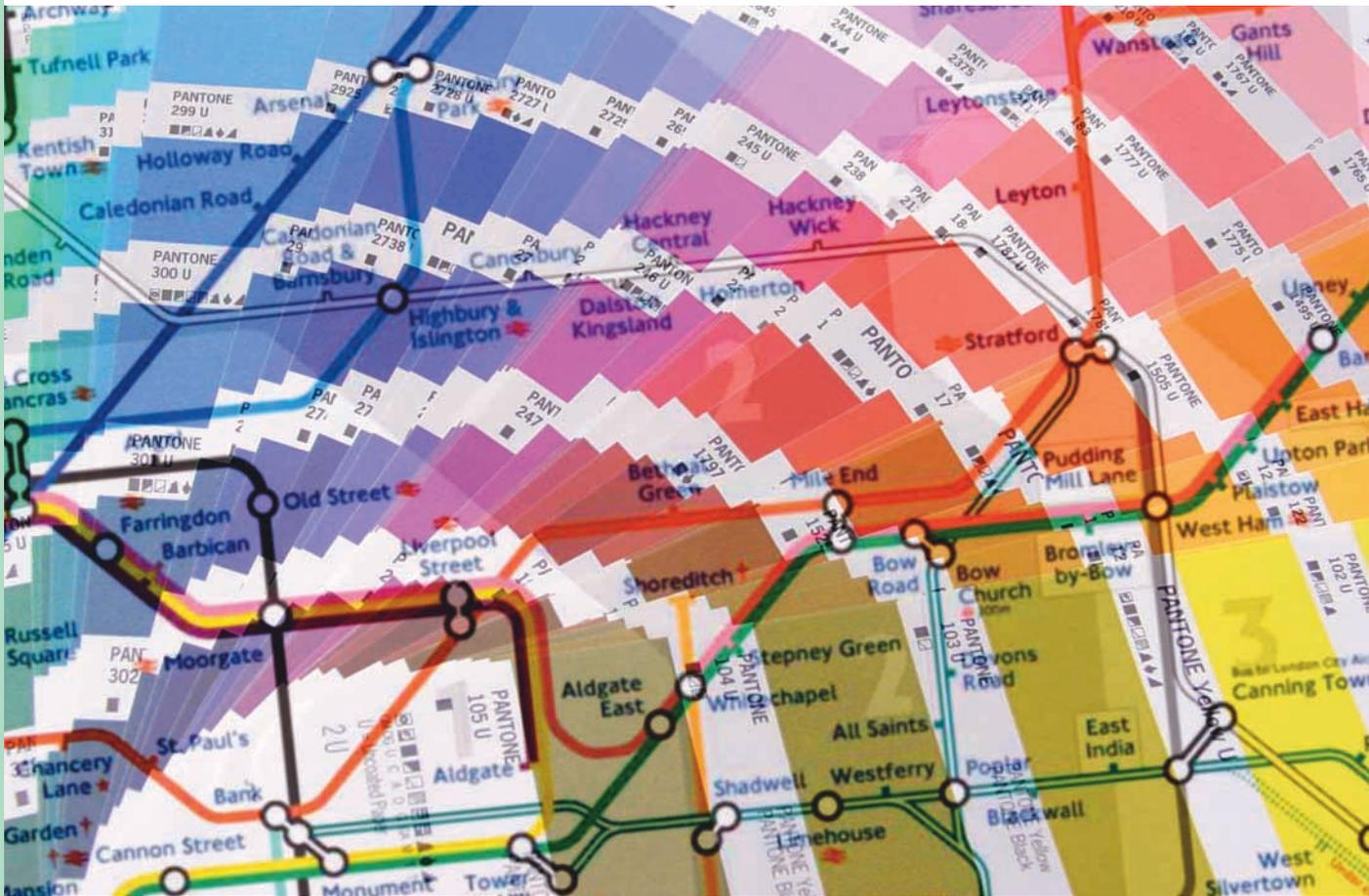


# Understanding the Print and Publishing Sectors in the City Fringe





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OF LONDON

September 2004

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## **Foreword**

**Michael Snyder**  
**Chairman, Policy and Resources Committee**  
**Corporation of London**

The Corporation of London is pleased to be an active member of the City Fringe Partnership, the economic development partnership for the area to the north and east of the City of London. The Board of the Partnership is private sector led and includes members from the City Fringe's financial and professional services and creative industries sectors. Camden, Islington, Hackney and Tower Hamlets, and the London Development Agency (the Mayor's agency for business and jobs) are other key members of the Partnership, which has recently produced its 'City Growth Strategy' for the City Fringe.

This is based on the work of Michael Porter of Harvard University who along with the Chancellor of the Exchequer launched the overall strategy in November 2003. The City Growth approach to regenerating inner city areas in the UK concentrates on promoting and exploiting their competitive advantages, their strategic location, the evidence of effective clusters of industries, their human resources and the demands of the local market in order to bring both social and economic progress to some of the most disadvantaged parts of our community.

The City Growth Strategy requires a process of evidence-based policy making and the involvement of businesses themselves. This report is therefore another step towards knowing more about the businesses of the City Fringe. It demonstrates the importance of their location next to the City and how they contribute to its success. It starts a process of determining what more the print and publishing industries will need to flourish and grow.

The Corporation has jointly financed this report with the London Development Agency. Its production has been steered by a group including representatives of industry trade organisations, Higher Education institutions and training organisations, chaired by the City Fringe Partnership. I commend it as a productive outcome of constructive partnership working.

We look forward to the findings of the report being taken forward through the work of the City Fringe Partnership, with business fully engaged and with the support of all the Partnership's members as we seek to maximise the competitiveness of London's central business district in ways which bring sustainable economic, social and environmental advantages to the communities of the City Fringe.

*Michael Snyder  
London  
September 2004*

## Executive Summary

This report is an empirically-based investigation of the nature of the print and publishing industries in the City Fringe area of London. It is intended to form part of the evidence base from which the City Fringe Partnership (CFP) can develop a strategy for supporting the industries in the Fringe area.

The historical linkage between printers and publishers means that the two sectors are often considered as one. But print and publishing are different, with contrasting business models, capital and property requirements, and skills needs. Publishing remains the single largest customer industry for printers, yet it does not account for the bulk of sales in the print sector. Certainly in the City Fringe area of London, there is very little evidence of linkages between businesses in the two sectors. Therefore, **any interventions should start from the recognition that two separate strategies for print and publishing are required.**

Print and publishing in the City Fringe have experienced contrasting recent fortunes. Between 1998-2002:

- The publishing sector **increased** both employment and business numbers, at a greater rate than nationally, albeit at slightly below the rate seen in the sector in London over the same period.
- The print sector experienced **decreases** in both employment and business numbers, and these decreases were proportionally greater than the declines registered within the sector at both the national and regional level.

The result is that currently:

- **Employment and businesses in the publishing sector are strongly concentrated in London, and the region's employment in the sector is strongly concentrated within the City Fringe area, with the 27,097 employees accounting for 40% of the region's employment in the sector in 2002.**

- In contrast, **employment and businesses in the print sector are less concentrated in London, and the region's employment in the sector is less heavily concentrated within the City Fringe** area, with the 7,889 employees accounting for 27% of the region's employment in the sector in 2002.

### **Publishing in the City Fringe**

The sector has three key components in terms of the numbers of businesses: magazine/journal publishing, book publishing and book retailing. The presence of two major newspaper groups is also very significant in terms of employment in the City Fringe. Reflecting the recent growth of the sector, businesses in the publishing sector have experienced a good last 12 months, with turnover, employment and profits all rising.

Magazine/journal publishing in the area contains many companies producing titles for the business market, often only one title or a number of titles for one well defined market segment (e.g. telecoms, legal), in addition to a number of niche/specialist consumer titles. This means that **the majority of these publishers identify with, and orientate their businesses toward, the specialist vertical markets for which they cater, rather than operating as part of something called the 'publishing sector'**. They are therefore part of the competitive process for these other sectors. As a result, the **CFP should consider including these publishers in its existing programme of cluster support in key sectors** (e.g. financial services, ICT), rather than starting a new 'cluster' initiative – though this will require a more detailed segmentation of publishers in the area.

There are other routes into the sector for the CFP and the most promising is through **the community affairs divisions of the two major newspaper groups that run Corporate Social Responsibility (CSR) programmes**. These include locally-based support and training programmes linking media businesses with local communities and young people. Both of the community affairs divisions are keen to develop these aspects of their work and to find new partners to enable them to do so.

These possibilities should be pursued, although **the bulk of the opportunities is most likely to lie in advertising and subscription sales**, due to the existing supply of highly educated and skilled entrants on the editorial side.

### **Printing in the City Fringe**

The sector in the area consists predominantly of general and quick printing: low to medium volume, often with a fast turnaround, printing items such as corporate and promotional literature. The main exceptions to this are the remaining newspaper print facilities in Wapping. **Printing in the City Fringe exhibits more classic ‘cluster’ attributes than publishing:** it places a much greater reliance on local and regional markets and the City, procures more locally, and features sub-contracting and informal referrals between businesses.

**Printers in the City Fringe are facing a number of serious challenges. These challenges are common to the sector in the UK as a whole**, and include falling demand for hard copy associated with the rise of digital media, over-capacity across the sector, and overseas competition from low-cost locations such as the Far East. **But they are particularly pressing within the context of inner London, where property and wages are more expensive (c.30% more)**, and where the particular effects of congestion and transport policies place further additional operating pressures on print businesses.

New technologies are also providing new opportunities and larger firms in the City Fringe are exploiting these, together with offering some other non-print services such as facilities management. **In the main, however, printers in the City Fringe do not compete on these added-value services but through a combination of flexibility, proximity to customers and price. The danger is that further advances in technology will undermine the advantage of proximity**, leaving City Fringe printers exposed on price.

Despite its current difficulties, there will always be a strong demand for print items from the City and the rest of London. The City Fringe print sector is also important to the continued competitiveness of the City itself. **The future for the larger/leading print companies in the City Fringe is likely to lie in offering a combination of print and value-added services. This is not a realistic option for many of the small, traditional companies in the City Fringe,** which lack the capacity and management skills to be able to move into these markets. **Sustainability will depend on improving the fundamentals of their businesses and the research suggests there is plenty of scope for achieving this.**

**The CFP should consider intervention strategies designed to support both of these competitive strategies.** In tackling these issues, there is already a range of sector-led initiatives underway at the national level designed to: **improve production processes and streamline supply chains**, such as the DTI-backed Manufacturing Advisory Service (MAS); **help firms to review and re-think their competitive strategy**, such as the BPIF/DTI Print Module Benchmark Index; and **train new entrants and raise skill levels** to meet changes in technology and markets, such as Modern Apprenticeships, the Access to Skills initiative, and a number of management development programmes. These initiatives should be investigated with a view to assessing their appropriateness and identifying how **CFP could work with partners to fill gaps in provision and/or add value by adopting/adapting existing initiatives.**

In addition, **there are three further areas where the CFP and its partners should consider more stand-alone interventions:** targeted **workshops/seminars** which address identifiable gaps in print firms' knowledge and understanding of the use of the internet for marketing and e-commerce; **a local procurement scheme** to promote the area's printers to the City (also incorporating the Corporation itself); and **measures to improve cross-sector networking.**

# 1. Introduction

The City Fringe is an area of inner London adjacent to the northern and eastern boundaries of the City of London. The study has been commissioned as part of the City Fringe Partnership's City Growth Strategy (CGS). The City Growth Strategies programme, run by the Small Business Service, is modelled on the US Initiative for a Competitive Inner City (ICIC). Like the ICIC, the UK's CGS programme is based on the work of Harvard Business Professor (and special advisor to the DTI), Michael Porter. In particular, CGSs are based on Porter's analysis of the competitive advantages (actual and potential) of inner city areas, which stresses that these rather than the social disadvantages of inner city districts should be the main focus for area-based development strategies.<sup>1</sup>

In developing this vision, the CFP City Growth Strategy focuses on the development of five key business clusters and sectors. One of the key sectors is 'the creative industries, including elements of ICT and manufacturing'.<sup>2</sup> Within this broader categorisation, the City Fringe Partnership has identified the publishing and printing industries as key to the Fringe economy and the wider borough area. Historically, the City Fringe has always had a strong concentration of jobs and businesses within these industries, including national and international media conglomerates, such as News International and the Guardian group, as well as a much larger number of SMEs and micro businesses that are more typical of the sector nationally.

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<sup>1</sup> Porter, M. (1995) 'The Competitive Advantage of the Inner City', in *The Harvard Business Review*, May/June 1995.

<sup>2</sup> City Fringe Partnership (2003) 'City Growth Strategy: London City Fringe – Main Strategy', p.6.

## **Methodology**

The main elements of the research were a quantitative telephone survey of 131 businesses (50:50 split between print and publishing), a series of qualitative interviews with businesses and trade bodies in both print and publishing, and a number of short interviews with corporate customers from a diverse range of sectors (other than publishing). The context for the study was provided by a review of literature covering the sectors at the national level and secondary data analysis of the sector at the City Fringe, regional and national level. Throughout the study the research benefited from the input of an Intelligence Group comprising representatives of trade bodies, relevant policymakers, and consultants from studies with direct experience of the industry.

## **Overview: Related but Different**

The functional linkage between the publishing sector, which has traditionally relied on the printed hard copy medium to distribute its products, and the print sector (as suppliers to publishers) has historically meant that the two sectors have often been considered as one. This linking of print and publishing is, for instance, embedded in the UK's Standard Industry Classification (SIC), where the two sectors are aggregated together at the 2-digit level (SIC 22).

Similarly, the Mayor of London's economic analysis agency, GLA Economics, takes the two sectors together in its economic bulletins on manufacturing, describing print and publishing as London's largest manufacturing industry, accounting for one in three manufacturing jobs in 2001.<sup>3</sup> Yet an indication that this aggregation might be problematic is provided by the fact that the GLA simultaneously includes publishing (separate from printing) in its assessment of London's creative industries sector.<sup>4</sup> The reason for this is that publishing conforms to the DCMS definition of the creative industries as 'those activities ... which have their potential for wealth and job creation

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<sup>3</sup> Figures from 'London's Manufacturing Today', by Damian Walne, in GLA Economics (2003), *London's Economy Today: Issue 13*.

<sup>4</sup> GLA Economics (2002) *Creativity: London's Core Business*.

[based on] the generation and exploitation of intellectual property<sup>5</sup> but the print sector does not. Many implications flow from this fundamental distinction. Table 1 below presents a generalised analysis of the main differences between the two sectors.

**Table 1: Key Characteristics of the Print and Publishing Sectors**

	<b>PUBLISHING</b>	<b>PRINT</b>
<b>PRODUCT</b>	Content-based: informational product based on the exploitation of IP, through a range of channels; revenues generated by sales to end customers and from delivering audiences to advertisers.	Process-based: physical, manufactured product in a variety of permanent media formats with revenues generated directly from servicing clients, with no residual IPR to exploit
<b>RISK</b>	Medium to high (many ‘hit-driven’ segments)	Low
<b>SKILLS</b>	Knowledge-based	Craft/production-based
<b>PROPERTY</b>	Office space	Light industrial
<b>CAPITAL REQUIREMENTS</b>	Varies, but investment focused on developing a rights base and ensuring marketing and distribution	High costs of investment in capital equipment and premises relative to running costs

It should be recognised that the range of different market segments and activities means that the distinctions are not quite as clear as presented in Table 1. For instance, the introduction of digital printing is having an effect on the property requirements of printers, as digital machines are typically smaller and cleaner than more traditional litho machines<sup>6</sup> – thereby increasing the range of possible locations in which printers can be based. Similarly, the rise of contract publishing of magazines, whereby a publishing company produces a magazine on behalf of a client (e.g. a large supermarket chain) on a set-fee basis with no royalties, significantly reduces the level of risk for the publisher.

<sup>5</sup> DCMS (1998) *Creative Industries Mapping Document*, London: DCMS.

<sup>6</sup> ‘Litho’ is a much-used industry abbreviation for ‘lithographic’ printing and it refers to the process of printing from a stone or metal surface which has been treated so that ink adheres only to the design to be printed. It usually involves a film and plate process before getting to the press and despite the introduction of digital machinery it remains the most common form of printing at the present time.

Nevertheless, the broad differences presented in Table 1 remain salient and as a result, the business models, competitive strategies and challenges facing individual business within the two sectors are very different. This is reflected in the fact that print and publishing have always maintained different trade associations, industry bodies and labour representation organisations.

The one exception to this separation is the newspaper industry. The need for next day delivery on high volume runs means that the main newspaper groups have historically combined both print and publishing functions, often on the same site, or at least within the same organisation.

## 2. City Fringe Publishing and Printing in Context

This chapter establishes the broad context for the publishing and printing sectors in the City Fringe. It focuses on:

- recent key trends in the labour market and economic performance of the sectors in the Fringe, and how these relate to the regional and national picture;
- the range and value of market segments in the two sectors, how these are changing, and what this means for the relationship between publishing and printing

### Summary

The functional linkage between publishers (as buyers of print), and printers (as suppliers to publishers) has historically meant that the two sectors have often been considered as one. Despite these linkages, print and publishing businesses are very different, with contrasting business models, capital requirements and skills' needs.

While publishing might remain the single largest customer industry for printers, it does not account for the bulk of sales in the print sector. This will increasingly be the case as printing undertaken for UK publishers by UK printers is in long term decline. From the publishing side, the rise of digital/electronic publishing means that the link between publishers and printers, with print as a mass-reproducible distribution medium, is no longer as inevitable as it once was. Also, the extension of publishers' intellectual property rights into non-publishing activities such as conferences and training means that publishers have also effectively moved into non-print markets. The result is that, as the 2002 DTI competitiveness report on publishing noted, the two sectors are no longer as inextricably linked as they once were.<sup>7</sup> Our research demonstrates that, in addition to these sectoral factors, there is very little evidence of linkages between the two geographic sectors in the City Fringe itself.

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<sup>7</sup> Pira (2002a) *Publishing in the Knowledge Economy: Competitiveness Analysis of the UK Publishing Media Sector*, report for the DTI.

The importance of the two sectors to the City Fringe and to London as a whole is also markedly different, with print and publishing having experienced contrasting recent fortunes. Between 1998 and 2002:

- The publishing sector in the City Fringe **increased** both employment and business numbers, at a greater rate than nationally, albeit at slightly below the rate seen in the sector in London over the same period
- The print sector in the City Fringe experienced **decreases** in both employment and business numbers, and these decreases were proportionally greater than the declines registered within the sector at both the national and regional level

The result is that currently:

- Employment and businesses in the publishing sector are strongly concentrated in London, and the region's employment in the sector is strongly concentrated within the City Fringe area
- In contrast, employment and businesses in the print sector are less concentrated in London, and the region's employment in the sector is less heavily concentrated within the City Fringe area

### **City Fringe Publishing Sector in Context**

The main sub-sectors of the publishing sector are book publishing, newspapers, consumer magazines, business to business media and academic journals. While not capturing this level of detail, some of this activity is reasonably well represented within the UK SIC, and the following 4-digit codes were used for the secondary data analysis in the research and in drawing up the sample frame for the business survey:

- 2211 Publishing of books
- 2212 Publishing of newspapers
- 2213 Publishing of journals and periodicals
- 2214 Publishing of sound recordings
- 2231 Reproduction of sound recordings

2215 Other publishing

9240 News agency activities

In addition, in attempting to develop a better understanding of the sectoral mix and supply chains within publishing in the Fringe, the study encompassed the retail sale of books in specialist bookshops within the primary research. This was not incorporated within the secondary data analysis as the relevant SIC code (5247) also includes newsagents and corner stores, and therefore would have distorted the findings. Similarly, the study sought to encompass the wholesale of books and magazines within the primary research,<sup>8</sup> while excluding it from the statistical analysis due to the fact that it is incorporated within a broader SIC code 5147 - wholesale of other household goods.

