provide better data on customers and drive improved product and platform decisions.
- A commitment to pre-COVID-19 production scheduling should be maintained – consumption has not changed.
- Nurturing relationships with platform providers will ensure the right product offer.
- Outsourcing remains a viable and attractive strategy, comparing in-house versus out-of-house cost efficiencies, process, and quality control management.

BUDGET MANAGEMENT

The economic impact of COVID-19 cannot be underestimated. In what was described as a ‘distraction’ and ‘drain on resources’, publishers have had to increasingly reforecast and micro-manage budgets, some on a weekly basis, as the pandemic unfolded. Financial pressures on print-led and/or trade-oriented publisher budgets have led to a stern examination of costs. Publishers with whom we spoke are forecasting print sales declines of between 20% and 60% for the next financial year. In the conclusion to a report, ‘Navigating the Storm - A special report on scholarly publisher responses to open access, COVID-19 and the related economic crisis’ published by kfw Consulting in October (kfw, 2020), a drop of 20–40% in 2021 library subscription budgets was anticipated.

Opportunities

- Scenario planning that informs budget (re)forecasts as the economic environment evolves.
- Commitment to quarterly budget reporting, at the very least.
- Acquisition of detailed knowledge and improved understanding of the market into which publishers are selling. Informed by territory-specific publishing agents, this includes the academic library market. The true scale of academic sector budget cuts is emerging but not currently quantifiable. The pandemic has put pressure on journal subscription revenues as a result of library budget cuts.
- Changes to cost base (a respondent stated that ‘salary budget is a significant proportion of publishers’ overheads’) by redeploying and positioning staff to other departments, based on workload, rather than through redundancy. While some redundancies may be unavoidable, the market is open to offshore and the utilization of improved resource allocation processes.
- Assessment of print run economics to improve cash position. If not already embraced, adoption of print-on-demand and print-to-order to be better equipped to deal with market demand without the need to carry stock.
- Enter early discount renegotiation with suppliers to achieve cost savings for next financial year.

STAFF

More than 50% of the publishers interviewed spoke about how they had furloughed staff. While the UK government’s financial support is generous and has worked well, there are concerns that, once the scheme ends, publishers will not be able to take on the full costs, leading to staff redundancies. As yet, this is not a certainty by any means. The hope of most publishers is that as business picks up, and the adult workforce is encouraged to return to offices, redundancies will be avoided. According to the UK Office of National Statistics (ONS), 62% of adults reported commuting to work during the first week of September 2020. This compares to 36% in late May. Notably, 10% of the British workforce, at the time of writing, remain on furlough leave, with 20% of people continuing to work from home (ONS).

Publishers, overnight in March 2020, had to change how they worked to enable staff to work from home. In some cases,
this was relatively easy as staff already had the ability to work from home or at least had the minimum equipment required to do so. For others though, this was more challenging with investment in equipment required and/or staff time being impacted by having to balance working from home with childcare and home-schooling requirements and/or without a dedicated space to work. Where staff have access to sensitive data and company intelligence, publishers increased security measures to safeguard against a growing prevalence of security breaches.

On the whole, staff have adjusted well to working at home, and large-scale disruption has been avoided. Some publishers, however, since stated that, while this was the case initially, the longer staff spent time at home, the more disconnected they felt from the workplace. A compassionate approach to management is required as concerns over staff mental well-being are expressed – the longer remote working is in place, the more anxiety builds, either from an ‘always on’ culture, through to a fear of missing out or that job security may be at risk. Striking the right balance between internal staff meetings and external customer meetings and ‘getting work done’ is proving difficult to manage virtually. The concerns expressed are a lack of productivity and support, especially for new staff induction.

The majority of publishers we spoke to believed that there will either be a need to rethink office space in the future or that, as the pandemic eases, and we become used to living with restrictions as a society, staff will want to return to a model that is as near ‘normal’ as possible. The mass rollout of regulated safe and effective vaccines worldwide will be instrumental to achieving this ambition. With more staff working at home, less space will be needed, and instead, people will hot desk or may only attend key in-person meetings. Essentially a hybrid work model. Some of the larger publishers occupy sizeable, costly buildings in central London. As operations continue with staff working remotely, publishers are keen to examine the effect on productivity by increasingly disconnected staff balanced against what can be achieved by reimaging and repurposing unused office space. The capital invested in nurturing relationships will erode without interaction at the office and in-person event attendance.

