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## ECONOMIC ANALYSIS OF ENTERPRISES OF THE BOOK-PUBLISHING INDUSTRY

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### Onysenko Tetiana S. Economic analysis of enterprises of the book-publishing industry

The article analyses main indicators of activity of the Ukrainian book-publishing industry. The book-publishing industry in Ukraine declines and books devaluate due to insufficient attention of the state to this industry. Issues of development of book-publishing, study of its state, identification of reasons that resulted in the current situation and also issues of the state support have actual importance and require thorough study. Based on the statistical data the article reveals and characterises main tendencies of the book market in the country. The article shows that in spite of certain tendencies of growth of volumes of publishing products in recent years the general state of things is negative. Based on the data of the conducted analysis the article forecasts further decline of activity of publishing enterprises. The article identifies main problems of the book-publishing industry on the modern stage and marks out the following ones: absence of the state support of the industry, significant production costs and market competition. It offers intensification of innovation activity in the publishing industry.

**Key words:** book-publishing industry, enterprise, economic efficiency, analysis, activity, innovations.

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### Онисенко Т. С. Экономический анализ предприятий книгоиздательской сферы

В статье анализируются основные показатели деятельности книгоиздательской отрасли Украины. Ведь из-за недостаточности внимания государства к книгоиздательской сфере в Украине происходит постепенный ее упадок и обесценивание книги. Вопросы развития книгоиздания, исследования его состояния, определения причин, приведших к существующей ситуации, а также вопросы государственной поддержки имеют актуальное значение и требуют тщательного изучения. На основе статистических данных выявлены и охарактеризованы главные тенденции книжного рынка страны. Выяснено, что, несмотря на определенные тенденции роста объемов выпуска издательской продукции за последние годы, в целом состояние дел остается отрицательным. На основе данных проведенного анализа прогнозируется дальнейший спад деятельности книгоиздательских предприятий. Определены главные проблемы книгоиздательской отрасли на современном этапе, среди которых выделены: отсутствие государственной поддержки отрасли, значительные производственные расходы, конкурентная борьба на рынке. Предложена интенсификация инновационной деятельности в издательской отрасли.

**Ключевые слова:** книгоиздательское предприятие, экономика, эффективность, анализ, деятельность, инновации.

**Рис.:** 4. **Табл.:** 4. **Библ.:** 8.

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### Онисенко Т. С. Економічний аналіз підприємств книговидавничої галузі

У статті аналізуються основні показники діяльності книговидавничої галузі України. Адже через недостатність уваги держави до книговидавничої сфери в Україні відбувається поступовий її занепад і знецінення книги. Питання розвитку книговидавництва, дослідження його стану, визначення причин, що призвели до існуючої ситуації, а також питання державної підтримки мають актуальне значення і потребують ґрунтовного вивчення. На основі статистичних даних виявлено та охарактеризовано головні тенденції книжкового ринку країни. З'ясовано, що, незважаючи на певні тенденції зростання обсягів випуску видавничої продукції за останні роки, у цілому стан справ залишається негативним. На основі даних здійсненого аналізу прогнозується подальший спад діяльності книговидавничих підприємств. Окреслено головні проблеми книговидавничої галузі на сучасному етапі, серед яких виділено: відсутність державної підтримки галузі, значні виробничі витрати, конкурентна боротьба на ринку. Запропоновано інтенсифікацію інноваційної діяльності у видавничій галузі.

**Ключові слова:** книговидавнича галузь, підприємство, економічна ефективність, аналіз, діяльність, інновації.

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The role and significance of the intellectual capital of the nation grow, and value and worth of the knowledge go up under the modern conditions of the society development.

A book, as a specific commodity, requires special approaches with respect to its promotion in the market for satis-

fying cultural and information needs of the consumers. Analysis of the state of the national book-publishing activity could clarify the basic issues that the Ukrainian book faces today, namely: what state of the book-publishing market in Ukraine is, what reasons caused this state and what consequences of this could be.

Analysis of the recent achievements and publications: problems of book publishing in Ukraine and the state of the book market are studied by such authors as A. Butenko, S. Buriak, N. Kuchina, A. Murakhovskii, V. Pleskach, G. Predyk and others. Their studies pay special attention at problems of book publishing in Ukraine, reduction of book publishing volumes, take-over of the major part of the market by foreign products, low competitiveness of the Ukrainian book and insignificant level of innovations in the publishing business.