In 2002, there were 27,097 employees working in 1,155 businesses in the publishing sector in the City Fringe.<sup>9</sup> This accounted for 40% of employment in publishing in London, the capital itself accounting for 40% of employment in the sector nationally. Labour Force Survey (LFS) figures reveal that self-employment in the sector in London in 2002 was 6,936, or 9% of the total publishing workforce in the capital (broadly in line with the level of self-employment in the sector nationally). Unfortunately, LFS data are not robust enough to disaggregate below the regional level, so it is not possible to determine the number of self-employed in the sector in the City Fringe.

As Table 2 illustrates, employment growth in the sector nationally (at the Great Britain level) has been modest, just 2.2% between 1998 and 2002. However, this masks a divergence between the sector in London and in the rest of Great Britain. So, while publishing in the capital grew strongly by 14.9% over the period, employment in the sector outside Greater London actually fell by 5.0%. A rise of 12.8% in employment within the City Fringe meant that the area also benefited significantly from growth in the

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<sup>8</sup> However, after consulting with trade directories such as The Bookseller's ([www.thebookseller.com](http://www.thebookseller.com)), no wholesalers were found to be located in the Fringe area.

<sup>9</sup> As the specific City Fringe regeneration area used by the CFP is a small area defined by postcode boundaries, it is not possible to obtain much secondary data for this particular area. Therefore, for the present purpose of comparison, we have used the best fit possible – the four boroughs of Camden, Islington, Hackney and Tower Hamlets – for the secondary data analysis.

region as a whole. The GLA's study on the creative industries, *Creativity: London's Core Business*, indicates that for an earlier timeframe (1995-2000), the City Fringe boroughs actually registered the strongest employment growth in the publishing sector in the capital, while employment losses were greatest in the neighbouring City of London.<sup>10</sup>

Absolute employment in all areas peaked in 2001. Over the last year for which statistics are available, 2001-02, GB employment fell by 4,356, a decline of 2.5%. 44% of these jobs were lost in London, and 17% in the City Fringe, the declines in both areas being proportionately similar.

**Table 2: Employment in the Publishing Sector in the City Fringe, 1998-2002**

	<b>1998</b>	<b>2002</b>	<b>Change 1998-2002</b>	
	<b>Nos</b>	<b>Nos</b>	<b>Nos</b>	<b>%</b>
<b>City Fringe</b>	24,020	27,097	3,077	12.8
<b>Greater London</b>	58,885	67,676	8,791	14.9
<b>Great Britain</b>	162,994	166,572	3,578	2.2

*Source: Annual Business Inquiry © Crown Copyright (2004)*

Numbers of businesses grew in all areas over the same period, although the trend here is the opposite to that of employment. While the number of businesses in the sector in the London region grew by 4.7%, in the rest of Great Britain excluding the capital, business numbers grew by 13.1%. Growth in business numbers was lowest in the City Fringe over the period, with only a 3.2% increase. This means that the size of businesses in terms of a crude average of the number of employees in the three areas is very different, with businesses in the sector in the City Fringe being significantly larger – employing an average of 23.5 people – than in both London and Great Britain, for which the respective figures are 14.7 and 13.1.

<sup>10</sup> GLA Economics (2002) *Creativity: London's Core Business*.

**Table 3: Stock of Businesses in the Publishing Sector in the City Fringe, 1998-2002**

	1998	2002	Change 1998-2002	
	Nos	Nos	Nos	%
<b>City Fringe</b>	1,119	1,155	36	3.2
<b>Greater London</b>	4,388	4,596	208	4.7
<b>Great Britain</b>	11,582	12,734	1,152	9.9

*Source: Annual Business Inquiry © Crown Copyright (2004)*

London's dominance of the sector is even more pronounced with regard to turnover, with the sector in the capital accounting for 58% of UK publishing turnover in 2001, or £11.1bn – a significantly higher share than of employment (40%), indicating the higher value of publishing activities in the capital. Looking at specific sub-sectors, book and newspaper publishing in London each accounted for a little over half of all revenues generated by those sub-sectors in the UK as a whole, while 63% of revenues from journal and periodical publishing, and almost all revenues (91%) from news agencies, were generated within London. ONS data on turnover are, unfortunately, not available at the sub-regional level so it is not possible to report on the City Fringe itself.

### **Publishing Markets in the UK**

In order to understand the publishing and printing sectors, and the nature of the relationship between the two, it is important to understand the range of publishing activities now undertaken across the UK.

Table 4 below presents the value of the UK publishing sector in terms of turnover, by the 4-digit SIC classes listed earlier. In terms of the detail that the SIC allows, three market segments account for over 80% of all turnover in the sector, as follows:

- journals and periodicals (32%)
- newspapers (28%)
- books (20%)

**Table 4: Turnover for the UK Publishing Sector, 2001**

<b>Class</b>	<b>Description</b>	<b>Total Turnover £m excl VAT</b>
2111	Publishing of books	3,815
2212	Publishing of newspapers	5,370
2213	Journals and Periodicals	6,085
2215	Other publishing	1,363
9240	News agency activities	1,680
2214	Publishing of sound recordings	319
2231	Reproduction of sound recording	501
	<b>Publishing total</b>	<b>19,134</b>

*Source: Annual Business Inquiry © Crown Copyright (2004)*

These data do not provide a greater level of detail on individual market segments (e.g. consumer magazines), or allow a quantification of publishers' revenues from digital products and from related but non-publishing products and services, such as conferences, exhibitions and training (both of which are now significant features of the sector). The following commentary attempts to address some of these gaps by supplementing the top level SIC class data with estimates of market value drawn from a range of trade sources.

It should be noted that there is not always a clean fit between all the figures contained within this commentary, due to differences in how the data have been assembled. In particular, the estimates of the market value of the various segments of which the journals and periodicals sector is comprised take in a significant component of activity not covered by the SIC classes in Table 4. Despite this inability to reconcile all the figures in this section, it is important to outline these segments in greater detail since a reliance on the data based on SIC classes alone runs the risk of “amalgamat[ing] activities that are subject to different market dynamics”.<sup>11</sup>

### **Journals, Periodicals and Magazines**

The largest market segment in the UK's publishing sector is Journals and Periodicals (including magazines). Worth over £6bn in 2001, it is a complex segment as it

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<sup>11</sup> Pira (2002a) *Publishing in the Knowledge Economy: Competitiveness Analysis of the UK Publishing Media Sector*, report for the DTI, p. 66.

encompasses a heterogeneous range of products and services, sold both to consumer and business markets.

### **Consumer Magazines**

Spending on consumer magazines in the UK grew throughout the 1990s. While sales volumes peaked in 1996 (at around 1.4bn copies per year), declining slightly thereafter, rising cover prices ensured continued growth.<sup>12</sup> Much of the revenue growth during this period was associated with growth in the number of new titles, which rose by 55% to 3,229.<sup>13</sup> In contrast to newspapers and business-to-business (B2B) publications, copy sales contribute a larger share of revenues than advertising. Between 1993 and 2002, advertising revenues showed steady growth, from £448m to £785m, a rise of nearly 40% in real terms.<sup>14</sup>

The consumer magazines market is dominated by a number of large publishers, including Emap, IPC, National Magazines and BBC Worldwide. In a highly competitive and increasingly saturated sector, publishers consistently try to open up new markets and to increase overall market share. In recent years, the larger publishers have regarded their bestselling titles not just as magazines but as consumer lifestyle brands that can be extended into a number of other products and markets. These include publishing-related activities (such as spin-off books and websites), and also other enterprises, ranging from exhibitions and concerts to radio stations and even digital TV channels.

### **Business-to-Business Media**

B2B media include trade publications and business magazines, directories, contract publishing, reports and newsletters, and online business information. In addition, business media publishers are increasingly involved in the provision of other related services, such as conferences and exhibitions, awards, direct marketing services, training and audio-visual information. The value of the B2B media sector in 2000 was calculated

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<sup>12</sup> Pira (2002a) *ibid.*

<sup>13</sup> Periodical Publishers Association at [www.ppa.co.uk](http://www.ppa.co.uk)

<sup>14</sup> Advertising Association (2003), *op cit.*

to be £11.8bn and growing.<sup>15</sup> As an indication of the value of the related services in B2B media, magazines and journals only accounted for an estimated £3.3bn of total revenues in 2000. The Business Information Forum estimate that as many as 10,000 business magazine and journal titles are published in the UK, by around 700 companies. The majority of these publishers serve only professional markets, with many specialising in specific trade sectors.

Advertising expenditure on business and professional magazines and papers was £1,088m in 2002 – £374m more than in 1993, and accounting for 6.5% of total advertising expenditure on all media.<sup>16</sup> In real terms, however, advertising spend was lower in 2002 than in any previous year since 1995. While this partly reflects an overall advertising recession, there is also a possibility that it might signal the start of a longer-term decline in the value of advertising for the sector, related to increasing corporate expenditure on direct marketing, both online and offline. Some publishers are therefore keen to convert the subscribers to the many free titles offered in the sector to paying customers, in order to offset the potential loss of advertising revenues in the future.<sup>17</sup>

The market for business directories was estimated to be worth almost £1.5bn in 2000. Directories include those that are distributed free, generally providing basic business location information, and more specialist or information-rich titles, which rely on copy sales for a proportion of revenue.<sup>18</sup> In 2002, advertising spend in directories was £990m, or 5.9% of total advertising spend in all media – a ninth consecutive year-on-year increase in real terms.<sup>19</sup> Directories are also increasingly provided online and on CD-ROM, while a related – and lucrative – activity is the rental of data for marketing purposes. In fact, many companies in the business sector earn more from direct marketing services than from publications.

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<sup>15</sup> Business Information Forum (2001) *Connecting Business: The UK Business-to-Business Information and Communication Industry*.

<sup>16</sup> Advertising Association (2003) *Advertising Statistics Yearbook 2003*.

<sup>17</sup> Pira (2002a), *op cit*.

<sup>18</sup> Pira (2002a), *ibid*.

<sup>19</sup> Advertising Association (2003), *op cit*.

The publication of business newsletters and market research reports for sale (but excluding bespoke reports and surveys produced for individual clients) is a significant minority activity, worth an estimated £271m in 2000-2001.<sup>20</sup> Circulation data are not generally collected for newsletters, but most are low-volume and serve high-value niche markets, with an increasing number distributed electronically.

Conferences and exhibitions, while not obviously a publishing activity, are a growing market for many business publishers, and are often closely related to particular magazine and journal brands. In 2000, it was estimated that conferences and exhibitions activities generated over £800m directly for publishers.<sup>21</sup>

In the past few years, a high proportion of business publishers have moved online, many responding initially to the perceived threat of disintermediation (put simply, cutting out the middleman) as new online competitors targeting their existing markets. A number were later forced to scale back their operations when new revenue streams failed to materialise, but online publishing is now a firmly established element of the business publishing market. Some of the larger publishers have successfully combined a number of titles in a particular market segment to create online information ‘portals’ available only to print subscribers, while internet-only subscriptions provide additional revenues.

In addition, there is a growing market in more specialist online information, for example in the legal and Science, Technology & Medical (STM) sectors. Rather than simply re-publishing content from offline titles, these online business information vendors offer more sophisticated services that aggregate content from a wide range of sources to provide high-value information to niche sectors. The largest players (which include companies such as Thomson, Lexis Nexis, Factiva and Elsevier Science) have a global reach and technically advanced information-handling capabilities, and some providers in this sector are moving away from printed publications altogether. The UK market for such services is the largest in Europe, worth £297m in 2001.<sup>22</sup>

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<sup>20</sup> Business Information Forum (2001), *op cit.*

<sup>21</sup> Business Information Forum (2001), *ibid.*

<sup>22</sup> Pira (2002a), *op cit.*

## Journals

The journal publishing industry is centred around the publication of academic research and papers. Journals are the main channel for the dissemination of academic research, and play a central role in the process of peer-review by which academics assess the value of their colleagues' work. The journals market is global in nature, with titles sold around the world on a subscription basis, primarily to universities. Typically, total sales of UK-based journals far exceed domestic sales. The sector comprises a few large commercial companies (producing hundreds of titles), and a large number of small and medium-sized publishers (many producing only one or two titles).

Since the 1990s, the industry has become more consolidated. Although good data are in short supply, figures from the Publishers Association indicate healthy growth in revenues to UK-based journal publishers. In part, this is related to the pricing power which a number of the larger publishers is able to exert, which has resulted in the average price of an academic journal in Britain rising by 58% between 1998 and 2003.<sup>23</sup> This has led to increasing concerns among academics, universities and governments – in the UK, US and Europe – that journal publishers are making too much profit out of what is often publicly-funded research. As a result, there are a number of governmental reviews underway that could force changes to the current business model of journal publishing.<sup>24</sup>

In contrast to many other areas of publishing, the journals sector has made a very quick and commercially successful move into online publishing, establishing a profitable e-commerce market that now accounts for a significant portion of the sector's revenues.<sup>25</sup> Factors such as the international distribution of buyers and academia's relatively long history of publishing on the internet have helped to create a receptive market for electronic publishing. While online publishing should reduce production and distribution costs, its rise has coincided with price increases well in excess of inflation. To some extent this can be attributed to the cost of investment in systems and technology, but

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<sup>23</sup> Figures published in July 2004 in the House of Commons Science and Technology Committee report on journal publishing, quoted in *The Economist* (2004) 'Access all Areas', *The Economist* (05/08/04).

<sup>24</sup> *The Economist* (2004), *ibid.*

<sup>25</sup> Pira (2002b) *Ecommerce: Business Opportunities for Publishers*, report prepared for the DTI.

publishers have been criticised for profiting from government-funded research, to which they effectively restrict access. One response has been an increase in self-publication by authors, editors and libraries.

## **Newspapers**

Newspaper publishing is the second largest segment in the UK publishing sector, with revenues of £5.4bn in 2001. Newspaper sales, however, have been declining for many years. This trend is most pronounced in regional papers and mass-market dailies, although the latter start from a much higher base than their broadsheet competitors. Declining sales are due to a range of factors, including competition from other media channels, such as radio, TV and the internet, and changing consumer habits, such as a reduction in home deliveries.

Despite falling circulations, price rises and increases in advertising revenues ensured that sales revenues grew modestly throughout the 1990s.<sup>26</sup> Revenues from advertising increased throughout the decade with net expenditure on national newspapers growing from £1.2bn in 1993 to £2.3bn in 2000.<sup>27</sup> While advertising spend in newspapers did decrease between 2001 and 2003, reflecting the general recession in the advertising sector, it did not fall below 1999 levels. Revenues have started to grow again in 2004. Regional newspapers fared even better during this period, recording compound annual growth in advertising revenues of 2.8% over the past five years, despite the advertising recession.<sup>28</sup> The bulk of advertising is divided between display and classified adverts, with the latter of particular importance to local and regional papers. Display advertising contributes the largest proportion of revenues to nationals, but other areas, such as recruitment advertising, make significant contributions.

Most of the UK's national daily and weekend papers have invested heavily in online publishing since the late 1990s, but as with many business publishers, these exercises have been costly and in most cases have failed to generate significant revenues. Growth

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<sup>26</sup> Pira (2002a), *ibid.*

<sup>27</sup> Advertising Association (2003) *Advertising Statistics Yearbook 2003*.

<sup>28</sup> Ewington, T. "Will the Web Get the Job Done?" *Financial Times* (29/03/04)

in the value of online advertising has been slow and, with the initial decision of most papers to make their content freely accessible on the net, it is only latterly that papers have begun to tap into chargeable content. Even now this is typically restricted to relatively small areas such as subscription crossword and horoscope services, or ‘fantasy football’ type content. The one newspaper that has successfully undertaken a more dramatic shift towards chargeable online, involving a complete u-turn in its online strategy, is the *Financial Times*, whose FT.com website now earns a profit through subscriptions and syndication.

Regional newspaper publishing groups have so far been relatively successful in countering the threat posed by the internet to traditional revenue streams, such as classified advertising. The Fish4.co.uk network (classified recruitment, property and automotive advertising online) was set up by an alliance of Newsquest Media Group, Northcliffe Newspapers Group Limited, Trinity Mirror plc and Guardian Media Group Regional Newspapers.<sup>29</sup> AdFast is another joint online initiative set up by regional papers, in this instance to streamline the syndication of display advertising to local papers.

## **Books**

Book publishing is the third largest market segment and generated a turnover of £3.8bn in 2001.<sup>30</sup> UK book publishing is a mature and internationally respected industry. The Publishers Association state that in 2001, 2,345 book publishers were registered in the UK for VAT purposes, with their ranks swelled by many more very small publishers operating below the VAT threshold.<sup>31</sup>

Britain is a net exporter of books: UK publishers’ exports were worth £1.2bn in 2002, while imports of books to the UK were worth around £330m.<sup>32</sup> In 2001 and 2002, UK book exports exceeded those of the USA (which is also the UK’s largest export market).

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<sup>29</sup> www.fish4.co.uk

<sup>30</sup> Office for National Statistics at www.nationalstatistics.gov.uk

<sup>31</sup> Publishers Association (2003), *The UK Publishing Industry in Statistics*.

<sup>32</sup> Publishers Association (2003), *ibid*.

The continuing growth of English as an international language is a major advantage for UK publishers. Allied to this, sales of English language learning books are a significant and growing sector of the market.

A relatively small number of publishers and titles account for the majority of sales. According to a KPMG report in 1998, 3% of titles accounted for more than 50% of retail sales, and these were dominated by the largest publishers (although no single publisher had a market share greater than 9%).<sup>33</sup> Increasing consolidation in the market now means that book publishing is officially defined as an oligopoly due to the level of dominance of the top five firms.<sup>34</sup> The most successful publishing imprints belong to multinational conglomerates such as HarperCollins, Pearson and the Random House Group.<sup>35</sup>

Similarly, consolidation in the retail sales market has led to domination by large retail chains, which accounted for 43% of sales in 2002.<sup>36</sup> Internet booksellers continue to account for a growing market share, but are being overtaken by supermarkets. Since the collapse of the Net Book Agreement in 1995, the latter have consistently discounted bestsellers, putting pressure on publishers' profit margins.

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<sup>33</sup> Quoted in Pira (2002a) *Publishing in the Knowledge Economy Competitiveness Analysis of the UK Publishing Sector*, report prepared for the DTI.

<sup>34</sup> This is as measured by the percentage of Gross Value Added (GVA) accounted for by the top five firms. In 2002, this was 37% for book publishing. The DTI/ONS define any proportion greater than 33% as an oligopoly (DCMS (2004) *Creative Industries Economic Estimates: Statistical Bulletin August 2004*).

