F ACTORS THAT SHAPE PRODUCTION COST OF A BOOK IN A DEVELOPING ECONOMY

BY

Cecilia Esotu Okanlawon (Mrs)

Kashim Ibrahim Library Ahmadu Bella University Zaria

ABSTRACT

The paper argues that the price paid for a book in the name of production cost actually goes beyond the normal costs of production. Some of the costs are embedded or involve attempts of the publishers to fight crime; fluctuating exchange rates and other sundry factors such as the interest on loans.

Suggests that government be more exerting in its fight against piracy, copyright and other related crimes; establish a lower and special exchange rate for books, encourage publishing and establishing avenue for soft loans for book production and educational materials and strengthen the Hook Development Council

INTRODUCTION

A discussion of the factors that shape or affect the cost of books is appropriate. This should be of interest to all the stakeholders in the book trade. To the librarian, this is particularly important because apart from the yearly planning of budgets for books, the ever rising cost of books, the costs induced by other extraneous factors apart from production costs make an understanding of these factors important and timely. To the bookseller who is driven by the profit motive, all costs are passed on to the buyer.

For some time to come, our society will still be using books for instruction, research, learning and leisure. The book will still be an important medium and be of relevance. Our libraries as we plan and labour to stock them and acquire up-to-date

materials will continue to need books, insistence on electronic or paperless library notwithstanding.

Computer and the internet may increasingly affect use but may not obliterate the use of books. In fact four speakers at the 2006 London Book Fair (Bello (2006) were of view that... "The internet is making publishing more exciting."

THE BOOK AND ITS COST

Ogbodo (2006) sees a book as simply – "a set of printed pages that are fastened together in a cover so that one can read them". Books are so important "that life of a man, devoid of the infinite world of knowledge, encapsulated in books, is solitary, poor, brutish and short-live, and imprisoned future will be dominated by the law of force, in the hands of the people of brute force". Bello described books as" – inestimable repositories of knowledge, an undeniable manifestation of intellectual prowess and advancement that is peculiarly human and the veritable mark of the cultured mind --- They are timeless and invaluable tools for education and information that enlighten and lift the soul and serve as conveyor belt of thoughts in the dynamics of human survival and progress".

How much then is a particular book and what costs have gone into the final costing (price) of the book? What are the factors that have affected the price of a book we want to purchase? For every book, there are cost packaged that we pay for. What are these costs?

Costs are basic to the product and a general environment is usually created as factors around every product that shapes the identity, perception and acceptance of a product. The environment include acceptance of the product as a product entity, one that

has viability of production; is usually framed by time and that has value which can be measured and secured (paid for) with a viable and acceptable means of exchange.

Costs relate to financial accounting and reporting costs help to give information about a product and reporting costs must of necessity be based on some fundamental assumptions relating to the product.

Dreher (2006) had asked why do books cost so much. The "consumers are often baffled at the price tag attached to what appears to be a little more than a mass of cardboard and ink. The cosumer sees "A whole host of factors including the size of the book, the quality of paper, the quantity of books printed, whether it contains illustrations, what sort of deal the publisher can make with the printer and the cost of warehouse space, ll affect the production cost of a book." However, about 20% of a publisher's budget for each book pays for the paper, printing and binding – the trinity that determines the physical cost." Kevane and Sissao(2004) examining the cost of getting books read in rural Africa were of the view that the "choice between schooling and book availability are comparable".

Figures obtained from R.R. Bowker(2007) the company of record for information about the publishing industry shows that from 1975 to 2000, the price of the average hardcover book of fiction went up 200% to $24.96. Average prices for hardcover poetry and drama books increased 211% to ₦33.57. Non-fiction hardcover went up 123% to $40.29. The largest increase was found in the juvenile category which climbed up 227% to $18.40.

ENVIRONMENTAL ASSUPTION OF THE COST OF A BOOK

Four assumptions have been suggested as basic to the understanding of the *production* cost of the book.