The goal of the article is analysis of the modern state of development of publishing houses and book-trading market in Ukraine.

According to the data of the State Committee for television and radio broadcasting of Ukraine – 317,641 units of non-periodical publications with the total circulation of 1,395,989,000 copies with the average circulation of 7,100 copies were published in 2012 – 2013 (Table 1).

Table 1

Book publishing volumes in Ukraine during the years of independence

| Year | Number of publications | Total circulation | Average circulation |
|------|------------------------|-------------------|---------------------|
| 1991 | 5,855                  | 136,416           | 23.3                |
| 1992 | 4,410                  | 128,471           | 29.1                |
| 1993 | 5,002                  | 87,567            | 17.5                |
| 1994 | 4,752                  | 52,161            | 11.0                |
| 1995 | 6,109                  | 68,156            | 11.2                |
| 1996 | 6,074                  | 51,777            | 8.5                 |
| 1997 | 7,004                  | 55,841            | 8.0                 |
| 1998 | 7,065                  | 44,150            | 6.2                 |
| 1999 | 6,282                  | 21,986            | 3.5                 |
| 2000 | 7,749                  | 43,563            | 5.6                 |
| 2001 | 10,614                 | 50,325            | 4.7                 |
| 2002 | 12,444                 | 47,863            | 3.8                 |
| 2003 | 13,805                 | 39,463            | 2.9                 |
| 2004 | 14,790                 | 52,805            | 3.6                 |
| 2005 | 15,720                 | 54,060            | 3.4                 |
| 2006 | 15,867                 | 54,210            | 3.4                 |
| 2007 | 17,987                 | 56,112            | 3.1                 |
| 2008 | 24,040                 | 58,158            | 2.4                 |
| 2009 | 22,491                 | 48,514            | 2.2                 |
| 2010 | 22,557                 | 45,058            | 2.0                 |
| 2011 | 22,826                 | 46,566            | 2.0                 |
| 2012 | 26,036                 | 62,121            | 2.4                 |
| 2013 | 38,162                 | 90,646            | 2.4                 |

Source: composed from [5, 7, 8]

Picture 1 shows dynamics of basic indicators of book publishing in Ukraine during 1991 – 2013.

As the above data suggests, the number of publications published in Ukraine during the studied period increased in 6.5 times, at the same time, the total circulation is only 0.66 of the indicators of the year 1991, as well as the average circulation is about 10% of the indicators at the beginning of the studied

period. While the average circulation exceeded the generalised average indicator in this category (7.1) before 1997, then, starting from 1998, it practically permanently fell down and during the recent five years – it fell down nearly in three times.

Moreover, dynamics of basic indicators of book publishing testifies to significant irregularity of this process during 1991 – 2013 (Picture 2).

Absolute number of publications, in general, shows the growing tendency, while the relative gain shows a more or less stable tendency. As regards the total circulation, although it shows the growing tendency during the recent five years, has not reached peak indicators both in absolute and relative values yet. The average circulation of publications was 5.62 copies in the year 2000, while in 2007 – 3.1 and in 2013 – 2.6.

Moreover, while analysing the data in Picture 2, which shows data with respect to changes of basic indicators with respect to the previous year (in %), we consider it necessary to focus on the following. The graph in Picture 2 shows seven down and six up peaks and in an average the up phase equalled 2 – 4 years and the down phase – 2-3 years. This tendency gives a possibility to forecast decline of book publishing in Ukraine after 2014.

As of 1 January 2014, the State Register of Publishers, Producers and Sellers of Publishing Products lists 5,526 subjects of the publishing business (4,359 legal entities and 1,167 physical persons). 1,701 subjects of the publishing business deal with publishing activity only, 678 – production of publishing products and 362 – sales of publishing products. The rest of the subjects of the publishing business are engaged in 2-3 types of activity in the publishing business. Table 2 shows data about dynamics of subjects of publishing activity in Ukraine during 2008 – 2013.