<sup>35</sup> MBD (2003) *UK Book Publishing Market Development*.

<sup>36</sup> Publishers Association (2003), *op cit*.

## City Fringe Print Sector in Context

There are a number of ways to define the print sector, as printing comprises a number of related but distinct sub-sectors. Differences in definition do not only arise in terms of the print segments that are included, but also in relation to where in the value chain the definition begins. For instance, both of the main national trade bodies, the British Print Industries Federation (BPIF)<sup>37</sup> and the Print Education Forum (PEF)<sup>38</sup> cover elements of the paper industry, as well as print activities related to the packaging industry.

The starting point for the definition used in the present study is derived from the technical definitions used by the two lead industry bodies. These have then been adapted to the nature of the industry in the City Fringe itself, as analysed using firm level datasets (specifically the National Business Database and Dunn & Bradstreet). This analysis indicates that the packaging and paper industries do not have a strong presence in the City Fringe. The technical definition utilised in the following statistical analysis is therefore limited to what might be termed the core print activities, namely:

- 2221 Printing of newspapers
- 2222 Printing not elsewhere classified
- 2223 Bookbinding and finishing
- 2224 Composition and plate-making
- 2225 Other activities related to printing

Using the sector footprint outlined above, this section looks at recent trends in employment and business numbers in the City Fringe print sector, and places them in the context of the sector at a London regional level and a national GB level.<sup>39</sup>

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<sup>37</sup> The BPIF is the main trade association for the printing, packaging and graphic communication industry, offering business support, news and training to its members, c.f. [www.britishprint.com](http://www.britishprint.com)

<sup>38</sup> The PEF has emerged from the former Print NTO as the national sector body for training and skills development in the print, graphic communication and packaging sector, c.f. [www.printnto.org](http://www.printnto.org)

<sup>39</sup> As with publishing, the local area used in the statistical analysis is the expanded City Fringe area of the four boroughs of Camden, Islington, Hackney and Tower Hamlets.

In 2002, there were 7,889 people working in 804 businesses in the print sector in the City Fringe. This represents 27% of employment in London’s print sector, with the capital accounting for 16% of national employment in the sector. Self-employment in the sector nationally in 2002 was 7,718 (3.8% of all employment), with a slightly higher component of self-employment in the industry in London (1,361 or 4.4% of all employment). As with publishing, it is not possible to identify self-employment in the sector in the City Fringe using secondary data sources.

Employment in printing in the City Fringe has declined significantly over the last five years, with the loss of 2,788 jobs, over a quarter of the area’s total in the sector. While it is true that employment losses were also registered in the sector regionally and nationally over the same period, the loss of jobs was proportionally greater in the City Fringe. At the national level, commentators have attributed the long-term trend of employment decline to productivity gains resulting from automation of the print process.<sup>40</sup> These broad changes are a continuation of trends established in the first half of the 1990s, which also saw a shift in employment in the sector away from London. Employment in the sector in London shrank by 8.3% in the period between 1991 and 1996, but grew in some other English regions, such as the South West, which saw a 6.4% rise in employment over the same period.<sup>41</sup>

**Table 5: Employment in the City Fringe Print Sector, 1998-2002**

	1998	2002	Change 1998-2002	
	Nos	Nos	Nos	%
<b>City Fringe</b>	10,677	7,889	-2,788	-26.1
<b>Greater London</b>	35,886	29,334	-6,552	-18.3
<b>Great Britain</b>	200,154	180,854	-19,300	-9.6

*Source: Annual Business Inquiry © Crown Copyright (2004)*

<sup>40</sup> BPIF (2001) *Print 21: Coming of Age? – A Study into the Competitiveness of the UK Printing Industry*, report prepared for the DTI.

<sup>41</sup> BPIF (2001) *ibid.*

Looking at the stock of businesses within the print sector in the City Fringe, there has also been a significant fall in numbers over the last five years (a loss of almost one fifth of businesses). The trend is the same as for employment: simultaneous declines in the number of businesses in the print sector in London, which are proportionally greater than those registered nationally, with decreases relatively greater still within the City Fringe. Turnover data are not available for the print sector in the City Fringe area, but at the regional level, London accounted for 21% of UK turnover in the print sector in 2001.<sup>42</sup>

**Table 6: Number of Print Businesses, 1998-2002**

	1998	2002	Change 1998-2002	
	Nos	Nos	Nos	%
<b>City Fringe</b>	997	804	-193	-19.4
<b>Greater London</b>	4,155	3,669	-486	-11.7
<b>Great Britain</b>	20,104	19,376	-728	-3.6

*Source: Annual Business Inquiry © Crown Copyright (2004)*

### **Print Markets in the UK**

The value of the UK printing industry in terms of sales was more than £11bn in 2001 (based on the SIC categories outlined above). In terms of the value of sales, the sector has been largely static over the last three years. The BPIF attributes this sluggish sales performance principally to over-capacity across the industry and to increasing international competition, both of which are putting downward pressure on prices. Over-capacity across the industry is being driven by the adoption of new technologies, with new presses and workflows (both litho and digital) enabling much higher capacity than the equivalents they replace.<sup>43</sup> Falling demand in a number of market segments for hard copy formats, associated with the rise of digital markets, is also a contributory factor.<sup>44</sup> The sector has also had to cope with aggregate cost rises consistently above RPI over the last decade and this, coupled with downward pressure on prices, has meant that profitability is low and declining.<sup>45</sup>

<sup>42</sup> Due to the differences in the areal unit for which data has been collected (GB for employment and business numbers as opposed to UK for turnover), it is not possible to make a direct comparison between these variables.

<sup>43</sup> BPIF (2003) 'Productivity and Profitability Commentary 1997-2001', at <http://www.britishprint.com>

<sup>44</sup> BPIF (2001) *Print 21: Coming of Age? – A Study into the Competitiveness of the UK Printing Industry*, report prepared for the DTI.

<sup>45</sup> BPIF (2001), *ibid.*

**Table 7: UK Printing Manufacturer Sales, by 4-digit SIC, 1997-2001**

SIC		UK Manufacturer Sales (£m)	
		1997	2001
2221	Printing of newspapers	212	205
2222	Printing not elsewhere classified (NEC)	9,112	9,204
2223	Bookbinding and finishing	378	460
2224	Composition and platemaking	714	571
2225	Other activities related to printing	522	637
	<b>Total</b>	<b>10,938</b>	<b>11,077</b>

Source: ONS Product Sales and Trade 2003

Within the two categories, printing of newspapers and printing NEC, the BPIF identifies four key distinctions in terms of the market requirements by which they are produced:<sup>46</sup>

- Industrial printing: high volume runs, typically books, magazines, newspapers, catalogues, etc
- General printing: other products generally printed in low to medium volumes on litho presses (but increasingly on digital presses)
- Quick printing: fast turnaround, short runs typically undertaken on the high street
- Screen printing: a more specialised area<sup>47</sup>

Data are not available regarding the BPIF's four process-based categories, and nor do basic SIC code data provide much detail in terms of the different product markets. This lack of detail is exacerbated by the dominance of the activities grouped together under the catch-all printing NEC category, which accounted for over 80% of sales in 2001. Since 1997, however, ONS Prodcom data have enabled a finer disaggregation of the various product markets of which printing is comprised, particularly with regard to SIC 2222. As Table 8 illustrates, four main market segments accounted for over three-quarters of the value of sales in the large printing NEC category in 2001:

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<sup>46</sup> BPIF (2001), *ibid.*

<sup>47</sup> The process is also called silk screening and it involves the transfer of ink through a porous screen, such as nylon, onto the surface to be decorated, which can be paper but is also used on plastic, fabric, wood, ceramic and glass.

- advertising literature
- books, brochures, leaflets etc
- programmes, tickets etc
- periodicals

By far the **largest market segment in the entire print sector is ‘advertising literature’** worth nearly £3.2bn in 2001 – more than twice the value of the second largest segment in the SIC 2222 Printing NEC category – and representing a rise of £352m, or 12.4%, since 1997. Advertising literature sales are growing both in overall terms and as a proportion of the printing industry as a whole, reflecting both declining sales in some other sub-sectors of printing, and the increasing growth of direct mail as a proportion of advertising expenditure. Further, promotional/advertising material is forecast to be the strongest growing print market through to 2010.<sup>48</sup>

Within ‘printing NEC’, the next largest market segment is books, brochures, leaflets etc, worth £1.4bn in 2001. Sales in this segment have been in decline since 1993 and fell by £93m (6.1%) since the start of the new Prodcom data in 1997. Book printing has been hardest hit by international competition. This is particularly the case with colour book printing, which has largely moved overseas.<sup>49</sup> However, one element within this category, the printing of annual business reports and accounts, increased from 1997 by 15.4% to £174m in 2001.

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<sup>48</sup> BPIF (2001), *op cit.*

<sup>49</sup> BPIF (2001), *ibid.*

**Table 8: UK Printing Manufacturer Sales in Detail, 1997-2001**

SIC		1997	2001	Change 1997-2001	
		£m	£m	£m	%
2221	Newspaper printing	212	205	-7	-3.2
2222	Printing NEC	9,112	9,204	92	1.0
	<i>of which:</i>				
	– Advertising/promotional literature	2,844	3,196	352	12.4
	– Books, brochures, leaflets etc	1,530	1,436	-93	-6.1
	– Printing of programmes, tickets etc	1,295	1,275	-19	-1.5
	– Periodicals (inc. magazines)	1,208	1,170	-38	-3.2
	– Miscellaneous security printing, business forms, diaries, greetings cards etc.)	2,236	2,126	-110	-4.9
2223	Bookbinding and Finishing	378	460	82	21.8
2224	Composition and Platemaking	714	571	-143	-20.1
2225	Other Printing Activities	522	637	115	22.1
	<b>Printing Total</b>	<b>10,938</b>	<b>11,077</b>	<b>139</b>	<b>1.3</b>

Source: ONS Product Sales and Trade

The third largest defined segment of SIC 2222 is ‘printing of programmes, tickets etc’, worth £1.3bn in 2001, a decline of £19m (1.5%) since 1997. This segment is dominated by the printing of compliments slips, business cards, letterheads etc., and is relatively stable in terms of sales.

The value of sales related to the printing of periodicals (including magazines) fell by 3.2% between 1997 and 2001, continuing a downward trend from 1995. This trend is particularly telling given that journals and periodicals form UK publishing’s largest segment. Unlike the similar declines in value in the printing of books in the UK, there appears to be no industry consensus as to the precise reasons for this continuing decline. However, it is worth reiterating that this is the segment in which electronic publishing has had the greatest impact, particularly in the STM journal market and in business-to-business media. In addition to the direct loss of sales arising from the substitution of electronic for hard copy, the better opportunities for switching to digital in these markets (compared to other publishing segments) may also have added additional downward pressure on print prices in the journal and periodicals market.

The remaining products within SIC 2222 cover a wide range of miscellaneous printed items including security printing (cheques, deposit books etc.), business forms, diaries, greetings cards and calendars. This aggregation of a wide number of products had a collective value of sales of £2.1bn in 2001, more than any other print market segment bar advertising and promotional literature.

Composition and plate-making showed a significant fall in sales of £143.4m (20.1%) between 1997 and 2001, which is likely to reflect the ongoing introduction of digital machines across the industry. In contrast, sales generated by other printing activities grew in value by £139.4m, an increase of 22.1% over the five year period to 2001. This segment is entirely accounted for within the Prodcum data by the category of graphic services which includes the preparation of digital data related to printing.

Newspaper printing accounts for a relatively small share of sales in the overall printing industry (just 1.9% in 2001). This is partly misleading as the in-house print facilities of the major newspaper groups are not included in these figures and are counted instead as part of newspaper publishing. While the value of externally-produced newspaper printing sales does fluctuate from year to year, partly reflecting changes in the price of materials such as newsprint, the overall trend is downwards, in line with falling newspaper circulations.<sup>50</sup>

It is clear, then, that – at least at the national level – **the linkage with the publishing sector is not the commercial driver for the print sector**. That is, the value of printed items related to the publishing sector (books, newspapers, magazines etc.) is diminishing and does not represent the bulk of sales for the print sector. Rather, sales are generated across a much greater diversity of printed products, sold to a wide range of customer industries across all sectors of the economy.

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<sup>50</sup> BPIF (2003), *op cit*.

### **3. Overview of Publishing and Printing in the City Fringe**

#### **Publishing**

Magazine and journal publishers are numerically the largest sub-sector in the City Fringe's publishing sector. The majority of these companies identify with, and orient their businesses toward, the specialist vertical markets for which many of them cater (i.e. they effectively act as part of the publishing function for a range of different industries and sectors), rather than operating as part of something called the 'publishing sector'.

Despite these differences, there are some commonalities across the different publishing activities in the City Fringe, particularly around print buying, production processes, skills and recruitment:

- Print suppliers to the area's publishers are based outside London, where companies are able to supply print services which are cheaper and better placed for distribution to final customers via the motorway network than printers based locally
- Publishers in the City Fringe have recently switched to electronic means of delivery in which digital production is done almost entirely in-house, with print-ready files sent to printers
- Electronic publishing is increasingly important as a distribution platform for publishers
- Editorial staff (including new entrants) are therefore required to have a broad range of ICT, new media production and editorial skills
- Publishing is overwhelmingly a graduate sector, with a highly qualified workforce and a surplus of graduates seeking entry into the sector and willing to undertake unpaid work experience and placements
- There are consequently no real difficulties concerning recruitment and publishers seldom use local channels to recruit new staff

The City Fringe (or ‘inner East’) has emerged in recent years as a centre for publishing. This is related to a range of factors, both industry- and locality-specific, in particular access to a flexible, skilled labour supply; property cost advantages relative to Soho and the West End; and good transport links. Reflecting the recent growth of the sector in London and the wider City Fringe area, businesses have experienced a good last twelve months, with turnover, employment and profits all rising, although staff costs have also been increasing.

### **Printing**

The print sector is more deeply embedded in the City Fringe area than publishing: it has a longer history, has a much greater reliance on local and regional markets and the financial services centre, procures more locally, and depends more heavily on sub-contracting and informal referrals between businesses in the area. In other words, it exhibits more classic cluster attributes than publishing, and this extends to much more positive attitudes among businesses towards the particular locational benefits to be derived from the City Fringe than publishing. These extend across all possible factors but are particularly related to proximity to market-leading customers and a wide range of suppliers and ancillary businesses, and to cost advantages relative to other similar London locations.

Printers in the City Fringe are facing a number of serious challenges that are common to many printers in the UK at present, particularly falling demand, over-capacity across the sector, reduced investment cost barriers to entry, and overseas competition from lower cost locations. The result of this combination of factors is continuous downward pressure on prices and margins. While these challenges affect the UK print sector as a whole, they are particularly severe within the context of inner London, where property and staff costs are higher, and the specific effects of congestion and transport policies in the capital place further additional operating pressures on print businesses.

As with the sector nationally, new technologies are also providing new opportunities and a number of firms in the City Fringe are clearly exploiting them. Moving to digital, however, is not yet an absolute business imperative to printers, with no downside. Rather, the industry is going through a difficult transitional phase. There are still some cost and quality advantages in retaining traditional machines, and the timing of investing in digital is problematic given the rapid pace of technology developments. As traditional machines are often retained, new digital investment contributes further to over-capacity

Perhaps unsurprisingly, the problems facing the print sector in the UK, combined with the particular locational circumstances of the City Fringe, mean that businesses in the area have had a more difficult last 12 months than in publishing. This is particularly the case with employment, which has decreased marginally, and costs, which have risen. However, financial trend indicators suggest that there is a degree of polarisation across the sector in terms of how businesses are performing, with some rising to the challenge of the difficult operating environment much better than others. This divergence is also noticeable with regard to marketing and promotion, and to businesses' adoption and use of the internet.

## **4. Structure of the Publishing and Print Businesses in the City Fringe**

The next five chapters present a detailed analysis of the characteristics of the print and publishing industries in the City Fringe. This analysis flows from a distillation of all elements of the research: the quantitative business survey; interviews with companies, trade associations and print buyers; and background literature. Unless otherwise stated, all tables and figures are derived from the business survey.

The 131 businesses in the survey split almost evenly between print (49%) and publishing (50%), with one business working in paper and paperboard (and none in sound reproduction). In terms of size, 70% of all companies are micro-businesses (1-10 employees), the predominance of micros being common to both print and publishing, though print has a higher proportion of smaller businesses than publishing (92% of print businesses have 1-24 employees compared with 74% in publishing). Over two-thirds of all businesses in the survey are single-site, with no real difference between publishing and printing. Less than a quarter (22%) are part of a chain or group, with some divergence between print (19%) and publishing (26%).

### **Business Activities**

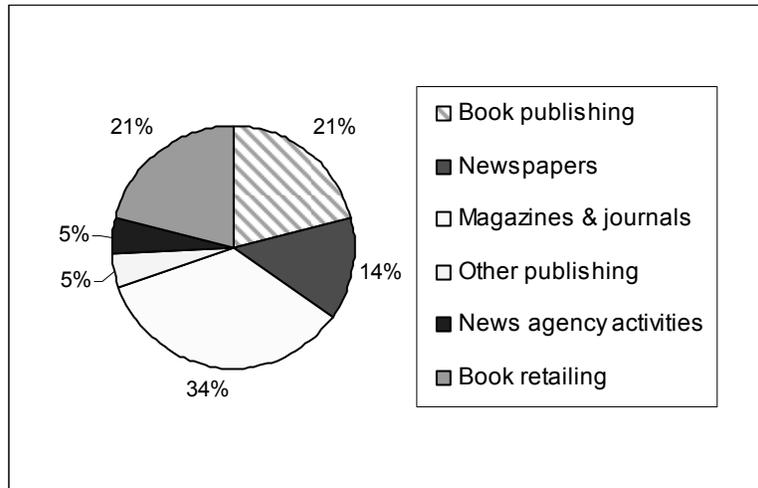
In reporting the results of the business survey, the results are expressed in terms of two survey populations – print and publishing – in order to maintain sufficient responses for them to be statistically significant.<sup>51</sup> However, it is important to outline the range of activities within these two broad groups.

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<sup>51</sup> For any kind of quantitative analysis, a minimum sample size of 100 for each cell is generally required. However, in those instances where a sample is drawn from a fairly small universe (such as the print and publishing sectors in the City Fringe area) it is acceptable to consider as a minimum 50 respondents per cell. Any less than this number and percentage results generally tend to become misleading and are not strong enough to base important decisions on.

The publishing sector in the City Fringe has three key components (in terms of numbers of businesses): magazine/journal publishing; book publishing and book retailing.

**Figure 1: Composition of Publishing Businesses in the City Fringe**



Magazine and journal publishing is primarily carried out by independent, small-to-medium sized publishers, often producing only one title or focused on one well-defined market segment – with trade (e.g. telecoms, legal, construction) and special interest (e.g. sustainability) titles prominent in addition to a number of niche consumer titles (e.g. *Dazed and Confused*). Book publishing has a similar make-up of small, independent, often niche publishers, in addition to a few medium-sized companies such as Faber & Faber. The area is also home to a mixture of book retailers with a few outlets of large book sellers such as Books Etc, and a larger number of independent, often specialist shops.