Opportunities

- Rapid identification and audit of staff skills, expertise, and capacity in key operational areas to deliver system change, production, and sales efficiencies, particularly for digital transformation.
- Retraining and upskilling print-facing staff in pivot to digital sales, marketing, and customer services. This is coupled by recruiting the right digital skill sets from within and outside the publishing industry to create and foster the digital mindset.
- Leadership is required to accommodate adaptive and flexible remote working.
- Real estate cost saving from a reduction in footprint to repurposing office space.
- Staggering travel times. Encouraging the return of staff to the office at the earliest opportunity while adhering and reviewing individual government health and safety guidelines.
- Taking necessary security measures to protect sensitive company data.

EVENTS AND CONFERENCES

Publishers have had to address how to run in-person events remotely. With the London Book Fair 2020 cancelled by COVID-19 and postponed to June 2021, doubts emerged during the course of our research of whether the Frankfurt Book Fair would suffer the same fate. Many publishers questioned the logistics of attending with concerns over staff health and safety. As the Frankfurt Book Fair 2020 demonstrated, technology can deliver large-scale events, and while COVID-19 remains a threat to public health, attending events virtually will continue well into 2021. On a positive note, virtual conferences promote greater transparency and trust from presenters, enabling a more diverse global representation and attendance than would otherwise be possible pre-COVID.

LESSONS FOR SCHOLARLY, ACADEMIC PUBLISHERS AND PRESSES

‘Our biggest challenge is the impact (of the pandemic) on universities. If international and postgraduate students defer placements, as is strongly anticipated, then revenue will disappear, and this will have a massive impact on educational publishers as universities will either stop buying or try to negotiate discounts that are not sustainable by publishers’.

UK university presses in receipt of university subsidies to fund their front list programme and produce scholarly work and vital research expressed concern at the bleak economic outlook. To some extent and for a minority of publishers we spoke to, Brexit had already forced publishers to examine internal processes, the efficiencies of a print supply chain, and relationships with parent and key stakeholders. Pre-pandemic, Brexit had flagged up a potential decline in overseas and EU STEM student enrolment, particularly whose status would move from home to foreign student.

UK universities rely heavily on international fee-paying students. Publishers were concerned that continued travel restrictions will reduce international student enrolment this academic year, with significant budget decreases forecast (see Ahlburg, 2020; Watermeyer, Crick, Knight, et al., 2020), the reality being that research-led, as opposed to teaching-led, universities whose income is boosted by overseas students and postgraduates’ tuition fees will be the hardest hit. Economically, much hinges on the appetite and ability of foreign students to study online, gaining a qualification from a more prestigious university abroad than one locally. Without government intervention, many redundancies in higher education will come from academic staff should student
numbers decrease (see Halterbeck, Conlon, Williams, & Mille, 2020). The full outcome and any restructuring may only coincide with the timing of this publication.

Also driving this outlook was the anticipated deferral in July 2020 by some domestic students attending university this academic year without recourse to on-site facilities, preferring the full university in-person teaching experience. As universities ‘opened for business’, students are being encouraged to return to campus. Remarkably, significant UK student deferral concerns have been allayed as The University and Colleges Admissions Service (Ucas) reported on 24 September in its press release that ‘the number of students accepted from outside the EU has risen by 9% to 44,300’ (see https://bit.ly/2VNyXLR). Ucas figures usually include fewer than half of the more than 100,000 international undergraduates coming to the UK, with the remainder and postgraduates applying directly to individual universities. Ucas reports ‘the overall demand for higher education has increased during the coronavirus pandemic, and there are currently a record 515,650 students with a confirmed place, up 4% on 2019’. This is notable following 3 years of decreasing enrolments. However, the figures include a decline in EU student numbers by 2% compared to 2019–2020 to just under 30,000. Only 5.7% of UK domestic students chose to defer compared to 5.4% in 2019.