1. **Product Entity Assumption**: A product must be an entity whether tangible or intangible that is describable and has costs. The book as a product is well defined both in literature and in the mindset of people (public). Books are entities that are describable have costs and for which one can provide financial information. Information that can be provided can have both local and universal application and such information can be devoid of ambiguities.

2. **The Going-Concern Assumption**: Business entities are expected to continue in operation on a permanent basis. The product must be capable of being produced for a considerable

length of period of time. It is safe to assume that the book business will continue to exist. There may be difficult time but that book production and sales will continue indefinitely. Raw materials, production methods, assets, marketing (distribution) methods and channels may change but the book will continue to exist and there will continue to be costs.

3. **The periodicity Assumption** is premised on the assumption that investors and all stakeholders on the subject matter of the book take decisions on the issues in relation to time and require timely information about the book. Cost information about the book also relate to time. Periodicity can also be stretched about the book to mean times and

season of production and sales. For example, booksellers who target the schools look forward to between June and October as books season when most schools resume.

4. **The Monetary Assumption** believes that monetary values can be attached to measure economic activities in relation to the product - in our case the book. Every step or activity should have value and every value should be measurable in naira or dollar or any acceptable means of exchange. It may appear difficult to ascribe value to the literacy content of a manuscripts and be rated and paid for.

The book as a product is well defined as an entity. The book business still has a long span of life. Decisions relating to production, sales etc are taken in relation to time and monetary values can be attached to activities relating to the product – the book.

COSTS IN THE COSTING OF A BOOK

Dreher (2006) in discussing, the economic publishing price observed that at the "the editorial level, the suggested published price is often the result of an arithmetic exercise often described as the factor method." The factor method is arrived at by multiplying the estimated production costs by a factor (say 3.4 or 5 etc) as approved by management. Alimole suggested that "production be carried out at the right price, cost and margin. What the right price, costs and profit margin are however remain at the realm of ambiguity.

There are two broad divisions or classifications of the costs that affect the price of a book. There are:

* *The normal costs of production cost.*
* *The extraneous costs or other costs.*

Normal costs or normal production costs

The costs involved in the production of a book are similar to those in the production of other tangible products. These include the following:

a) The cost of the raw materials like paper, ink, glue, straw, board etc. These are materials that are used in the production process. These materials are turned around into the finished product

b) ***Direct labour cost*** – these are costs of labour employed directly in the production process. Direct labour costs include the salaries of workers, supervisors, editors, proof-readers, printers etc.

c) ***Publishing overhead cost*** – covering all publishing overhead cost – indirect materials costs, indirect labour cost and other allocated portions of general overhead expenses such as taxes, insurances, utilities like electricity, water etc.

d) ***Plant Assets*** virtually all business firms acquire some assets. A desktop or laptop computer is a clear example. When the assets have a physical existence they are referred to as property, plant and equipment; fixed assets or plant assets. The two major characteristics of the plant assets are its acquisition and use in operation as well as the benefits provided over several accounting periods. Plant assets include building, machinery, furniture, tools, vehicles etc.

e) ***Intangible Asset***– assets you cannot physically behold. These include copyright, publishing rights, patents, trademarks, franchises and goodwill.

EXTRANEOUS OR OTHER COSTS

These are costs other than the normal costs or outside the normal product costs. They include the following:

* Costs arising from the source of the book
* Costs arising from the exchange rate.
* Costs arising from efforts to combat crime
* Costs arising from cost of loans
* Costs arising from discriminatory pricing

Cost Arising From The Source Of The Book: There are many sources through which a book buyer or even the librarian gets his books. These sources affect the price to be paid for the books.

(a) ***Locally Published Books:*** there are many reputable publishing houses or publishing companies in Nigeria today. These include Longman Nigeria Plc; Heinemann Nigeria Plc; University Press Plc; Macmillan Nigeria Plc etc. These are the early starters in book publishing in Nigeria and the emphasis is more on school text publishing.