### **Newspapers**

Newspaper publishing, while less significant in terms of the number of businesses, is the most important publishing activity in terms of employment in the City Fringe. Jobs here are heavily concentrated in a handful of multinational media conglomerates producing national and regional dailies. As this indicates, newspapers are something of a special case:

- there are particular market and technology characteristics which make newspapers distinct from the rest of printing and publishing<sup>52</sup>
- they are the only companies in the City Fringe which retain a joint publishing and printing function
- organisationally, (inter)national corporate strategy is key in directing investment and location decisions

Given these factors, we have chosen to deal with newspapers separately from the rest of print and publishing in this section. The City Fringe is home to three major newspaper groups, which together constitute a significant proportion of the total print and publishing workforce:

- News International, which employs 3,000 people at its Wapping site, divided equally between editorial, printing and management/sales and marketing
- The Guardian Group, which employs almost 1,200 editorial and management staff at its Farringdon Road base
- Northcliffe Newspapers, the UK's largest publisher of regional newspapers, whose sales office in the area employs around 200 staff.

The City Fringe's newspaper businesses have a national reputation and tend to attract proven professionals of the highest quality. There is now a standard route for those entering the profession: degree, post-graduate journalism training, followed by work on local, regional, then national papers. City Fringe newspaper employers are not a normal entry point into the newspaper industry, not even for graduates, and there is generally little concern about skills shortages.

The newspaper market is a mature one, with print sales in gradual long-term decline. For most newspapers, the challenge is to develop new media services based around the newspaper brand, migrating readers towards content on digital channels in a manner that is commercially viable. Not surprisingly this has implications for the skills of the editorial workforce. With digital technology leading to a greater integration of editorial

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<sup>52</sup> BPIF (2001), *ibid*.

and production processes, employees and new entrants are increasingly expected to have a broad skill-set, with editorial skills accompanied by a working knowledge of standard industry software packages, and new media production skills.

Staff turnover tends to be highest in the sales (advertising and subscription) side of the businesses, and it is here that employment opportunities arise most frequently. But even this side of the businesses is dominated by graduates, with no particular need for the employers to focus on local recruitment.

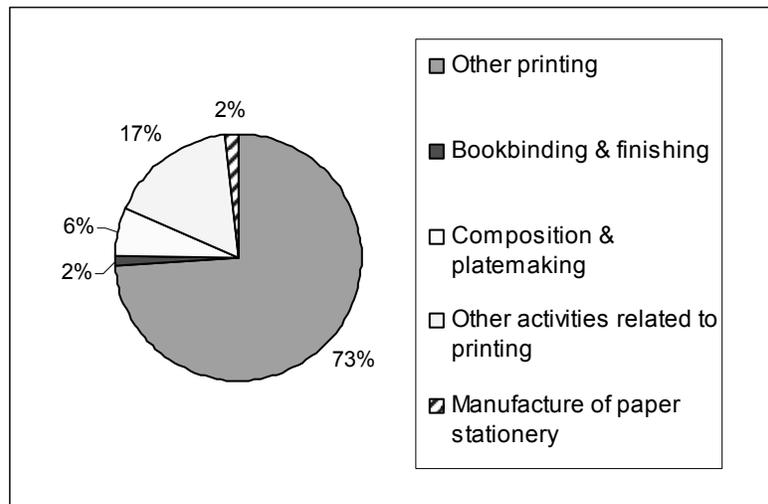
In spite of this overall picture, two of the newspaper groups we interviewed have developed Corporate Social Responsibility (CSR) programmes. At present, these CSR programmes are a mix of generic initiatives and those which seek to provide opportunities in the industry for local young people. One company, for example, provides two bursaries a year for a course at Harlow College (accredited by the National Council for the Training of Journalists), followed by work experience. The scheme has led to four full-time jobs at the company itself, with many other participants successfully securing jobs in other parts of the newspaper and magazine industry. The other newspaper group provides bursaries for students to study journalism at City University, and has a particular focus on supporting minority ethnic students. Both of the community affairs divisions are keen to develop these aspects of their work and to find new partners to enable them to do so.

Given the need for fast turnaround, newspaper printing is always likely to be undertaken domestically. However, London's rising property prices and a need for effective national distribution means that it is always a possibility that City Fringe newspapers will switch their printing operations away from Central London, closer to the M25 and major road networks. The possibility of switching sites will increase as the need to upgrade the existing plant and equipment approaches in a few years' time.

## Printing

Printing businesses in the City Fringe are heavily concentrated in what is referred to collectively as ‘other printing activities’, which accounts for almost three quarters of all print businesses in the survey. As outlined in the previous chapter, ‘other print activities’ basically means the printing of all items other than newspapers.

**Figure 2: Composition of Printing Businesses in the City Fringe**



Though this category can include the printing of magazines, journals and books, both our survey work and qualitative interviews indicate that, in the City Fringe, this type of ‘industrial’ printing (according to BPIF typology) is now very rare. Rather, the industry in the area is focused on the printing of items such as promotional and business materials (annual reports, flyers, posters, City research reports, stationery, brochures, business cards etc.), and miscellany such as music manuscripts, maps, atlases, diaries, calendars, albums, cheques and other security papers etc. The BPIF describes these activities as general and quick printing – that is, low to medium volume, often with a fast turnaround.

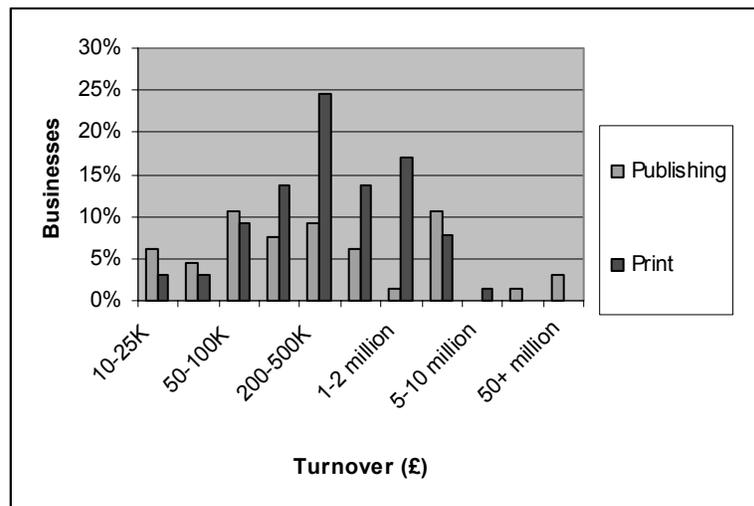
In addition to traditional printers, this category includes a number of what are known as instant print shops, offering a fast turnaround on (generally) low volume items from high street premises. Print shops are often thought to be ‘second rate printers’ by those within the general printing industry, but the quality and sophistication of their offer is changing

rapidly with the introduction of cheaper digital technology. Also, due to the fact that they are often part of large chains, such as Kall Kwik or ProntaPrint, print shops can often offer customers the ability to transfer digital files to other branches if they have no spare capacity themselves. Finally, the 17% of print businesses classified as other activities related to printing cover composition and other reproduction activities.

### Turnover

There is a divergence between print and publishing in terms of turnover structure. The printing industry in the City Fringe exhibits a more uniform structure, with 69% of businesses having a turnover of between £100k and £2m. Publishing, on the other hand is more diverse and polarised: 21% of businesses have a turnover of £10k-£100k, but 15% have a turnover of more than £2m, including 5% with turnovers of £10m or more.

**Figure 3: Turnover Structure of Print and Publishing Businesses**



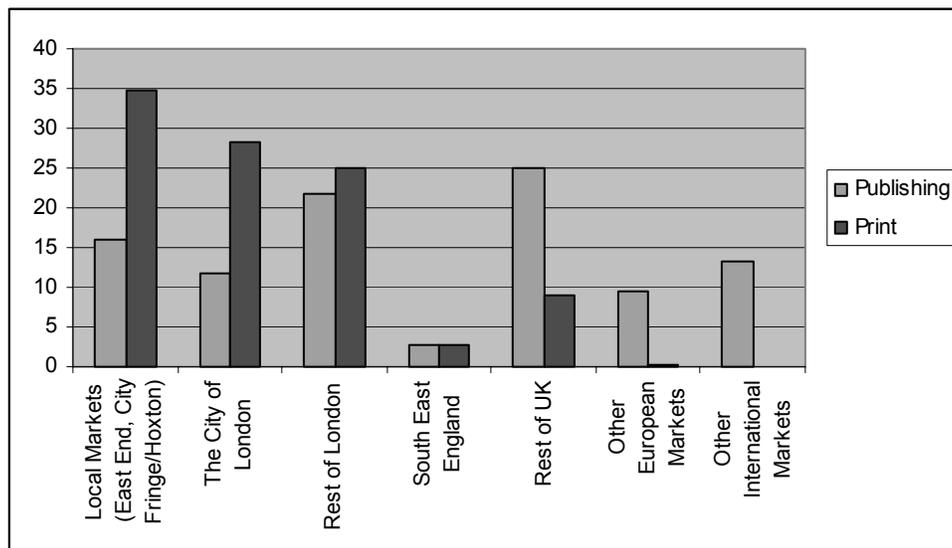
It should be noted that not all survey respondents provided turnover data: the shares in Figure 3 do not therefore total to 100%.

## Sales and Customer Base

There is a major divergence between publishing and print in relation to sales base. The average sales base of print businesses is tightly geographically-focused, concentrated on local markets (35%), the City (28%) and the rest of London (25%). On the contrary, sales in the publishing sector are much less focused on local and regional markets, with only 16% and 12% of an average company's sales being generated in local markets and the City, respectively, and a further 22% in the rest of London.

The corollary of this is that publishing firms are much more exposed to international markets, with 10% of sales generated in European markets and a further 13% in other international markets. By comparison, exports are negligible among the print companies, accounting for less than 1% of sales (for both Europe and other markets). Given the pattern of sales in the publishing sector nationally and the nature of the type of printing undertaken in the Fringe, this divergence is to be expected.

**Figure 4: Comparison of Average Sales Base of Print and Publishing Companies by Territory (% of sales)**

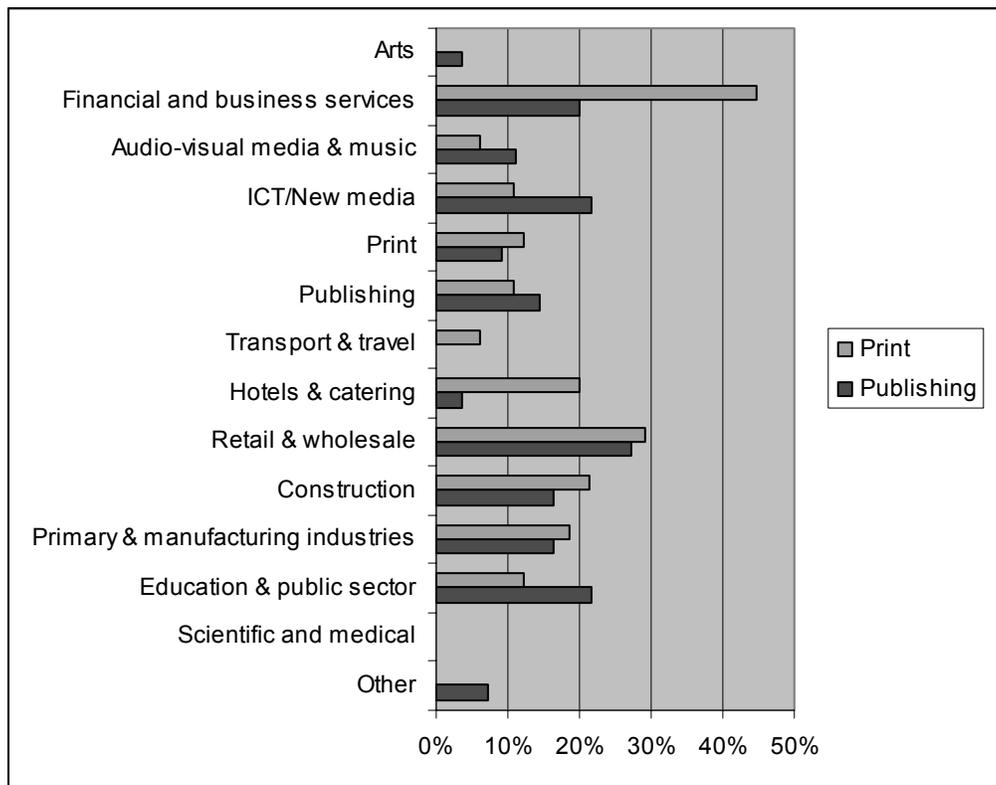


The most regularly reported clients across both sectors are other businesses, particularly SMEs, though more print companies have large company clients. Selling direct to consumers is also clearly important within the publishing sector in the Fringe, with almost half of the companies selling direct to individuals (the presence of bookshops being key in this regard). By comparison, only 12% of print businesses identified sales to individuals.

There are also significant differences between publishing and print in the sectors into which businesses are selling. Overall, financial and business services is the most commonly identified sector (33%), though there is again a strong variance here between print (45%) and publishing (20%). Print items supplied to City-based firms and others further afield in the financial and business services community include sector-specific products such as research and annual reports, but at least as important is the full range of more generic commercial print products, such as stationery, business cards, and leaflets. City Fringe publishing suppliers to the financial and business services sector include one of the UK's largest suppliers of business information, Lexis Nexis, which is specifically focused on the legal and business services sector.

Retail and wholesale is the next most commonly identified sector (28%) and this level is roughly comparable between both print and publishing. Printers supply a wide range of material to retailers and wholesalers, from brochures and leaflets, through point-of-sales material and the shelf labels which indicate items and prices (known as shelf talkers and shelf wobblers) to price tags and billboard adverts. The relatively high levels of sales to the retail and wholesale sector in the Fringe publishing sector are likely to be accounted for largely by the area's publishers selling to bookshops, newsagents and book wholesalers.

**Figure 5: Customers by Sector for Print and Publishing Companies in the City Fringe**

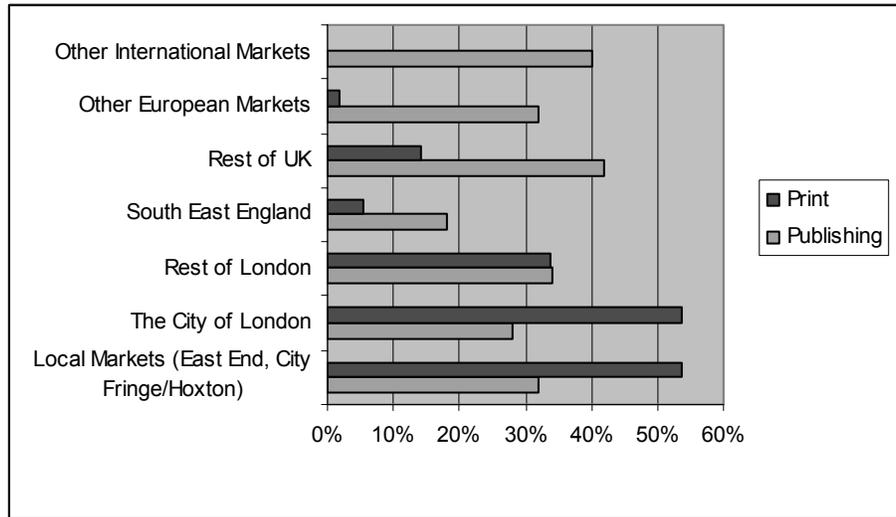


### **Business Growth**

The vast majority of businesses in the sector in the City Fringe have ambitions to grow, with 86% of print businesses and 76% of publishing companies stating that they have intentions to grow their businesses over the next 12 months. However, companies also report some barriers to realising this growth, the most commonly cited being the present uncertainties surrounding macro-economic policies/general economic situation (20%). Second to this external constraint are businesses' own abilities to market themselves and attract new clients (19%), and in this respect there is again little difference between print and publishing. Perhaps surprisingly, given the capital-intensive nature of printing, a shortage of finance is less of a factor for print firms (9%) than it is in publishing, where 14% of businesses reported it as a barrier to growth. Lastly, 14% of publishing businesses perceive problems related to demand (lack of customers/reduced spending) as

barriers to growth, but this is much less pronounced in printing (5%). The same divergence witnessed with regard to actual sales is repeated in the geographical areas most likely to generate this growth.

**Figure 6: Territories Most Likely to Provide Growth over the Next 12 Months**



Once again, print businesses are much more focused on growth opportunities in local markets (54%) and the City (54%) than in publishing (32% and 28% respectively). In turn, publishing is more focused on growth opportunities in domestic markets outside London (42%) and export markets (other European markets 32%, other international markets 40%). By comparison, the number of print businesses identifying export markets in Europe is 14% and for other overseas markets, just 2%. Once again, this is very much a reflection of the different nature of the markets and businesses in the two sectors. It should be noted, however, that while the proportion of print businesses targeting exports markets for growth appears small in comparison to publishing, it seems to be in excess of what would be expected given their actual sales base.

## Supply Chains

Figure 5 also highlights the importance of downstream supply chain linkages within the sectors, with City Fringe companies in the print sector (e.g. plate-makers and compositors) having customers in the print sector (e.g. printers) and similarly, companies in the area's publishing industry (e.g. book publishers) having customers in the publishing sector (e.g. bookshops). Our qualitative research indicates that the key issue faced by publishers is the concentration of buying power brought about by:

- consolidation in book retailing, which has produced four chains that account for around half of all retail sales
- the ever-increasing expansion of supermarkets into books and, in particular, magazines

The market power of the major book chains and supermarkets has enabled them to negotiate deep discounts on books and, increasingly, magazines, which are threatening margins for publishers. Our interviews with publishers and their trade associations indicate that reduced margins have not been offset by any gains in volume resulting from the formation and entry of larger purchasers in the sector (particularly supermarkets).

As far as print customers are concerned, the printers we interviewed reported that digital technology has impacted upon the origination of business. This means that, in areas such as small-format colour printing (on demand) work – which would previously have originated principally from designers using specialist software (such as Quark XPress) – the use of ready-to-print files means that this work now largely originates from users and customers themselves.

In terms of upstream supply chain linkages, paper and paperboard is the most regularly identified input by print companies (94%), and it is also the most commonly identified supplier by publishing companies (52%), with magazine publishers in particular often sourcing their own paper as well as printing.

The printers interviewed in the study report that price differentials in paper were decreasing due to ongoing consolidation in the paper market. However, the standardisation of paper, in terms of common technical standards for weight, size, colour etc., has made comparisons of suppliers reasonably straightforward (as with many other inputs for printers). This means that quality and reliability of service is of fundamental importance to printers when choosing suppliers. In this context, it was noted that the ability of paper and other suppliers to deliver to printers is undermined by traffic issues (e.g. parking, congestion charging, red routes etc.) in the City Fringe. In turn, downtime caused by transport delays adversely affects printers' profitability, as keeping presses running is key to maximising capital utilisation in the sector.