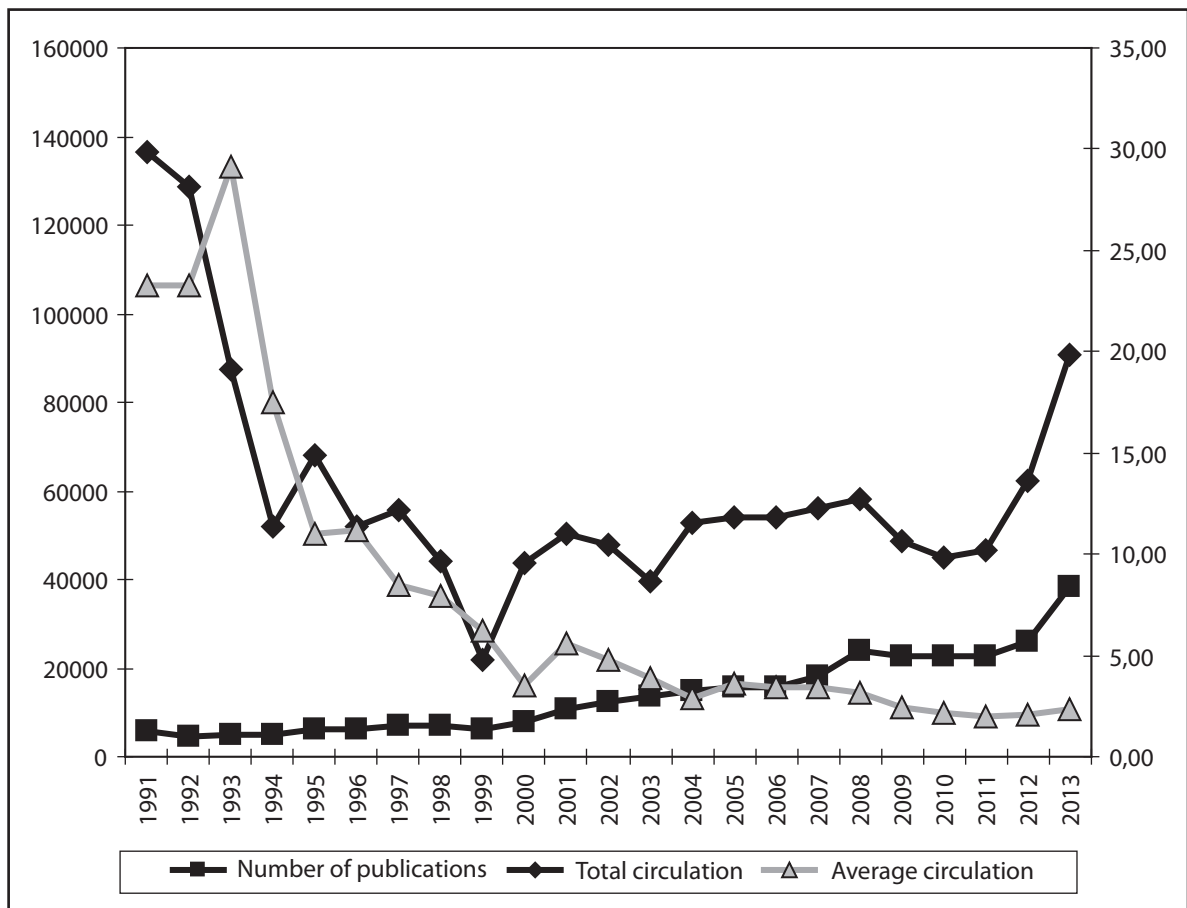
As Table 2 suggests, the number of subjects of the publishing business in Ukraine grows from year to year both in total and by types. At the same time, growth of a number of publishing organisations has no positive impact on indicators of the publishing market of Ukraine (Picture 3).

As Picture 3 suggests, growth of the number of book-publishing organisations not only has a negative impact on volumes and circulation of publications, but we could even maintain the opposite tendency.

As of beginning of 2013, the Register of the State Committee for television and radio broadcasting of Ukraine listed 2,577 printing organisations – producers of book products. The list includes publishing houses that have their own printing equipment. For example, «Navchalna Knyga – Bohdan» (city of Ternopil), «Pidruchnyky i posibnyky» (city of Ternopil), «Folio» (city of Kharkiv), «Gimnaziya» (city of Kharkiv), and «Factor» (city of Kharkiv). There are printing enterprises that are engaged both in printing and publishing: «Presa Ukrayiny Printing and Publishing» (city of Kyiv), Vinnytska Cartographic Factory (city of Vinnytsia), «Volynska Oblasna Drukarnia» (city of Lutsk) and others.