Acknowledged to be more relevant in a time of medical emergency, the pandemic has been the impetus for and highlighted the importance of studying STEM subjects. Any cut in budgets will be contingent on student enrolment levels and overseas student income. Budget cuts will put open-access publishers, subsidized by its respective institution, under financial pressure to achieve significant cost savings to achieve break-even or better. Conversely, wholly owned, self-governed university presses with cash-in-bank are less at risk than those publishers that rely on university subsidies.

Academic Humanities and Social Sciences monograph publishers reported print revenue declines in late June, with academic libraries closed for weeks. To a lesser extent, journal publishers reported they are also facing the challenge of journal budget cuts by academic libraries. Almost without exception, scholarly and education publishers have reported a strong increase in digital sales as demand for access and consumption of digital content grows. Generally, this increase in revenue has not compensated for print revenue shortfall. Publishers accept the need to adjust pricing models and how they package content for sale.

PRODUCT OUTPUT AND CAPABILITIES

Sustaining the production workflow and sales pipeline was a common theme and priority. Especially true of education and scholarly publishers, few publishers overall chose to delay publication and defer product launches. Reasons ranged from publishing time-critical content for syllabi and research-led projects, adhering to contract terms, and supplying pent-up customer demand and being the first to market. The pandemic has forced publishers to examine the value chain, improve editorial quality, and assess risk and return on investment across their complete catalogue. More prevalent still is the adoption and investment in audio content to create a blended portfolio that can be packaged and segmented according to the profile of audience. Our report confirmed that 95% of publishers believe they have the skills to make a digital transition – BUT – if this is the case, why have only 45% managed such a transition so far? Challenges remain around discoverability and interrogation of content.

Opportunities

- Offshore production placed in more affordable territories may provide strong cost savings.
- For those publishers of evidence-based acquisition content, sales have been strongly informed by a fit-for-market publishing programme.

PRICING MODEL

A total of 40% of academic and educational publishers offered individual students and libraries access to digital content for download for a limited period of time, free of charge or at a reduced rate. One publisher labelled this move as their ‘civic responsibility’. Print fulfilment and sales have changed dramatically since March 2020. The transition from free enhanced access returning to fully paid-up content may prove challenging as publishers assess the ‘value add’ of their collective responsibility to their customers. Unsurprisingly, this includes ‘COVID collections’. The expectation from customers is that scholarly publishers should continue to extend their COVID-related content for free well into 2021. Libraries that have been limited by staffing issues and closure, looking for deeper discounts, have also questioned the incentive to offer access to publishers’ titles for free.

Academic publishers we spoke to reported they are helping new and existing customers by extending improved credit terms while protecting their own cash flow. It is hoped that, with consultation, innovation will emerge through responsive tried-and-tested pricing models. Publishers spoke about the need for product differentiation – integrated and stand-alone; pricing as a measurement of quality; and never underselling – benchmarking against competitors’ pricing.

ACCESS TO CONTENT AND DISCOVERABILITY

After a period of closure, institutional book suppliers to academic libraries mobilised, and the supply chain is operational again. Scholarly monograph and journal print publishers have been frustrated by the number of academic libraries that have stopped both approval and firm ordering in preference of a direct digital-first content order policy. Reality suggests less print content will be purchased by academic libraries now and in the future, with several leading academic publishers predicting increased digital
content sales as a ‘new normal’. Academic libraries may be resistant to reverting to pre-COVID-19 print order levels. Academic publishers have raced to make all print titles available as e-books to secure orders and are reviewing the strength of their ecommerce platforms. A digital preference by academic libraries impacts anyone who requires access to print. This is especially applicable to researchers. Print supply chain issues have been compounded by non-functioning inter-library loan (ILL) systems as libraries remained closed.

Opportunities

- Commitment by publishers and aggregators as gatekeepers to clean data and to publish usable content.
- Repackage books and journals content (Open Access vs. non-Open Access) to promote discoverability across collections and platforms, direct to source. Pay attention to library discovery layers (EDS, Primo, Summon, WMS). Repackaging demands accurate and well-formatted title list metadata, accurate article citations, and stable URLs, as well as MARC records for title level discovery.