Unsurprisingly, printing was the next most regularly cited upstream linkage, identified by 41% of publishing companies and 29% of companies within the print sector itself. The fact that print businesses have customers within the print sector does not just reflect the fact that the sector contains different links within the same value chain (i.e. print-related activities as well as printers themselves). It also reflects the fact that a number of printers included in the qualitative research 'pass work on' when they have no more spare capacity to undertake jobs. This results both in formal sub-contracting relationships between printers, as well as simply referring clients to other printers in the area. These relationships indicate a relatively high level of awareness and affinity between printers in the area and interviews confirmed that it is very much a sector in which 'everyone knows everybody else' locally.

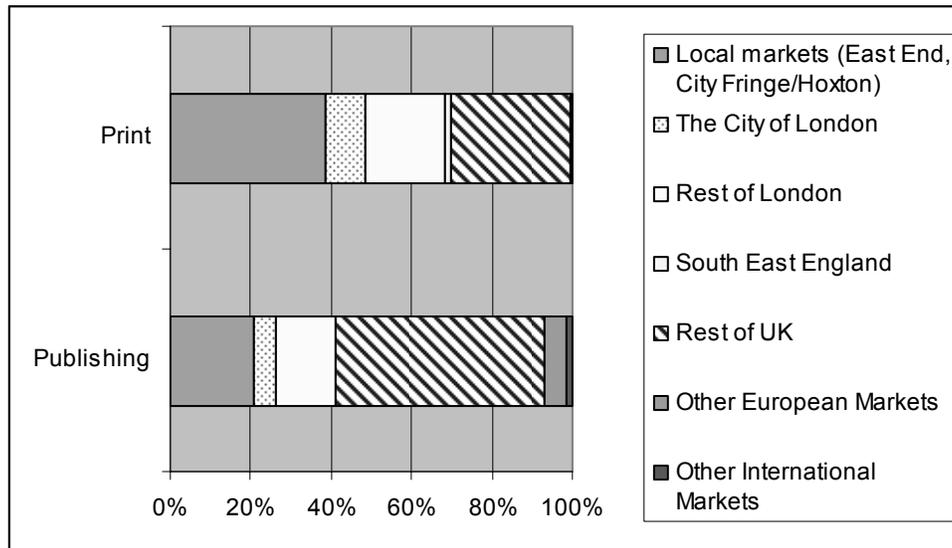
Inter-linkages between businesses in the publishing sector in the Fringe are also significant, with 36% identifying publishing as one of their main suppliers. In this instance, however, the links relate principally to book and magazine retailers in the sector buying from publishers. Interviews with publishers provided little evidence of the sort of local sectoral knowledge that is characteristic of the printing sector.

## **Geographical Linkages**

The pattern of a more locally-orientated print industry versus a more externally-focused publishing industry emerges once again when looking at where companies' procure their supplies. 39% of print businesses' purchases are made locally, a further 10% from the City itself and 19% from the rest of London, compared with 21%, 5% and 15% for publishing companies. In contrast, over half of the purchases (52%) made by publishing companies are made elsewhere in the rest of the UK, compared with 30% across the print companies.

While the survey findings indicate obvious functional supply chain linkages between publishers and printers, interviews with publishers in the area revealed no real significant commercial relationships with printers in the City Fringe area itself. Instead, suppliers to the area's magazine and journal publishers are mainly located outside of London. Printing companies in Bedfordshire, Suffolk etc are able to provide print services that are priced competitively (and are cheaper than in London), of sufficient quality and well placed for distribution via the motorway network. This picture of the geographical distribution of the printing of magazines and journals was confirmed by the trade and industry body sources consulted in the study.

**Figure 7: Comparison of the Average Procurement Base of Print and Publishing Companies by Territory (%)**



The exceptions to this pattern related primarily to the need for particularly high quality reproduction and finishing for a small number of specialist magazines titles (and for printed items more generally). In these instances, where price is no longer the key factor, the geographical distribution of printing is more scattered. One publisher, for which high quality, accurate colour reproduction is essential, reported that the UK was behind other leading countries at the very highest level of quality, and therefore it outsourced all of its printing to Germany.<sup>53</sup>

More specifically, a number of the print buyers interviewed from other sectors in the City and the City Fringe expressed reservations about the quality available from local printers. City Fringe printers specialise in the low volume print items such as brochures or letterheads, but one interviewee described commissioning these products from printers in other areas of London if a particularly high quality product (such as a glossy finish or watermarked paper) was required.

<sup>53</sup> Germany has the largest printing industry in Europe with an accompanying reputation for quality and competitiveness. This is typically attributed to a better skilled workforce and the fact that Germany also has market leading manufacturers of printing presses (e.g. Heidelberg), c.f. BPIF (2001), *op cit*.

Two exceptions to this pattern of procurement are the printing of promotional materials (such as flyers, and some magazine inserts and point-of-sales material) and printing for City-based firms. The main customers in the Fringe for the former tend to be bars, nightclubs, restaurants and promoters in the area, for which printers provide a 24-hour turnaround on one-off jobs. As outlined above, printers supply a range of items to City-based firms and these tend to be unusually demanding clients in terms of needing very quick turnaround times, which can be as short as a couple of hours and rarely stretch beyond overnight. This applies as much for the more generic print items, such as business cards, as it does for City-authored research reports and presentations. In all these instances, where a much quicker turnaround is required than, for instance, for a monthly magazine, local printers are more likely to be used. As one printer put it:

Except for those jobs where you might need to turn something around very quickly or where [the customer] wants maybe a very high quality finish, print is basically a commodity business.

Thus, in the case of book publishing, which is more industrial than magazines, i.e. characterised by much longer turnarounds, higher print volumes and a generally more standardised product, there is an increasing trend to use overseas suppliers (Eastern Europe, China etc) – particularly for colour-rich titles such as children’s books – and this trend is driven by cost.

The move towards internationalisation has undoubtedly been supported and enabled by the introduction of new technologies. In particular, since the introduction of desk-top publishing (DTP) systems at the beginning of the 1990s, pre-press technologies – formerly the preserve of repro houses – have been moving into publishers,<sup>54</sup> culminating in a now typically fully digital workflow.

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<sup>54</sup> Smyth S. and Birkenshaw J. (2001) *The Impact of Market and Technology Changes on Publishers and Printers*. London: PIRA.

This is certainly the case in the City Fringe, as all of the publishers interviewed for the research have made the switch in recent years to an electronic means of delivery in which digital production is done almost entirely in-house, and ready-to-print files are then sent to the printers. Signing-off on proofs is also usually done via the transmission of digital files, except where quality is at a premium and/or the turnaround time allows for the delivery of a proof in hard copy, such as a cromalin or ‘wet proof’.<sup>55</sup> Printers themselves report that the increasing take-up of broadband among businesses (combined with ready-to-print files), is increasing the potential geographical spread of their customer base, with distance no longer as limiting a factor as it once was when disks were sent by post or by courier.

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<sup>55</sup> A cromalin is an off-press colour proofing system developed by DuPont, in which the proofs are single laminated sheets produced from film separations. A ‘wet proof’ involves using a special proofing press designed for very short runs to actually print a quantity of sheets using the real stock and real inks. This requires producing the films and plates which makes wet proofing a very expensive option. Even in this area, hard copy is likely to be superseded by digital as digital proofing systems, which aim to simulate the Cromalin-type proof, are now available and will improve and become cheaper over time.

## 5. Labour Market Characteristics

The vast majority of the workforce in both print (93%) and publishing (80%) consists of permanent employees, with freelancers on average representing one fifth of a company's workforce in publishing and 7% in print. However, the levels of self employment in both the print and publishing sectors in the City Fringe are higher than indicated by the secondary data in the previous chapter. In the case of publishing, the survey indicates that self employment within the Fringe is roughly twice the level for the sector in London as a whole.

In terms of employment growth, a small balance<sup>56</sup> of 4% of all companies has increased employment over the last year, though this masks a divergence in trends between the two sectors. Whereas a balance of 11% of businesses increased employment in publishing, a balance of 2% of companies **decreased** employment in the print sector over the last 12 months. Clearly, this finding is entirely in line with the employment trends for the print sector at all levels as outlined in Chapter 2.

Despite this pattern of modest employment gains or losses, there is a general expectation that employment will increase. A balance of 34% of companies expects to increase employment, this pattern being consistent across both print and publishing businesses. Increases in employment are anticipated despite the strong trend towards rising wage costs in the sector, with a balance of 34% of all companies reporting rises in wage rates over the last year (again broadly consistent across both print and publishing).

### Qualification and Skills

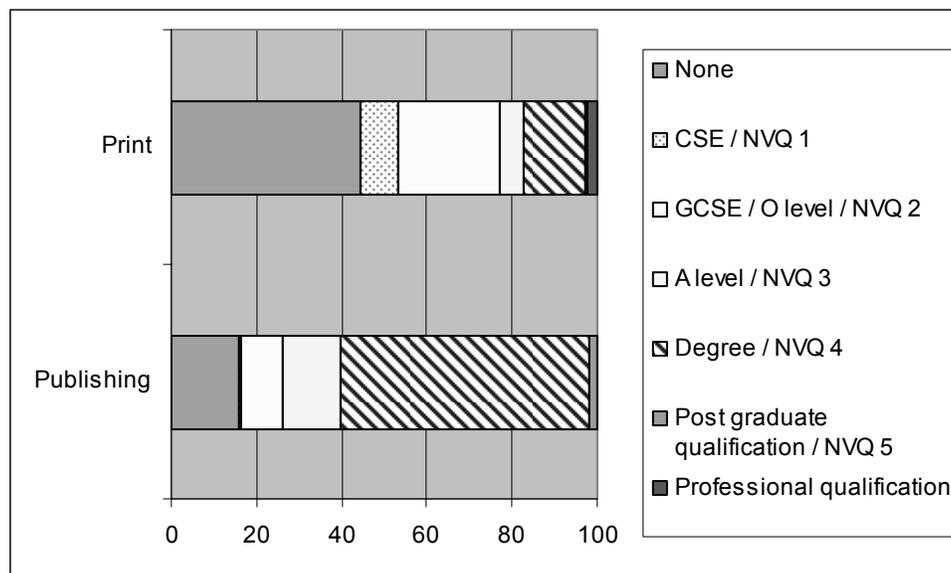
There is a major divergence in the qualifications levels of the workforce between print and publishing in the City Fringe. On average, 44% of a company's workforce in the print sector has no formal qualifications compared to 16% in publishing. Workers in

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<sup>56</sup> A balance is calculated as the percentage reporting an increase minus the percentage reporting a decrease, and is a commonly used measure for looking at trends-based questions in surveys.

publishing companies have high levels of formal education, with, on average, 60% of a company's staff in the Fringe holding a degree or postgraduate qualification, comfortably higher than the UK all-economy average and well above print for which the figure is 15%.

**Figure 8: Comparison of Average Highest Qualification Level Held as a % of Workforce in Print and Publishing Companies**



It may be that the findings are slightly misrepresentative of the nature of the qualifications base in the print sector in the area, due to the strong role which apprenticeship (which might not be recognised as a professional qualification by respondents) has played in the industry in the past. However, the findings regarding the qualifications of the print workforce in the City Fringe are consistent with the current national picture as provided by the 2001 Skills Survey by the Print, Graphic Communication and Packaging National Training Organisation (PGC NTO).<sup>57</sup> For instance, the survey revealed not only that 49% of finishers have no formal qualifications, but also that 23% of directors and managers have no formal qualifications either. Building on the work of the PGC NTO, the Print Education Forum (PEF) in its draft Skills Development Plan states that “whilst a range of qualifications are held at basic and

<sup>57</sup> PGC NTO (2001) *Skills Survey of the Printing, Graphic Communication and Packaging Sector 2001*.

intermediate level ... the extent to which staff across the occupational spectrum have no qualifications is hard to ignore".<sup>58</sup> Improving the poor level of management skills in the sector has also been identified as key to the future competitiveness of the print sector in the UK.<sup>59</sup>

Unsurprisingly, given the differing qualification profiles of the workforce for the print and publishing industries in the City Fringe, the business survey also reveals significant variations in terms of skills gaps. Print businesses most commonly identify these gaps in terms of customer handling & communication skills (45%) – particularly client/customer relationships (36%) and marketing (32%) – and technical and job specific skills (42%), which relate entirely to advanced IT or software skills (42%). Publishing businesses, on the other hand, most commonly identify their staff's entrepreneurial and business management skills (53%), particularly business planning (43%), project management (33%) and operational finance (30%).

Issues pertaining to skills and recruitment were also discussed with businesses and in the strategic interviews with trade and industry bodies in order to give a greater depth to the quantitative findings. They are presented below in terms of the two sectors.

### **Skills in Publishing**

With the increased emphasis on digital production and electronic publishing, editorial staff are required to have a broad range of ICT, production and editorial skills. New entrants are expected to be familiar with desktop publishing and image manipulation software packages, and to undertake onscreen editing. Increasingly, some new media production skills are also demanded, with staff expected to write and edit content across platforms. In addition, some sector-specific knowledge or expertise is often preferred. In particular, those publishers working in specific vertical markets expect editorial staff (at least) to be well informed about these markets.

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<sup>58</sup> PEF (2004) *Print and Printed Packaging Sector: Skills Development Plan 2004-07* (Draft), p.8.

<sup>59</sup> BPIF (2001), *op cit*.

Companies tend either to undertake in-house training to ensure that skills are updated or else expect individuals to take responsibility for their own professional development. There is little knowledge or interest in local training providers, although the larger publishers are aware of industry accredited programmes run by the trade associations.

Despite the skills sets demanded, none of the publishers has any major concerns around skills shortages, or difficulties in recruiting candidates. However, it is felt that many in publishing lag behind other sectors in terms of business, management, financial control and sales and marketing skills. This is particularly the case with the smaller publishers we interviewed, which tend to be owned and managed by creative practitioners, rather than those with particular business expertise or training. The larger companies report that sales staff (both subscription and advertising) is the one area of their business with a high churn rate.

### **Recruitment, Retention and Pay in Publishing**

There was unanimous agreement among the interviewees that the publishing industry, across all sub-sectors, is overwhelmingly a graduate one. The proliferation of media HE courses<sup>60</sup> and the increasing numbers of new graduates have led some publishers to report that standards (particularly literacy/editorial) have dropped, and that it is getting harder to discriminate between new entrants. There is therefore an increased emphasis on further qualifications and work experience, as a means of appointing candidates.

None of the publishers reported any difficulties in recruiting. Publishing (particularly consumer magazine and book publishing) is perceived as something of a glamour industry, and all of the publishers interviewed are frequently contacted by applicants and students seeking employment and work experience opportunities. Most recruitment occurs this way, or through word of mouth. If need be, publishers sometimes place

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<sup>60</sup> For instance, for the academic year 2002/3, there were 22,600 students taking Media Studies courses in the UK, with a further 8,135 students in Publishing and Journalism courses (figures provided by the Higher Education Statistical Agency at [www.hesa.ac.uk](http://www.hesa.ac.uk)).

advertisements in their own titles. There was little use of recruitment consultants, except by the very largest companies, and then only for senior positions.

The over supply of candidates with high levels of formal education seeking to enter the publishing sector in the Fringe is characteristic of the industry nationally, and occurs despite the relatively low pay levels for a graduate-dominated sector that is so focused on locations where living costs are high, such as London and Oxford. The Bookcareers.com Salary Survey of 2002 indicates that the average salary in the sector was £22,655, 1.5% lower than the average for the previous year.<sup>61</sup> Starting salaries for graduates are typically around £14,000. While salaries at the most senior level can be very high, the Bookcareers.com survey highlights that progression routes are very limited. Combined with the low pay levels, this means that many employees leave the sector as they get older. As one respondent to the survey stated:

I think it is sad that people within publishing (especially at the lower end) have little or no hope of financial security. Going into teaching would be a great financial move for me – that’s quite a worrying thought.<sup>62</sup>

Given these factors, it is unsurprising that, with the exception of one company that puts a particular emphasis on the social inclusion agenda, none of the publishers spoken to has ever attempted to recruit through local channels (local newspapers, job centres, training centres etc).

### **Skills in Printing**

None of the companies identified any insurmountable skills difficulties, but a range of both internal skills gaps and external, industry-wide skills shortages were reported. In terms of internal skills gaps, a lack of ICT skills was highlighted repeatedly. The skills gaps were related not to one particular technology or software solution, but ranged right across the spectrum of technologies and packages: from different operating systems

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<sup>61</sup> Bookcareers.com (2002) ‘Salary Survey 2002’.

<sup>62</sup> Bookcareers.com (2002), *ibid.*

(Mac/PC), different graphical and DTP packages (Quark, Photoshop, Illustrator) to web design (Dreamweaver, Java etc.) and web literacy in general. Clients increasingly expect printers to be IT-literate as a matter of course as they themselves now understand and work with such things as pdf files and electronic databases.

Skills gaps in ICT areas were noted to be particularly pronounced in relation to the high numbers of older people within the City Fringe companies. This age profile is entirely characteristic of the print sector workforce nationally, which the BPIF estimates has an average age of 48.<sup>63</sup> One company interviewed has an incentive scheme to tackle the problem, with employees who complete a company-specific IT training programme receiving a pay increase (though this was evidence of good rather than common practice).

The other key internal skills gaps identified are client-facing skills and deficiencies in management skills. As with the national picture outlined above, many managers in the companies in the City Fringe do not have any formal management training. This is compounded by the external problem of relatively few new entrants coming into the industry at management level, as high-fliers do not seem to be attracted to the print sector. One respondent company, which does not recruit managers externally, noted that its approach to dealing with management skills gaps is perhaps an area of weakness. The company does not yet have a specific training programme (other than a ‘buddy’ system), and hopes to change this but finds developing a suitable incentivised scheme difficult.

In addition to specific difficulties developing in-house training, the companies reported more generic difficulties with regard to training for SMEs: specifically, the lack of both training budgets and a training culture within small print firms, and more pressing human resource infrastructure needs to tackle, such as the introduction of an appraisal system.

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<sup>63</sup> BPIF, ‘Industry Facts and Figures, at [www.britishprint.com](http://www.britishprint.com)

For these reasons, more or less ad hoc in-house training in the areas of both ICT and management issues is the most usual route in which companies in the Fringe seek to address their skills issues. One company noted that having a more structured approach to training, particularly in the area of digital printing and ICT was not really possible (if even desirable) given that they are perpetually faced with challenges imposed by new technology: if unanticipated skills requirements do arise, they are addressed on a need-to-do basis.

The main exception to this pattern of training provision is in the area of new printing equipment, in which manufacturers provide the training, either on-site, or by operators attending training courses provided by manufacturers. Again, Germany was mentioned approvingly with regard to the quality of equipment demonstrators, which is related to the fact that Germany is home to some of the world's leading equipment manufacturers.

In terms of external skills shortages, a lack of basic readiness for work amongst young people was mentioned as a concern, as was a lack of basic computer literacy. One company noted that new recruits have limited print skills, especially in areas such as finishing (guillotining, folding machines). Basic print skills levels were thought to be deteriorating due to a perceived decline in college-based training provision.

### **Recruitment, Retention and Pay in Printing**

In line with the national qualifications profile outlined above, print employers in the City Fringe rarely employ graduates. Most do look for some degree of training or prior experience, but expect to have to train new entrants further on the job. In terms of the geographical scope of the labour pool, there seems to be no particular preference for locally-based recruits, although in practice it tends to work out that way for all but senior managerial positions.