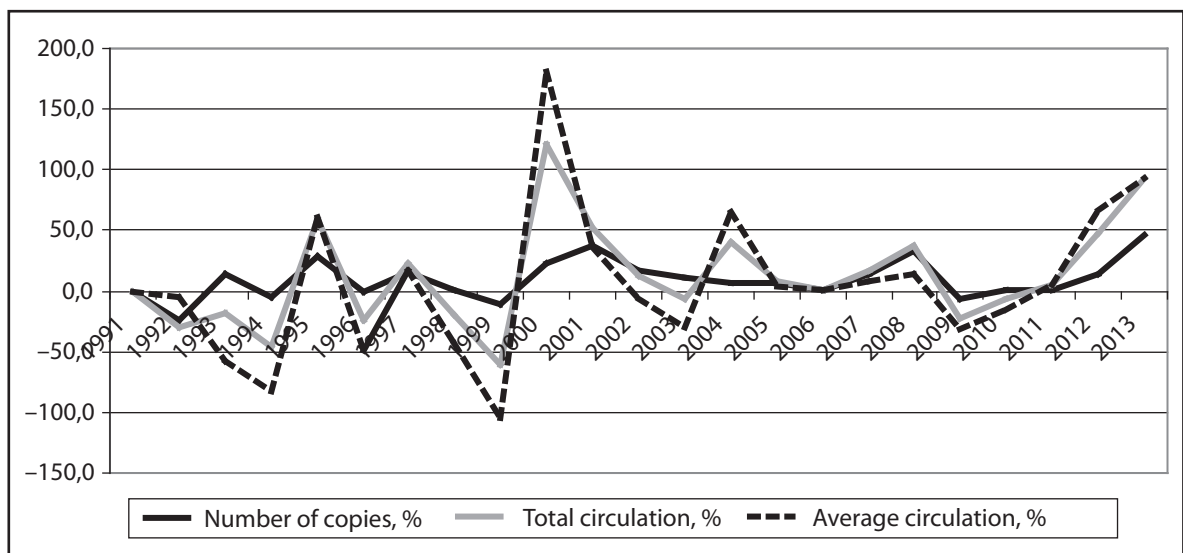
Insignificant number of state enterprises are oriented at execution of state orders for mass circulation printing of textbooks for educational establishments of general education: «Globus» factory (city of Kharkiv), «Presa Ukrayiny Printing and Publishing» (city of Kyiv), «Atlas» factory (city of Lviv), «Taurida Printing and Publishing» (city of Simpheropol) and others.

Table 3 shows information about publishers and publishing organisations, which published books in 2012, and basic indicators of their activity.



**Picture 1. Dynamics of basic indicators of book publishing in Ukraine during 1991 – 2013**

Source: composed from [1, 2, 3]



**Picture 2. Relative indicators of book publishing in Ukraine (1991 – 2013)**

Source: composed from [1, 2, 3]

By expert assessments, annual turnover of the retail book trade in Ukraine today is around UAH 750-800 million. About 25 million of copies are sold through retail trade and the total volume of book publishing in Ukraine is around 47 million of copies. The total volume of sales of book products reduced in 2012 by 10% compared to the year 2011 [4].

Main objects of sales of domestic book products are: book markets, big bookshops and their networks, book departments of superstores, and individual bookshops (Table 4).