IMPACT ON RESEARCH

Restricted access to printed university and academic resources has delayed research projects and publishing programmes. In addition, library scanning services that are run out of Interlibrary Loan (ILL) departments have been unable to supply a scanned PDF from a physical copy. With the onset of the pandemic, scholarly publishers reported researchers and editors as practitioners had less time to research and write, compounded by situational work–life balance pressures. Editors working in clinical roles with front-line responsibilities arranged for deputies to ensure editorial and publishing continuity while upholding quality and accuracy of content. Publisher editorial teams rallied to appoint additional reviewers with requisite peer review expertise while fast-tracking COVID-related content and collections without sacrificing quality, for example, the cross-publisher Rapid Review initiative (see www.hindawi.com/post/c19-rapid-review-initiative-reaches-20-participants-milestone-0/). A survey of more than 3,000 book and journal authors from 100 countries conducted online in May 2020 and published by De Gruyter on 17 June 2020 (updated 2 November 2020, https://blog.degruyter.com/we-asked-3000-academics-how-theyre-coping-with-COVID-19-this-is-what-we-found/) confirms the pressures researchers face. Practitioner authors committed to teaching and supervising students claimed the transition to online teaching has impacted research, with a notable decline in publishing productivity and writing. The survey highlighted a gender divide, with female researchers more hampered by domestic and home-schooling duties.

Opportunities

- The majority of scholarly authors want access to publishers’ print books and journal content for research.
- Encouraging usage through free access to online research content (particularly older materials) through libraries builds brand loyalty and visibility.
- Create a new licence for COVID content; free to read and reuse in a non-commercial setting that also permits text and data mining.
- Provide researchers with feeds and metadata to COVID-related content assisting organisations in the search for a vaccine.
- Finding a sustainable open-access funding model.

RELATIONSHIP MANAGEMENT

Focused on author engagement and relations, publishers reported authors’ output and ability to meet deadlines has been affected by the pandemic. Some authors were able to meet deadlines with additional time available to write, with others ‘unable to face’ writing and/or research due to time management issues in the same way staff have been affected by working remotely.

With book retail closed and sales reps prevented from visiting clients, marketers have had to look at inventive ways of promoting and launching new titles online. Both authors and publishers have responded positively to the immediate opportunity of the virtual product launch, employing digital marketing skills effectively to promote discoverability and attract new customers.

Without being able to attend physical events the need to adapt has been striking, both by authors keen to engage with their audience and their customers prepared to accept online attendance as a ‘new normal’. The majority of publishers have increased their engagement with customers, as directly as possible, using social media particularly, conducting focus groups while being as transparent as possible about where and why there may be delays.

Opportunities

- Inviting feedback from customers to assist product planning and roadmap strategies.
- Managing author need, submission experience, and expectation.
- Ensuring authors receive customer feedback to enable forward planning.
- Offering more content digitally based on demand.

CONCLUSION

On the whole, publishers did not foresee the issues that have emerged from this pandemic. Businesses with previous experience planning for a crisis with similar outcomes and effects claimed they were better prepared, proving that, as an industry, we are – in general – resilient and adaptive to new challenges. Publishing has always thrived on change and reinvention. Despite the impact of
the pandemic, there is an underlying mood of optimism by entrepreneurially spirited publishers prepared to evolve and invest. To outmanoeuvre uncertainty will be contingent on what pragmatic steps leadership implement to future proof their business. Speed-to-market will become critical to establish competitive advantage but not at the expense of editorial quality and reputation.

Economic recovery may yet be tempered by a continuing cycle of easing, and re-imposing regional and national lockdown restrictions. This is certainly reality in the near term until approved vaccines are rolled out at scale during 2021. Nevertheless, publishers will need the digital capability and competencies to enable students at all levels to study remotely and researchers to discover and access content unfettered. Academic and educational publishers that have granted access to digital content to students and libraries for free realize the importance of user registrations or customer data to inform their business strategies.

Steering a course of business transformation requires publishers to learn from each other, their membership trade associations, and/or third parties. It is clear from our research that publishers have initiated greater collaboration and strategic partnering during this period. There are numerous supply chain partners who serve beyond the publishing industry that may likely offer solutions and capability that can move publishers forward. It is this creativity, innovation, and diversification that will ensure publishing will emerge stronger in the long term.

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