In terms of how employers recruit, the recruitment channel depends in no small part on the level of position for which the company is recruiting. For instance, in addition to the usual ‘word of mouth’/by networks and contacts, the one recurring recruitment channel mentioned by all of the companies we interviewed was by placing adverts in the special print jobs section of the *Daily Mail*, though this is predominantly used for recruiting more junior staff. In stark contrast to publishing, one respondent company does all of its recruiting ‘through the union’, which holds a list of qualified printers. Lastly, opinion seems divided on the use of specialist recruitment agencies, with some employers not using them due to cost and/or concerns about the quality of candidates they provide, whereas other companies employ them regularly.

Employers did not report any great difficulties related to recruitment. This could be partially explained by decreasing employment in the sector locally, in London, and nationally (see Chapter 2). Further, earning potential (wages plus overtime) in the print sector in London is better than in the rest of Britain, with a BPIF/SPEF survey in 2000 calculating that earnings were 35% above the national average in London.<sup>64</sup>

Wages in print have also historically been at the high end of the range for the type of jobs which comprise the bulk of the sector – i.e. those requiring low levels of formal education.<sup>65</sup> For example, in 2001, while starting salaries nationally ranged between £10,000 and £14,000 for machine printers, those for production and commercial print managers started around £30,000 basic per annum for those working in even the smallest companies in the sector.<sup>66</sup> This combination of factors helps to explain why the employers interviewed indicated no real problems with retention, with many employees having been with the same company for a long time.

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<sup>64</sup> BPIF/SPEF (2000) ‘Manpower Survey’.

<sup>65</sup> BPIF (2001), *op cit*.

<sup>66</sup> Salary figures from ‘Printing World Salary Survey 2001’, available through the print sector portal, ‘Dotprint’ at [www.dotprint.co.uk](http://www.dotprint.co.uk). It should be noted that the figures quoted are for the UK industry as a whole and, once again, the Salary Survey makes clear that there is a premium paid to those working in London, with salaries around 30% higher than elsewhere in the country.

## 6. The City Fringe as a Business Location

The overwhelming majority of businesses in the City Fringe have always been based there, though this is slightly higher for the print sector (95%) than for publishing (89%). Businesses in publishing are relatively young, with 62% having been established in the last ten years, and over a third established in the last five years. Firms in the area's printing sector have an older age profile, with 45% of companies having been established in the twenty years between 1971 and 1991.

### Survey Findings

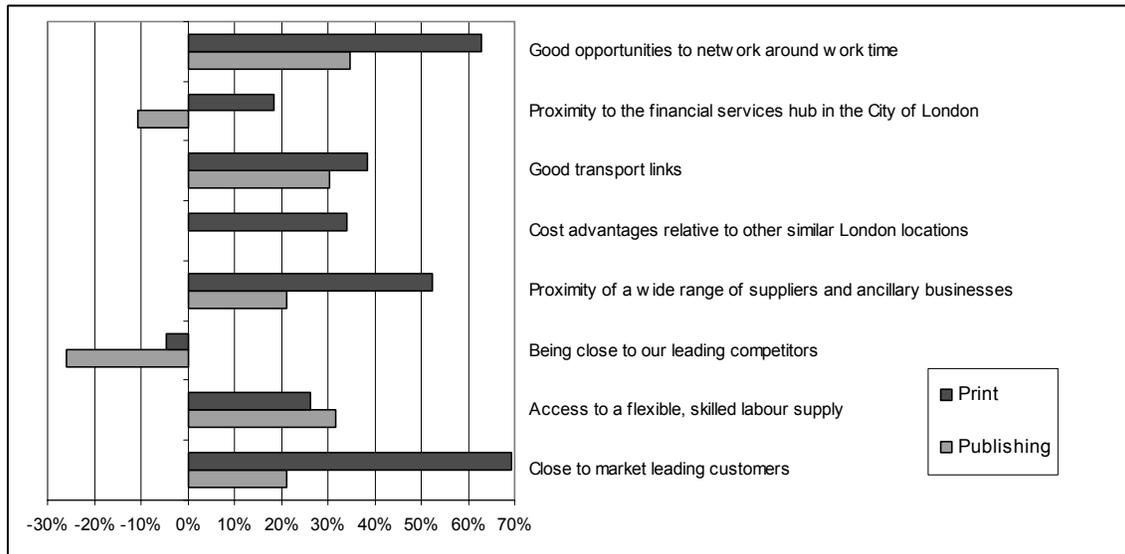
In order to probe more deeply into the relations between the businesses in the area and their perceptions of the benefits of a City Fringe location, we asked companies a series of question in both the business survey and through company interviews. The survey asked firms to state whether they agreed or disagreed with a number of attitudinal statements regarding the possible benefits of being based in the City Fringe. The attitudes towards the benefits of the City Fringe as a business location differ markedly between the publishing and printing sectors.

In general, print companies are much more likely to validate the positive aspects of their location – across almost the whole range of factors – than publishing companies:

- In terms of the key strengths of the area, close **proximity to market-leading customers** is the most commonly perceived benefit for the print sector, with a balance of 69% of companies agreeing or strongly agreeing that this is a benefit of their current location (in publishing, the balance is 21% of companies)
- **Good opportunities to network around work time** are also important to companies in both sectors, but is more strongly expressed in print – where a balance of 63% of companies agrees or strongly agrees that this factor is a benefit – than in publishing where the balance of companies is 35%

- **Proximity to a wide range of suppliers and ancillary businesses** is also valued by companies in both sectors, but again much more so within print, where a balance of 52% of companies agrees or strongly agrees that this is a benefit of their location, as opposed to a balance of 21% of publishing businesses
- Other than good network opportunities, the most commonly perceived **locational benefits for publishing businesses** relate, arguably, to more generic inner London benefits, such as the existence of a **flexible, skilled labour supply**, which a balance of 32% of publishing companies agrees or strongly agrees is a benefit of their location (in print, the balance is 21% of companies); and **good transport links**, with a balance of 30% of companies agreeing or strongly agreeing that this is a benefit
- Differences in the location of clients and customers between print and publishing appear to colour how businesses perceive the **close proximity of the financial services hub in the City of London**. In publishing – where sales to clients based in the City are less significant than in print – a balance of 11% of publishing companies disagrees or strongly disagrees that proximity to the City is a benefit of their location, in contrast to a balance of 19% of print companies that agree or strongly agree that proximity to the City is a locational benefit
- **Proximity to leading competitors** is, on the whole, not seen as an important locational benefit for either print or publishing, but particularly not for publishing businesses, where a balance of 26% disagrees or strongly disagrees that the presence of competitors is a business benefit (in print, the balance is 5% that disagrees or strongly disagrees)

**Figure 9: Attitudes Towards the City Fringe as a Business Location**  
 (% Balance 'Agreeing' or 'Strongly Agreeing')



### Interview Findings

Publishers themselves seem to be well aware that the City Fringe, or 'inner east', area has emerged in recent years as a centre for publishing. This is the case with new publishing start-ups, but also for more established companies moving eastward, in some instances, as the result of corporate merger and acquisition activity (e.g. the Taylor and Francis/Routledge merger).

A number of publishers cited the cheaper property available in the Fringe as the original reason for locating in the area, but there is also a sense that Soho and the West End are no longer the exclusive centres of London's publishing industry. This seems, in part, to be related to the decision of a number of marketing communication firms to separate and re-locate their media buying functions away from their advertising divisions in Soho, and it is only with media buyers that magazine publishers want to retain close proximity. Despite the City Fringe's new prominence for the sector, there was little evidence of linkages or clustering activities between publishers. As stated previously, this is largely due to the fact that many companies in publishing in the area do not perceive themselves as part of a wider publishing sector but rather perceive themselves as belonging to the particular markets that they work in (e.g. financial services, telecommunications etc.).

Therefore the networks, events, information and market intelligence sources tend to relate to these vertical market segments rather than linkages with other publishers.

On the whole, apart from rising rentals, publishers appear to be satisfied with the area as a business location and although some may consider moving offices, none of the publishers spoken to has plans for relocation out of the City Fringe. Transport links are perceived to be good and the workforce enjoys the bars, restaurants, galleries etc. Depending on the subject matter of their products, some also benefit from being close to sectors in the same location. This is obviously the case for those engaged in publishing around financial services, but also relates to other areas such as new media and the arts. As noted above, none of the publishers cited local print suppliers as a reason for being located in the area.

In terms of companies in the print sector, qualitative research reinforced many of the findings from firms' responses to the attitudinal statements in the business survey. In particular, interviewees indicated that the main advantage for print businesses is proximity to customers. The City was mentioned in particular, as was the relative easy access to central London, without the cost of West End leases. Some print firms report that even with new technology, customers often like to view proofs in person. One respondent noted that some of its competitors have moved out of London and they have benefited by picking up a number of clients from them. In many cases then, this proximity to clients appears to over-ride some short-term cost considerations. As one interviewee put it:

Even if we could find cheaper premises – say just a couple of miles up the road – it wouldn't be worth our while moving as we'd lose a lot of our customers.

As regards networking, a number of interviewees felt that, other than socialising with work colleagues, the printing industry is essentially rather insular and companies tend to be quite guarded. However, a number of companies reported that Business Link networking-type events are free and can be useful, not least because they also include

sectors other than print. Generally, it was reported that there were actually comparatively few networking opportunities within the sector, apart from chargeable BPIF events. A number of companies also derive benefit from attending industry-related exhibitions and trade fairs (e.g. Drupa<sup>67</sup>), as well as through participating in more technically-focused user groups (e.g. Xerox print machine users).

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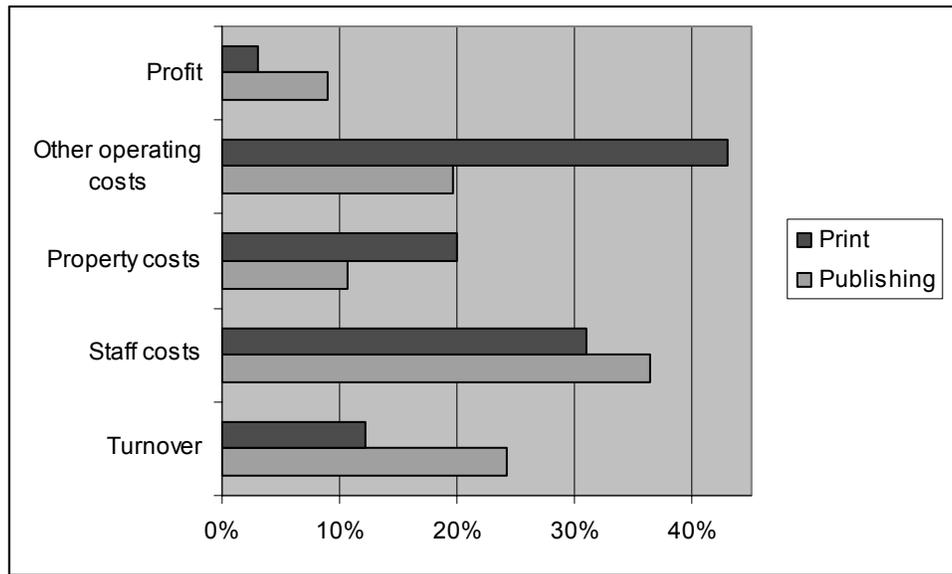
<sup>67</sup> Drupa is the largest trade show for the global print and paper industries. It is held every four years in Düsseldorf in Germany and attracts over 400,000 trade visitors ([www.drupa.com](http://www.drupa.com)).

## 7. Financial Trends, Investment and Marketing

### Financial Trends

- **Turnover:** there is a trend towards increasing turnover in the sector, with a balance of 18% of all companies experiencing increases over the past 12 months. Increases are both more regular in publishing – a balance of 24% seeing increases compared with a balance of 12% print – and greater in magnitude: 9% of publishing businesses increased their turnover by more than 20% on the year, compared with only 5% of print businesses. Also, almost one fifth of businesses in the print sector (19%) saw turnover fall by 20% or more over the last 12 months, compared with less than half this number in publishing (9%).
- **Staff costs:** the total amount spent on staff costs by businesses is rising across the sector, with a balance of 34% of all companies seeing increases. This trend is broadly comparable across the two sectors in the City Fringe.
- **Property costs:** while there is a trend towards rising property costs in both the publishing and print sectors, the trend is almost twice as common in print (a balance of 20%) than in publishing (11%). This difference may, in part, be explained by the different types of property required by print and publishing businesses. Print businesses require small industrial units while companies in the publishing sector require office space. The transition of a number of City Fringe neighbourhoods into desirable live/work locations, with a rise in residential, retail and office uses, is likely to put pressure on the kinds of small industrial units required by printers.

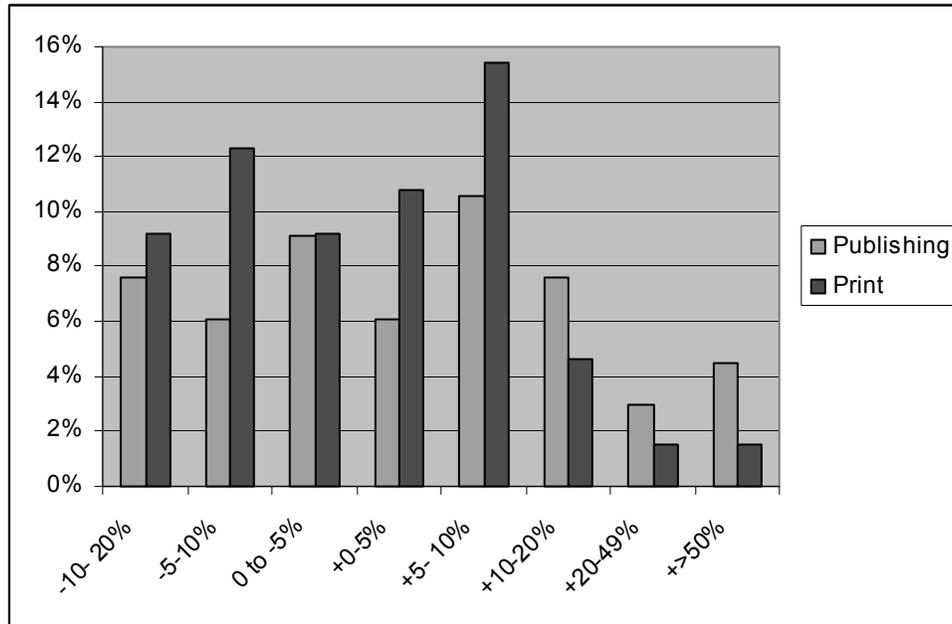
**Figure 10: Trends in Key Financial Indicators (% balance)**



- Other operating costs:** additional operating costs are rising across the sector, but the trend is much more common in printing with a balance of 43% seeing increases (and no businesses at all experiencing decreases), compared with a balance of less than half this figure (20%) in publishing. From our interviews, it seems that much of these rises in additional operating costs are related to the investments required in new printing machines (particularly digital) and software packages required to keep pace with a rapidly changing market.
- Profit:** there is a slight trend towards increasing profits, with a balance of 6% of all companies improving their profit over the last 12 months. However, increasing profits are more common within publishing (a balance of 9%) than print (a balance of 3%) and businesses in the publishing sector have also seen greater absolute increases in profit, with 15% of companies increasing profits by 10% or more (compared with 9% in print). But the picture is more complex. As Figure 11 shows, the print sector seems to have experienced more volatility over the last 12 months with respect to profits than publishing, as print businesses have experienced both more instances of increases and decreases than publishing, and the falls in profits have been greater in

print (e.g. 21% of businesses have seen profits fall on the previous year by 5% or more, compared with 14% in publishing).

**Figure 11: Trends in Profits for Those Registering a Change over the Last 12 months**



Looking across all of the key indicators, one thing that appears to arise from the survey findings is that the publishing sector in the Fringe is both more stable and more buoyant than the print sector. More businesses in this sector report that the trend is ‘no change’ than in print (for all the financial indicators), and overall publishing has had a better last 12 months than the print sector, with trends in turnover, profit and employment all positive and better than in print. On the other hand, businesses in the Fringe’s print sector are clearly struggling with the challenging operating environment which prevails at present. In particular, print businesses in the Fringe are facing rising costs associated with equipment, ICT and property, though the greater polarisation in the responses regarding all the indicators suggests that some businesses are coping much better than others in meeting these challenges .

Looking forward to expected trends for the coming twelve months, there is a widespread anticipation of future increases in turnover for the next 12 months across the sector (a balance of 68%, which is slightly more pronounced in print, 71%). Expectancy of increasing profits is also widespread across the sector, with a balance of two thirds of all companies anticipating rises and again this is more pronounced within print (72%) than within publishing (61%). It is interesting to view these findings within the context of business confidence, which also appears to be strong across both sectors, with a balance of 38% of companies in the print sector and 36% of all businesses in publishing being more optimistic than they were 12 months ago. Given that the key barrier to growth identified by businesses in both sectors is macro-economic policies/general economic situation, it may be that respondents feel that this will change for the better over the next twelve months.<sup>68</sup>

In order to get an idea of the exposure of businesses to changing market conditions, companies were asked what proportion of their sales is accounted for by their top three clients. This provides a good indication of how vulnerable the businesses are if one or two of their top customers face difficulties. As one would expect of a sector in which sales to individuals are significant (through the inclusion of bookshops in the research), the proportion of turnover accounted for by the top three clients/customers of businesses in publishing is relatively low - less than 10% of turnover for 61% of companies.

The pattern is markedly different in print where companies are potentially more exposed due to the higher proportion of turnover accounted for by their top three clients: 42% of print companies generate between 21% and 50% of their turnover from their top three clients and a further 14% generate between 51% and 70% of their turnover from their top three clients. Having a small client base providing repeat business obviously has some benefits, such as reduced marketing costs. The downside is the disproportionate impact of a single customer taking its business elsewhere, and this is more likely to happen in a price-sensitive and competitive market.

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<sup>68</sup> This might be related to the timing of the survey – February 2004: i.e. in the relative ‘lull’ between the official end of the Iraq war, and before the worst of the renewed escalation in the conflict and the increases in oil prices etc.

## **Marketing and Promotion**

In the survey, respondents were asked about the amount of money spent on marketing and promotion, expressed as a percentage of their turnover. Perhaps surprisingly, most businesses in the sector appear to spend either little or nothing at all on marketing and promotion, with print even less inclined to spend than publishing companies. 37% of print businesses spend nothing at all on marketing and promotion (32% in publishing), while a further 42% spend between 0.1% and 2.5% on marketing (38% in publishing).

Marketing is the most straightforward way for a business to increase its profile and differentiate itself from its rivals, yet over 60% of companies in both publishing and print state that their expenditure on marketing and promotion has not changed over the last year, although a balance of companies has increased spend, a trend much stronger in publishing (a balance of 32%) than in print (a balance of 17%). While many companies may entertain clients as a matter of course, and simply not perceive this as part of their marketing and promotional activities, this alone is unlikely to compensate for a lack of activity elsewhere. Given that print is a very competitive and crowded marketplace, it is hard to view the lack of expenditure on marketing by print firms in the City Fringe as anything other than a weakness.