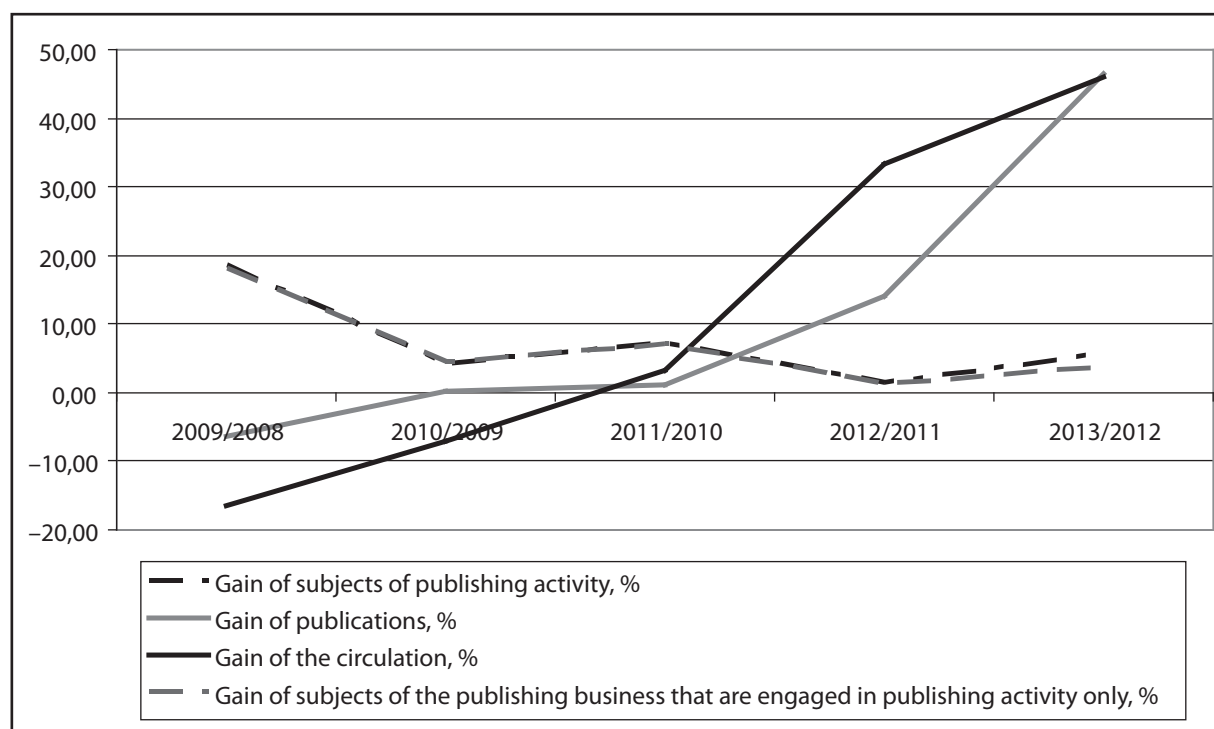
The average trade margin of the retail book sales is around 85% compared to the net price from the producer, and this figure is quite different for different sales channels – small

Table 2

## Number of subjects of publishing activity in Ukraine during 2008 – 2013, by types

| Types of subjects   | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  |
|---|-------|-------|-------|-------|-------|-------|
| Legal entities  | 3,165 | 3,725 | 3,763 | 4,094 | 4,147 | 4,359 |
| Physical persons  | 745   | 905   | 929   | 1,070 | 1,089 | 1,167 |
| Subjects of the publishing business that are engaged in publishing activity only          | 1,230 | 1,451 | 1,516 | 1,621 | 1,641 | 1,701 |
| Subjects of the publishing business that are engaged in production of publishing products | 550   | 700   | 621   | 668   | 672   | 678   |
| Subjects of the publishing business that are engaged in sales of publishing products      | 224   | 268   | 293   | 336   | 346   | 362   |
| Total subjects of the publishing business   | 3,910 | 4,630 | 4,820 | 5,164 | 5,236 | 5,526 |

Source: [1].



Picture 3. Dynamics of the annual gain of subjects of publishing activity and its basic indicators in Ukraine (2008 – 2013, %)

Source: composed from [1]

Table 3

## Publication of books and booklets by publishers and publishing organisations of Ukraine in 2012

| Publishing subjects   | Number of publications, printed units | Circulation, thousand copies |
|---|---------------------------------------|------------------------------|
| 1   | 2                                     | 3                            |
| <b>Publishers with the state form of ownership, including:</b>                                | <b>960</b>                            | <b>839.9</b>                 |
| Sphere of management of the State Committee for television and radio broadcasting of Ukraine: | 356                                   | 434.3                        |
| Veselka   | 13                                    | 20.8                         |
| Vyshcha Shkola  | 2                                     | 4.0                          |
| Dnipro  | 6                                     | 11.0                         |
| Donbas  | 89                                    | 58.8                         |
| Etnos   | 3                                     | 4.5                          |
| Zdorovya  | 9                                     | 16.5                         |
| Kamenyar  | 30                                    | 36.8                         |