There are however many new entrants into the field. Apart from these, there are author/publishers who not only write but publish and market. There is an increasing trend among lecturers in tertiary institutions who publish and sell to their students. The common characteristic of all of them is the low level of publicity given to the publication. The effect on cost is usually that because few copies are printed, the unit cost is higher. Again, few copies are sold as a result of marketing so that the cost per unit has to be higher to ensure a level of profits. Cost in this therefore means production cost (normal

cost) plus costs incidental to production of few copies and costs incidental to poor marketing. Costing of books in this category can be arbitrary with little or no consideration of normal costing methods.

(b) ***Imported Books:*** Particularly at the tertiary level, the number of titles of books published locally is low and there is great dependence on imported books. The effect of importing books is that it is subject to the vagaries of the exchange rate and other factors. For the exchange rate, it is illustrative to note that in the 1970s, the naira was stronger enough to exchange for two United State Dollars. The present situation is that the dollar is so strong that is exchanges for over ₦140. The implication is that a book that was purchased for ₦10 in 1977 now sells for about 2800.

Imported books also attract postage, handling and packaging charges. At this (Nigerian) ends, the cost of port off loading and such incidental costs applies. For imported books, the costs involved are production (Normal costs) plus marketing cost plus profit (to publisher) plus postage and handling costs plus costs incidental to exchange rate plus administrative costs plus profit margin to the importer. If such books pass through retailer and book jobbers to libraries there are added cost to cover marketing and profit to book jobbers and retailers.

(c) ***Costs arising from the exchange rate:*** The issue of foreign exchange has been discussed above as it relates to imported books where a book that sold for ₦10 in 1977 now sells for ₦2800. The exchange rate issue is not limited to imported books but include imported machinery, ink, paper and other requirements in the process of book publishing.

(d) ***Costs of arising from efforts to combat crime:*** Piracy and infringement of copyright are crimes known to the laws of this country but the number of criminally minded people seen to be on the increase. In the book trade, they have become desperate and undoubting. Pirated books are sold at below the market price of the originals. Each attempt by publishers to fight and make piracy difficult and unattractive lead to increases in costs which are, as would be expected, passed on to the consumers. Such efforts as special cover design, printing of seals and other security marks increase production costs. What we unwittingly pay for therefore is the normal cost of the book plus the cost of fighting crime.

(e) ***Costs arising from the cost of loans:*** Interest on loans are prohibitively high reaching as much as 20% on loans. Capital formation is difficult and tedious as per capital income is low. There are also limited avenues for loans particularly because returns on capital on books take much time. The effect of interests on loans is that the buyer pays more. When compared with economies where interest rates are low, books will attract higher prices where interest rates are high.

(f) ***Costs arising from Discriminatory Pricing:*** The basic theory of demand and supply provides for an increase in the price of a product when demand outstrips supply. Simply put, when demand is increased against constant supply the price will be forced to go up. In Nigeria, the growth in the number of universities, mono-and polytechnics, the colleges of education and other similar tertiary institutions coupled with the exponential growth in students' enrolment are serious causes in the increase in demand for books without the needed corresponding increases in supply of books. Some books attract

higher prices because of the high demand. Some are kept in separate stores or locked up to regulate sale or to ensure discriminatory sale or pricing. Many book sellers increase price when few copies stocked attract heavy patronage particularly in respect to imported books.

SUMMARY AND CONCLUSION

What book buyers pay for; go beyond the normal production costs. Many costs are extraneous which are avoidable. When a system works, many costs are averted. Costs are incurred for example when there is heavy reliance on the use of power generators which can be avoided if relevant government agencies function properly.

Government can also help to bring down the costs of books by bringing down interest rates, easy access to books through importation and access to loans. Government can also assist in affecting costs of Government effort is directed at reducing importation costs for raw materials for books. Buyers need not pay more than the normal production costs. All other costs described as extraneous in this paper are unnecessary and make the costs higher.

REFERNCES

Ogbodo, M (2006) What is it about books? The Nigerian Bookseller. A Publication of the Nigerian Booksellers Association. 2006.

Bello, A. (2006) Have you read a book poetry for pleasure lately? The Nigerian Bookseller. A Publication of the Nigerian Booksellers Association 2006 p.3.

Dreher, C. (2006) Why do books cost so much? A & E Books Comics. Foner Books p. 1-3.