## **Investment**

The survey findings indicate that investment in the sector over the last 12 months has been strongly concentrated in improvements to existing ICT infrastructures, with well over half of all businesses in both publishing (65%) and print (60%) investing in this area.

Apart from companies investing in ICT, only around a fifth of companies in the print sector made investments either to replace or to refurbish equipment and facilities over the last year. In interviews with printers, it becomes apparent that this is partly due to the sheer longevity of litho printing machines, which last anywhere from five to twelve years. It is also bound up with the fact that investment in new equipment only adds to the already chronic industry problem of over-capacity, as old equipment tends to be retained.

Finally, the rapidity with which digital printing machines are improving means that the decision of when to buy is difficult as the current generation of machines will always be quickly superseded by the next generation. This partly explains why, at an industry level, leasing is becoming a more common financing choice for investment in digital equipment, with equipment vendors themselves now offering specialist lease-finance arrangements.<sup>69</sup> City Fringe printers, however, would appear to be lagging in this regard, as only one company interviewed leased its (digital) machines.

### **ICT and e-Commerce**

The survey asked respondents a series of questions about their investments in, and use of, ICT and e-commerce. The general picture that emerged is of a sector in which high-speed connectivity is valued greatly by businesses in both print and publishing, with companies in publishing leading the sector in terms of the establishment of websites in general, but printing companies more to the fore in terms of using the internet for actual transactions.

Given the existence of a fully digital workflow in most instances, the use of broadband technologies is unsurprisingly widespread across the sector, with 76% of all companies having a broadband connection, with similar penetration rates for both sectors. To put this figure into context, according to Ofcom's latest market research, broadband penetration for SMEs in general in the UK currently stands at 37%.<sup>70</sup> However, 20% of publishing companies and 14% of print businesses currently do not have broadband and, as yet, have no plans to install it in the future.

While the majority of both print and publishing companies has websites, it is more common within publishing (77% of companies) than print (52% of companies). Further, although 28% of businesses in the print sector in the Fringe without a website intend to establish one within the next year, a fifth have no website and no plans to establish one in

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<sup>69</sup> See, for instance, Domino Options, an alliance between Domino UK, a supplier of industrial inkjet and laser printing equipment, with the digital prepress division of Systems Capital, part of independent IT leasing and finance service provider the Syscap group, story from Piranet at [www.pira.co.uk](http://www.pira.co.uk)

<sup>70</sup> Ofcom (2004) *The Ofcom Internet and Broadband Update - April 2004*, available at <http://www.ofcom.org.uk/>

the future. This leaves almost half of all print businesses with no website currently, and almost half of this group with no intention to establish one. As websites can be a very cost-effective means of marketing, the attitude of these businesses towards websites reinforces the survey findings regarding marketing expenditure. Taken together, they might indicate a lack of awareness of the importance of marketing and/or a lack of skills to implement marketing initiatives among a significant number of businesses in the print sector in the City Fringe.

The majority of businesses with websites have had them for three years or more, though publishing (with 57% of companies having had a website for 3+ years) has had a marginally longer web presence as a sector than print, where the comparable figure is 50%. The view that businesses in the publishing industry lead the sector in terms of the use of websites is reinforced by data on the frequency of site updating: 61% of companies in publishing update their site every four weeks or more frequently (24% for print companies), whereas 56% of print companies update their sites only twice a year or less (20% for publishing companies).

Half of the websites established by the companies in the sector are transactional: that is, customers and clients can place orders or bookings through the site. Here, there is no real distinction between the print and publishing sectors. While less likely to have a website, print companies are more involved in other types of e-business than publishing companies, particularly e-banking (35% versus 28% in publishing) and e-procurement (24% versus 10%). The most regularly reported barrier to starting/increasing e-commerce activity is that companies 'can't see a business benefit' (32%), which is a broadly comparable trend across both print and publishing, followed by the suitability of the product (27%), which is particularly pronounced in the print sector (35%). Again, this would seem naïve given the establishment of fully digital workflows in publishing and printing, and the increase in online business processes.

## **8. Opportunities/Threats and Business Support**

In order to understand the competitive pressures and the particular challenges that businesses in the print and publishing sector in the Fringe are facing, we asked a series of questions around opportunities and threats, in both the quantitative survey and the qualitative interviews we undertook for the project.

### **Threats to Publishing in the City Fringe**

As highlighted earlier, outside the newspaper environment, the outlook of publishers tends to be based on the conditions in the particular markets, subjects or niches that they serve (e.g. telecoms, fashion), rather than any strong identification with publishing as a sector in itself. For instance, those publishing content for the UK's financial services sector are concerned first and foremost with the sector's specific well-being, rather any general opportunities and threats relating to the publishing sector as a whole.

Unsurprisingly, publishing companies referred to the difficulties in the general economic climate and then to the effect that this has on declining corporate revenues and profitability (which is a driver of both trade advertising and purchases of business to business media). Elsewhere, threats to publishing businesses in the City Fringe tend to reflect broad market conditions at the sector level, rather than any particular local circumstances – though this is not perhaps surprising given the extent to which London's publishing industry *is* the national publishing industry.

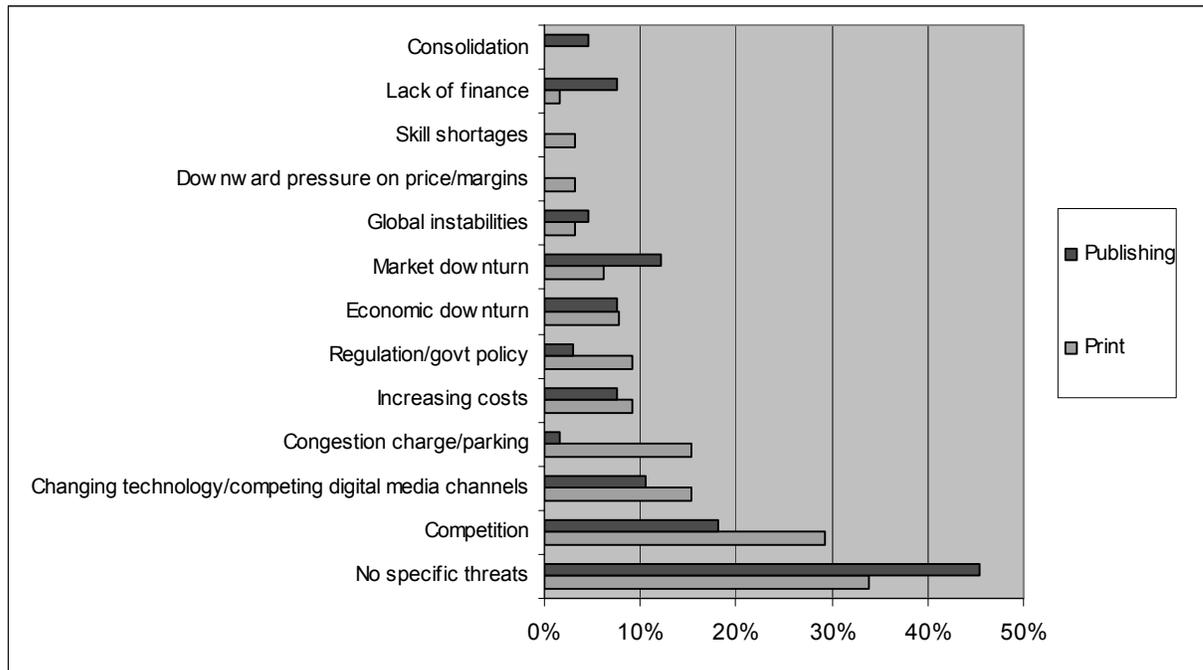
It should be noted that almost half of all publishing companies, and a third of businesses involved in the printing sector, can foresee no specific threats to their future.

- **Competition** – this refers to both domestic and international competition. Interviews indicate that companies perceive competition to be increasing and this concurs with the Pira DTI study which reports that competition in all magazine and journal markets is increasing (albeit for different reasons in different market segments<sup>71</sup>).
- **Advertising expenditure** – there are three dimensions related to advertising expenditure which has or may have negative impacts. Firstly, a recession in advertising spend; secondly the fragmentation of advertising spend across a greater number of media channels (particularly digital); thirdly, the regulation of advertising for particular goods and/or to particular audiences (e.g. the ban on cigarette adverts and the spectre of further bans on fast food and alcohol). Expenditure on print-based classified advertising has been particularly affected.
- **Competition from new digital channels** – the influence of new digital channels has increased competition across borders and seen the rise of new, wholly digital entrants to the market.
- **Piracy** – though less advanced than in the music and audio visual industries, piracy is of increasing concern for book, magazine and journal publishing. New technologies have made it much easier for pirates to read, copy and republish copyrighted material illegally. These developments, together with non-digital issues such as plagiarism, are of particular concern in certain some overseas markets where the intellectual property laws are less strongly enforced.
- **Consolidation/concentration in retail** – the rise of large bookselling chains (Borders, Waterstones etc) and supermarket magazine shops is squeezing margins for publishers and there are fears that it will also lead to a reduction in the variety of titles on the shelves.

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<sup>71</sup> For instance, the ability of new titles to grow the market in consumer publishing during the 1990s has tailed off with new successful titles now more regularly resulting in decreasing circulation of existing titles. New titles having to replace old is also common in journal publishing, although in this instance, the cause is related to the limited budgets of universities and libraries which is squeezing the space for market entrants (Pira, 2002a, *ibid*).

**Figure 12: Threats Faced by Companies in the Print and Publishing Sector in the City Fringe**



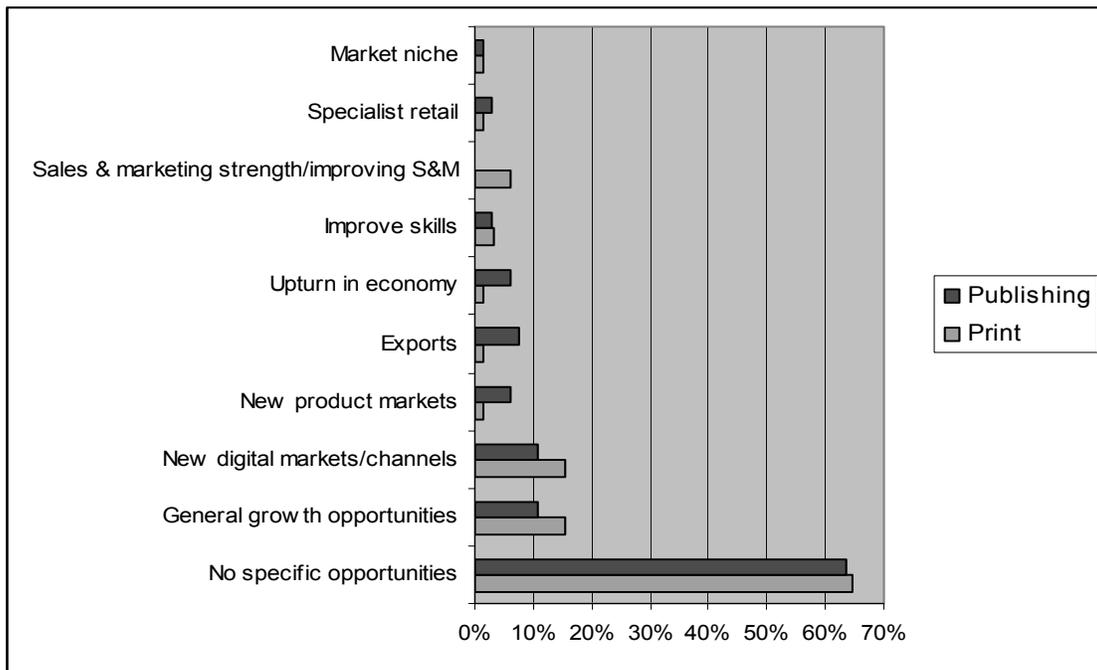
**Opportunities for Publishing in the City Fringe**

Companies that took part in the survey in both print and publishing found the identification of opportunities much harder than the identification of threats, with two-thirds of respondents unable to foresee any specific openings. Once again, publishers referred to the general economic climate, this time in terms of the positive benefits likely to accrue from the signs of recovery in many developed economies, in addition to more sectoral issues.

- **Growth opportunities:** despite fears about market saturation in some segments of book and magazine/journal publishing, findings from both the survey and interview work indicate that businesses see general possibilities for expansion of the market.

- **New digital channels/products:** while new digital channels offer a number of potential threats to the publishing industry, as Chapter 2 outlined, they also represent a major opportunity which is increasingly being exploited by publishers.
- **Exports** –as the survey shows, exports already form a significant component of the average companies’ sales base but a number of companies see further opportunities related to overseas markets.
- **Printing on demand/virtual warehousing** – innovations in printing technology will mean that there will be opportunities for cost cutting in terms of warehousing combined with the ability to reduce print runs and decrease time lag in delivery.

**Figure 13: Opportunities for Companies in the Print and Publishing Sector in the City Fringe**



## Threats to Printing in the City Fringe

The threats and opportunities identified by the print sector severely reflect the issues existing at the national level. These are, however, conditioned by peculiar local issues, particularly relating to the specific structure of the City Fringe print sector, and to inner London issues of cost and transport.

### At the national level

- **New technologies:** the ready availability of high-quality, cheaper hardware has essentially reduced investment cost barriers to entry. As larger companies strive to gain business share in the document management area, smaller companies are struggling to enter this (e-based) business. The internet poses particular problems for a number of Fringe companies that specialise in newsletters, brochures and reports that can often be delivered at least as effectively online.
- **Falling demand for hard copy:** associated with the rise of digital markets, client requirements have changed. For example, the demand for computer manuals and forms to be completed manually, has declined significantly. Falling demand for hard copy print is perhaps the greatest difficulty faced by many smaller firms and, given the difficulties for small firms in changing the focus of their business, it may well be that the ultimate outcome of falling demand will be further price-cutting.
- **Competition:** respondents to the survey identified competition as the single biggest threat they face. Interviews reveal that there a number of dimensions related to competition that pose a threat for the Fringe companies. Firstly, reduced investment cost barriers to entry seem to be ushering in a number of **new entrants** to the market which are aggressively competing on price to gain market share. Secondly, **rationalisation** is still a big issue in the industry, especially in the digital market. Takeovers are mainly by large UK firms, rather than international companies, although the large international companies do focus on the UK when it is

advantageous due to exchange rate movements. Finally, **overseas competition** from cheap locations such as the Far East and Eastern Europe was identified by the printers we interviewed, especially in the book market.

- **Margins:** a major issue as they have been declining for some time and, given the competitive challenges faced by businesses (a downward trend in prices coupled with rising costs), together with falling demand for hard copy print, pressures on margins are not set to ease and for many companies, the business strategy is one of survival.

#### **At the local level**

- **Property:** As the survey findings illustrate, print businesses are facing rising property costs. Further, one of the factors that businesses in the print sector value about their present Fringe location is cost advantage relative to other similar London locations. Clearly, if property costs continue to rise, these cost advantages will be undermined, weakening one of the key locational strengths of the area for printers. The likelihood of continuing rises in property costs is strong, given the ongoing transformation into desirable live/work areas currently taking place in many neighbourhoods of the City Fringe (e.g. Clerkenwell, Shoreditch). In addition to cost, it is also likely that this process will reduce the number of possible properties that are suitable for printers, as buildings and land use shift more towards residential and associated commercial uses (e.g. cafes and bars, retail and office uses etc.).
- **Labour costs:** staff costs in print in the City Fringe are rising and secondary data indicates that labour costs across London are significantly higher than the rest of the UK. Companies are also struggling with downward pressure on prices. This combination places greater pressure on margins for London-based companies with respect to competitors based outside the capital.

- **Transport:** In addition to the problems of congestion, London-specific transport policies to tackle congestion, such as congestion charging, more bus lanes and red routes were reported as threats by businesses in both the survey and in interviews. Transport is reported to be affecting business negatively in three ways: impact on the desire or ability of staff to work in London; discouragement to clients visiting print premises; disruption to company delivery services and suppliers due to parking restrictions and congestion. Again, these policies and negative externalities place the print sector in London at a disadvantage relative to the sector elsewhere in the UK.

### **Opportunities for Printing in the City Fringe**

Unsurprisingly, much of the discussion in the interviews regarding the opportunities facing the print sector in the City Fringe revolved around the impacts of digital technology, which was also echoed in the business survey.

### **Digital printing**

The opportunities from digital printing featured highly in discussions with printers, though these were counterbalanced to a certain extent by recognition of the continuing scope for traditional printing methods. The view was expressed that because the market has recently been flooded with black and white (B&W) digital equipment, in some areas, B&W digital printing has already superseded B&W litho and colour digital thus appears to offer a better opportunity. However, this is still not a straightforward proposition for printers as the present quality of digital print does not yet quite match that of litho.

Printers also retain litho machines as the pricing structure is different for colour litho compared with colour digital. Digital output is charged per page whereas with litho, the major cost element is the up-front cost of making plates etc. It is thus still more sensible to use litho for longer runs because digital printing can become uncompetitive in these instances as it is costed by the page.

### **Customer service**

In tandem with the growth in digital printing and the flexibility it offers (shorter runs, more precisely individualised for the customer, with faster turnaround times) there is an increased emphasis on customer service, often extending to the provision of, or desire to provide, a one-stop shop service to clients. Interestingly, the pursuit of this objective has prompted one company to augment its predominantly digital stock of equipment with a small investment in litho equipment to print stationery and business cards etc, the rationale being to offer a full range of services to clients in a cost-effective manner.

Other companies pointed to the market possibilities that can open up once a strong relationship has been established with a particular customer. Printers need to understand the business of each of their clients, so that they can both anticipate and supply solutions to future print and non-print demands. In this manner, printers are effectively operating as service/communications companies. This is often associated with developing a specialist understanding of the needs of particular markets, whether this is construction (architects/engineers/planners etc.) or financial services.

### **Document management and other digital services**

The larger printers are setting up print management divisions, taking the concept of customer service one step further. The print company may provide the client with the facility to conduct all of its business on-line, from ordering through to document management. Manuals, for example, can be kept on the system for customers, although they can opt to purchase hard copies if they wish. The attraction to clients is an anticipated reduction in their print bills.

Developing a capacity for document management can often lead to the offer of other digital services, such as managing customers' websites, and even extend into web design. Here, a combination of good pre-press and ICT skills can, in a number of contexts, provide a strong offer compared with pure digital competitors, as print-ready files can be

altered and sub-sampled to provide data to be used in other media, whereas going in the opposite direction – from digital to print quality files - is not possible.<sup>72</sup>

It is, however, unlikely that many of the small companies in the City Fringe will be able to offer these sophisticated services in the near future. The poor track record of many print firms as regards investing in, and acquiring skills for, developing a website and e-commerce for themselves suggests that a lack of capacity to attempt commercial exploitation.