| 1  | 2             | 3               |
|--|---------------|-----------------|
| Karpaty  | 37            | 23.5            |
| Book Chamber of Ukraine (publishing organisation)                | 23            | 2.6             |
| Lybid  | 24            | 34.0            |
| Mystetstvo   | 2             | 1.1             |
| Muzychna Ukrayina  | 2             | 1.7             |
| Osnova   | 3             | 8.0             |
| Svit   | 65            | 133.8           |
| Sich   | 3             | 5.0             |
| Taurida  | 28            | 49.8            |
| Tavriya  | 1             | 1.0             |
| Tekhnika   | 5             | 9.4             |
| Ukrayina   | 7             | 7.0             |
| M. P. Bazhan Ukrainian Encyclopaedia                             | 4             | 5.0             |
| <i>Sphere of management of other state establishments</i>        | 604           | 405.6           |
| <b>Publishers with other forms of ownership</b>                  | <b>4,390</b>  | <b>14,268.5</b> |
| <b>Publishing organisations with the state form of ownership</b> | <b>7,004</b>  | <b>2,342.7</b>  |
| <b>Publishing organisations with other forms of ownership</b>    | <b>13,682</b> | <b>44,669.4</b> |
| <b>Total</b>   | <b>26,036</b> | <b>62,120.5</b> |

Source: [1].

Table 4

**Number of objects of the retail book trade in Ukraine  
in 2012 – 1st quarter of 2013**

| Objects of the retail book trade | Second half of 2012 | First half of 2013 | Gain |
|----------------------------------|---------------------|--------------------|------|
| Total objects                    | 9,125               | 9,704              | 572  |
| Bookshops                        | 1,517               | 1,519              | -3   |

Source: [1].

individual bookshops establish the 50 – 70% margin, the margin of big networks and book superstores is around 120 – 180% and the margin of bookstalls – 40-60% of the producer's price of one book [4].

Experts assess the total cost of the internal Ukrainian book market in 2013 to be equal to UAH 1,600-1,650 million (or EUR 154-155 million), while in 2010 this figure was UAH 1,800 million. By similar assessments, the net profit of the publishers is around UAH 1 thousand million (or EUR 84.5 million) [4].

According to the Ukrainian Publishers and Booksellers Association [5], two thirds (60-70%) of publishers state increase of their money circulation during the recent three years, and the indicators of this increase vary within the 20% range, while the other third of publishers experienced losses in the amount of 25% in an average [5].

Basically, increase of money circulation is observed among those publishers, which publish belles-lettres literature for children and teenagers, then among publishers of belles-lettres and applied literature and cartography products.

Reduction of money circulation was typical to publishers of scientific and popular literature, reference books, dictionaries and textbooks for higher educational establishments. Publishers of local lore and art literature had somewhat lower losses.

However, a disturbing fact is that increase of the financial circulation takes place mainly not due to increase of volumes of sales of physical books, but mainly due to increase of prices of publications themselves.

The negative dynamics of indicators of economic activity of the publishing sphere testifies to the fact that the Ukrainian book market has been in the stage of stagnation for several years already and the total circulation of published books is about 50,678,200.00 copies, or about one copy per capita.

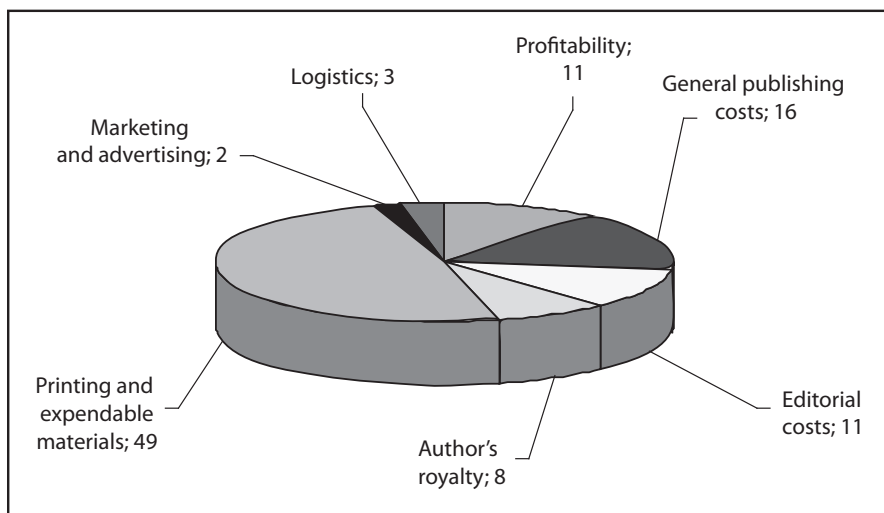
About 100 publishers obtain state orders (on a competitive basis) and budget financing for publication of socially significant publications, the list of which is formed by the State Committee for television and radio broadcasting of Ukraine (170 – 180 titles in an average) for the annual amount of UAH 20 million and for publication of textbooks for educational establishments of general education, which are distributed through school libraries among pupils for the period of education (150 – 160 titles for the annual amount of UAH 150 million).

Analysis of publishing activity shows that the selling price of products of Ukrainian book publishers includes the following volumes of costs (*Picture 4*).

Analysis of the economic state of the book publishing industry allows marking out the following problems of the Ukrainian book publishing. First of all, absence of the state support of the industry. Financial support is practically absent and the existing state programmes are of small scale and do not cover the majority of book publishers. Additional measures with respect to stimulation of publishing books in the Ukrainian language are not taken and the number of textbooks ordered by the state even reduces.

Significant costs of printing books and paper materials play an important role. This results both in price increase and quality decrease.

We believe that, in the event of continuation of the existing during recent years conditions and with consideration of



Picture 4. Structure of the book price formation by cost items and profitability (in %)

Source: [5]

the fact that tendencies testify to continuation of this unsatisfactory state, the way out for the book publishing industry mainly lies in its innovation development. This model would allow expansion of quantity, range and quality indicators by means of reduction of costs of book publishing.

## CONCLUSIONS

Main problems of the modern Ukrainian book publishing are: absence of the state thematic, economic and financial monitoring of the situation in the book market of Ukraine with the aim of identification of the existing tendencies of its development and development of a set of systematic measures for elimination of problems that interfere with development of the industry; discrimination state of the books written in the Ukrainian language in the range and volumes of products of the majority of bookshops and deliberate exclusion, by foreign owners of book trade networks, of Ukrainian books from the book trade circulation and, consequently, from the reading process in general; cutting down investments into the publishing business and making impossible the crediting of publishing projects, which results in limitation of the financial potential of the industry with own circulating funds of the publishing business subjects that operate in the book market of Ukraine; and insufficient budget financing of libraries for replenishment of their stock with domestic literature and, as a consequence, 95 percent of publications that are printed in Ukraine are an intellectual product that is not accessible for an average citizen.

All the above and other factors create objective pre-requisites for other negative phenomena in the Ukrainian book publishing, namely: significant reduction of volumes and circulation of the domestic publishing products and significant increase of cost value of books and, consequently, reduction of consumption capacities; reduction of competitiveness of the Ukrainian book and fast filling of the majority of genre niches of the Ukrainian book market with imported, mostly from the Russian Federation, books; reduction of the level of professional skills of the publishing industry professionals; acceleration of wear and tear of technical equipment of printing and publishing, first of all – state, enterprises; loss of interest in reading domestic literature of different genres by the majority of the Ukrainian population and, consequently, underassessment of the exceptional role of the book in the process of human development; and systematic

violation of the copyright due to unpunished pirate copying of electronic content and placing it in the Internet without relevant permissions of authors, publishers, etc.

The way out for Ukrainian publishers from the current state of stagnation, as we see it, is development and implementation of the innovation model of development, which would allow reduction of costs and take-over of new market niches, which, in the end, would allow bringing the Ukrainian book at the qualitatively higher level. Some of the specific steps on the way to economic growth of the book publishing industry might be as follows: state support is required for improving conditions of conducting book publishing business in Ukraine, namely, tax reduction and preferential terms of lease; improvement of the system of supply logistics, publication of a bigger number of domestic books and increase of the level of their quality; and conduct of advertising and PR campaigns directed, in particular, at popularisation of Ukrainian books. ■

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