### **Facilities management**

The rise of companies providing facilities management, whereby external companies take over print management and print buying for clients (often requiring the placement of staff into client organisations) is sometimes seen as a threat to printers.<sup>73</sup> This is principally because many of the companies offering facilities management for print come from outside the sector, such as large office supplies firms (e.g. Guilbert), or less ‘traditional’ printers, such as the big instant print shop chains. However, it is clear that facilities management could be an opportunity for traditional printers, and one ‘printer’ we interviewed actually did nothing but facilities management for clients and had no printing capacity itself. Facilities management has a particular appeal for large corporates with complex print needs that can range from, for example, in-house material through the range of retail items (e.g. price tags, shelf wobblers, point-of-purchase etc.) to the full range of promotional items (e.g. display ads, hoardings, banners etc.).

### **Business support**

The final question explored in the company interviews focused upon respondents’ views on the types of assistance from public sector business support agencies that would most help to develop their industry over the next three years. A discussion of the potential benefits or otherwise of the City Fringe Partnership acting upon the kinds of interventions outlined by businesses is contained in the final chapter of the report.

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<sup>72</sup> Smyth and Birkenshaw (2001), *ibid.*

<sup>73</sup> Smyth and Birkenshaw (2001), *ibid.*

## **Publishing**

Although aware of considerable publishing activity in the area, the publishers did not report having strong links with one another, either commercially or otherwise. In most cases, as noted elsewhere, the publishers felt a stronger affinity for their market and subject matter, than with other publishers. In general, most of the publishers did not see business support as an issue – particularly the larger ones, who had little interest in area-based support interventions. The publishing firms we interviewed were generally positive about the City Fringe area as a location (as highlighted above), and this extended to the availability and cost of property.

There were, however, two areas in which some of the smaller companies felt that intervention would bring benefits. Firstly, some companies do believe that meeting other publishers and printers in the area would be useful, and they would appreciate some means of making this happen. Secondly, exporting to international markets was something of particular interest to many smaller publishers who felt that any help in overseas promotion (e.g. subsidising visits to trade fairs), would also be appreciated.

In addition, interviews with trade bodies and evidence from the literature suggests that in some companies, particularly in fiction book publishing and consumer magazines, there are a number of business support issues related to the need for publishers to be more market (and marketing) orientated rather than editorially-driven. This encompasses areas such as the need for improved financial management, a greater use of market research and better negotiating skills. For public agencies this is however a complex area in which to intervene. It should be restated that none of these issues was raised by any of the companies interviewed for this study. Given these factors, it is likely that such issues would better be tackled through trade and sector bodies rather than area-based regeneration initiatives.

## **Print**

Companies in the City Fringe's print sector suggested a range of areas in which business support could usefully be focused:

- **Skills development** for established workers (rather than new entrants) in management and ICT, with one company being specific enough to refer in particular to help with financial management skills for managers.
- **Market intelligence/product knowledge** on digital printing can be hard to obtain. What is available is mainly produced by Xerox, but it is US-based. BPIF also provides industry information, although the industry body charges for this information.
- **Cross-sector networking** could be enhanced as it can be useful for advice purposes as well as the more obvious sales opportunities. Print firms can learn from other businesses in other sectors such as, for instance, how they run their customer service teams, or pursue standards such as Investors in People and ISO9000.
- **Business development, lead generation and marketing support**, in particular related to helping to identify and approach potential clients in and around the local area.
- A **'buy local' scheme** – a promotional initiative to persuade clients (including local authorities) to procure IT and printing locally would be helpful.

## 9. Conclusions

The main finding of this research is that the publishing and printing sectors operate independently of each other in the City Fringe. Publishing and printing in the area must thus be treated as two separate sectors as there are few apparent linkages and very distinct differences between the two. This disconnect between the two sectors is in line with findings from similar research work undertaken in London, specifically in the South Central sub-region.

In considering the basis for intervention strategies in publishing and printing, it is important for the CFP and its partners to understand the relative competitiveness of the publishing and printing sectors in the City Fringe internationally, nationally, regionally, and locally. This would provide the most reliable indication as to the short-to-medium term future for the sectors in the area.

### UK Competitiveness

The two most recent DTI reports into the sectors' competitiveness at the national /international level, *Print 21* and *Publishing in the Knowledge Economy*, paint very different pictures of the relative competitiveness of the UK's publishing and printing sectors. Put bluntly:

- publishing in the UK is healthy and internationally competitive, with strong demand, increasing employment and robust revenues
- printing is in long term decline, with static revenues and falling employment, and it is struggling to cope with a series of major challenges to compete internationally

Specifically, the *Print 21* report outlines that, while the UK still has the second or third largest print sector in Europe, it is performing worse than many of its key European competitors. In addition to highlighting the role of the high value of sterling in contributing to a fall in exports and a rise of imports in the sector, the report points to evidence that there is a serious gap in productivity (around 30%) between the printing

industry in the UK and its main north European competitors. In discussing the factors responsible for this productivity gap, the report points to:

- a low skills base in production across the sector, which it links to the lack of formal training in the sector
- poor management, which the report suggests may have led to bad investment decisions (although the level of investment may have been broadly comparable with key competitors); and
- differences in the industrial structure of printing in the UK in comparison to our main European rivals, in particular, the low levels of vertical integration and long-term supply contracts which make it more difficult to match capacity with demand.

### **London's Competitiveness**

Looking at the regional level, secondary sources show that the publishing sector in London is thriving, accounting for a large and increasing component of employment in the sector nationally (40%) and a greater proportion still of turnover. There is no clear indication that higher property costs in London have an unduly adverse effect on businesses. Further, wage levels in the sector nationally are comparatively low for the kinds of skills that the sector requires and there is no evidence to suggest that wage levels are significantly higher in the sector in London. Despite this, the sector is over-supplied with, in the main, well-qualified candidates.

On the other hand, employment in the print sector in London is in decline, with the capital losing employment to other regions of the UK. Margins are under pressure in the sector nationally, but businesses in London are faced with higher property costs and significantly higher wage levels. Given these competitive challenges, it is no surprise that London is now less important as a location for the sector in the UK than it used to be.

### **City Fringe Competitiveness**

The nature of the City Fringe as a business location has differing impacts for the two sectors. For publishing, the Fringe has cost advantages relative to the other major centres of publishing activity within London (Soho, the West End and West London). The ongoing transformation of a number of Fringe neighbourhoods to more residential, retail and office uses is not yet likely to represent a threat to the further development of the sector in the Fringe (and in fact has actually contributed to the attractions of the area for the publishers).

For printing, however, increasing property costs appear to be undermining cost advantages relative to other similar locations (e.g. London South Central). Further, the changing nature of many Fringe neighbourhoods is also likely to impinge on the ability of businesses to find appropriate and affordable workspace in the future. Lastly, the effects of congestion, and its associated policy remedies such as congestion zone charging, add to the operating costs of businesses in the print sector. It needs to be remembered here that printing is still a manufacturing industry, dependent on the transport of physical inputs and outputs. The competitive challenges identified above in relation to London are amplified with regards to the Fringe, and again, it is no surprise that the Fringe is now less important to London's print sector than it once was.

### **Competitive Focus of Publishing Businesses in the Fringe**

The operation of many publishers within the City Fringe as part of the publishing function for a range of different vertical markets means that identifying commonalities across the sector is difficult. This is particularly true with regards to product mix and the competitive strategy of these companies. These publishers are part of the competitive process for these other sectors, whether this is financial services, ICT or legal services.

However, it is worth stressing that a number of implications flow from this. Firstly, the market intelligence and information needs of these publishers will focus upon their particular vertical market(s). Secondly, it is likely that businesses may need to recruit and/or buy in skills from these markets at particular times. Thirdly, given these interactions and the role that publishers play as key sources of very specific and often very timely industry knowledge, the co-presence of business publishers with companies in a range of vertical markets (e.g. legal, telecoms) is only likely to enhance both the competitiveness of these markets and of the publishers themselves. Therefore, any instances in which these interactions could be stimulated or improved upon locally should be investigated.

### **Competitive Focus of Print Businesses in the Fringe**

Conditions for many businesses based in the print sector in the Fringe are challenging, and this seems to have translated into a clear locational logic in terms of the kinds of print activities which are undertaken there. The sector specialises in a mixture of general printing (low to medium volumes) and/or quick printing (fast turnaround, short runs, copy shops) in which a combination of flexibility, proximity to customers and price is key. Industrial printing only remains in the area due to the historical legacy of the newspaper industry in the City Fringe. It should be noted that one of the key strengths of the sector in the Fringe is precisely its focus on general print activities, as it includes the key growth segments of the print market.

The threat posed to many businesses in the sector is that their existing advantages of proximity will be undermined by the continued improvement of ICT and digital print technologies, such as digital proofing systems, leaving City Fringe printers exposed on price. Interviews with financial services clients indicate that location is already increasingly not a key consideration when choosing print suppliers. Companies in areas such as Milton Keynes and Suffolk can overcome the issue of distance on all but the shortest of turnarounds by having overnight deliveries into the City every night.

Print procurement criteria tend to focus instead on other factors. For generic commercial items, print buyers report that ‘quality’ is paramount. In practice, however, quality is actually understood to be a given and so cost becomes the actual criterion for generic commercial print items. Where less generic print items are concerned, in particular the significant numbers of commercially sensitive documents required by businesses in the City (such as investment reports), a reputation for reliability, trust and confidentiality is key. This has important comparative advantages for those firms who can develop a reputation in this area. As one City-based print buyer in the financial sector put it:

We have ten, fifteen firms we use for our general commercial print – which we tender for on price, basically – but [the] Research [division] commission all their own print, and they only ever use two companies at any one time. At the moment one’s local [in the City Fringe] and the other isn’t.

This indicates that there is a number of factors other than cost which need to be taken into account when analysing the competitiveness and future of printing in the City Fringe. In particular, these relate to a variety of value-added characteristics upon which some firms in the City Fringe are already focusing their businesses, such as customer service, offering a range of print services, and the provision of non-print offerings such as document management, web hosting and facilities management.

The side by side existence of companies in the print sector that are adopting very different competitive strategies as a response to a rapid, technology-driven change is, of course, not unique to the City Fringe. The Smyth and Birkenshaw study published by Pira in 2001, for instance, states that ‘printers are looking at themselves and their business models critically’ and that this is producing a split between ‘the traditional print specialist investing to increase the efficiency of the print production process for those clients who depend on printed products’<sup>74</sup> and those that are trying to provide essentially new products and services. In their analysis Smyth and Birkenshaw restrict this to digital products and services but areas such as facilities management also fit within their framework. From our interviews with both print companies and print buyers, it is clear

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<sup>74</sup> Smyth and Birkenshaw (2001), *op cit*, p.27.

that, at present, the City Fringe print sector's main competitive focus is still price, followed by quick turnaround and the offer of a range of print services.

Looking ahead to the future of printing in the City Fringe, it needs to be remembered that recent trends point to the continued shrinkage of jobs and businesses. Printers in the City Fringe are operating in an over-crowded market which faces long term decline in demand, and from a (relatively) high cost location. Pressures on margins and price-cutting are likely to remain a feature of the industry for the foreseeable future. Major industry-wide issues, such as over-capacity, will only be resolved at this level – most obviously through a process of consolidation.

These need to be balanced by a recognition that the demand for print items will not disappear overnight, nor will it dry up in absolute terms. Businesses in the City and the rest of London will always require many items to be available in hard copy format. Further, having a significant print industry on its doorstep is important to the continued competitiveness of the City itself. These are the reasons why printing does have a possible future in the area and why it is important that it secures that future.

It is likely that there will continue to be a divergence in how print firms in the area respond to a challenging marketplace. For the **larger/leading print companies** in the City Fringe, continued success will increasingly lie in moving away from price competition by developing and leading a market niche and/or by providing a range of value-added services. This is not, however, a realistic option for many of the smaller, traditional companies in the City Fringe. These businesses have sunk investment in traditional equipment, have a high average age of staff, and have limited management skills bases. Their future sustainability will depend on improving the fundamentals of their businesses, and the research suggests that there is plenty of scope for achieving this. For instance, many businesses seem unaware of, or are unable to implement, basic marketing practices particularly with regard to the internet and e-commerce. Given this, it is also likely that there are other business fundamentals which could be improved and which would lead to gains in efficiency for these firms.

## 10. Recommendations

### Printing

The City Fringe print sector contains firms that continue to base their business around price competition, and firms that compete on a range of value-added services. The CFP should consider intervention strategies designed to support both of these competitive strategies. The local picture broadly mirrors the way in which the print sector is changing nationally, so there is already a range of targeted initiatives which are attempting to tackle some of these issues (see Appendix 1). In particular:

- Initiatives aimed at improving production processes and streamlining supply chains, such as the DTI-backed Manufacturing Advisory Service, supported by the LDA and delivered through BL4L and the Engineering Employers Federation
- Initiatives aimed at helping businesses to review and re-think their competitive strategy, with a view to moving into higher value areas. This is partly the purpose of the BPIF/DTI Print Module Benchmark Index, but there are also models from the apparel and garment industry that have addressed similar issues, including models pioneered with East London's textile manufacturers

In the area of skills, greater provision is required to:

- Train new entrants and raise skills levels to meet changes in technology and markets. Once again, there are already a number of national, industry-led initiatives currently running, including Modern Apprenticeships, the Access to Skills initiative and a number of management development programmes (see Appendix 1)

These initiatives should be investigated with a view to assessing their appropriateness and identifying how CFP could work with partners to usefully fill gaps in provision and/or add value by adopting and adapting existing initiatives.

The LDA's Strategy for the London's Production Industries, currently in draft, should provide an overall strategic context for any intervention strategies designed by CFP.<sup>75</sup> The kinds of skills and business development initiatives highlighted above are entirely consistent with the LDA's key objectives and priorities for action with regard to the production industries.

In addition, there are three further areas where the CFP and its partners should consider more stand-alone interventions. Firstly, the research indicates that there is a lack of knowledge and understanding among many firms regarding the use of the internet for marketing and transactional purposes. The CFP might usefully address this issue through a small number of free, targeted workshops and seminars which concentrate on practical advice and support, coupled with best practice examples from the print sector on the business benefits of the web.

Secondly, the Corporation of London is currently leading on initiatives intended to improve the sourcing of local suppliers. This includes revising the Corporation's procurement strategy, as well as encouraging City firms to make better use of local suppliers (a 'buy local' scheme as advocated by some printers in the City Fringe). Taken together, these two initiatives represent a significant opportunity for the CFP to design and deliver intervention strategies for the sector.

The schemes represent a business development initiative for printers in the area, going some way towards meeting the business support needs of the sector as expressed by the companies themselves. The initiatives could also be used as a hook on which to hang accompanying support on the skills and competitive focus issues described above. This could take the form of companies having to undergo particular programmes of training and business advice after undergoing a business diagnostic before gaining 'approved supplier status'.

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<sup>75</sup> London Production Industries Commission (2004) 'Production Industries in London: Shaping the Future – Strategy Overview'.

Finally, the networking capacity of the sector could be usefully increased by incorporating printing activities as part of programmes run by both generic and sector-specific agencies. This would provide opportunities for print professionals to share best practice among other practitioners, and also develop linkages to locally-based sectors that require print services. For instance, initiatives to bring together the City Fringe's well-established design networks with its printers could increase business development opportunities for the sector.

### **Publishing**

Given the size and growth of the publishing industry, the sector should be seen as an important contributor to the City Fringe economy and a potential source of employment for local people. However, development agencies need to be aware of where employment opportunities lie. In general, publishers demand high levels of education and professional skills from editorial staff while reporting a constant supply of graduates interested in employment and work-experience opportunities.

Routes to employment for local residents are likely to be greatest in advertising and subscription sales (where there tends to be the highest staff turnover) and other non-editorial sides of the business, such as IT. Training and support interventions intended to meet these, rather than editorial, occupations will almost certainly have a greater chance of leading to employment.

As outlined throughout the report, the fact that many of the publishers within the Fringe are orientated towards the different vertical markets they serve means that there is a limit to the effectiveness of any interventions that target publishers as a separate sector. But there is value to be gained in including publishers as part of the existing CFP programme of cluster support in key sectors, e.g. financial services, ICT, creative industries. The CFP should consider a more detailed segmentation of publishers in the area in order to make this possible.

UK publishing has traditionally been a strong export industry and many of the City Fringe publishers identified overseas markets as a growth opportunity, particularly for educational publishing. There is an ongoing programme of publishing trade and export promotion activities led by sector (e.g. the Publishers Association) and government bodies (e.g. UK Trade and Investment), and the possibility of linking up City Fringe publishers with these should be explored.

The major newspaper groups have community affairs divisions which are interested in being involved in locally-based support and training programmes that link commercial media activities with local communities and young people. These possibilities should be pursued, although again on the understanding that the bulk of the opportunities is most likely to lie in advertising and subscription sales rather than editorial positions.

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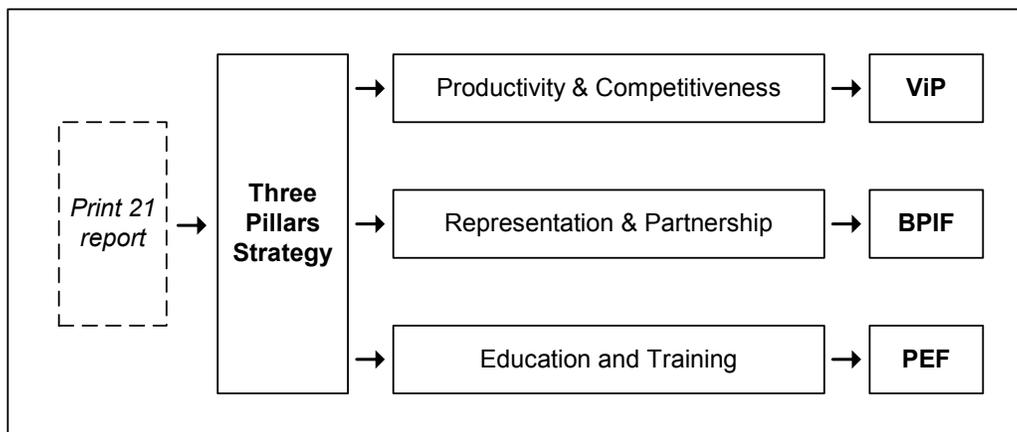
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## Appendix 1: Existing Print Initiatives

Any potential support schemes for the printing sector should be considered in light of the range of initiatives already taking place, and the organisations behind them. At the strategic level, there are three print sector organisations with primary responsibility for developing the industry: the Print Education Forum (**PEF**), the British Printing Industries Federation (**BPIF**) and Vision in Print (**ViP**). Each delivers one of three, inter-related strands known collectively as the ‘Three Pillars Strategy’ which emerged in response to the Print 21 report on industry competitiveness.<sup>76</sup> In addition, the Graphical, Paper & Media Union (**GPMU**), the main trade union for the industry, is heavily involved in many of the initiatives taking place in the sector.

**Figure 14: The ‘Three Pillars Strategy’**



At the delivery level, training and business support activities often involve a number of stakeholders, ranging from print industry bodies and industry associations to RDAs, Business Links, Learning and Skills Councils and Government departments, such as the DfES and DTI. Specific examples include:

<sup>76</sup> BPIF (2001) *Print 21: Coming of Age? – A Study into the Competitiveness of the UK Printing Industry*, report prepared for the DTI.

### **Benchmarking**

Vision in Print has developed the Print Module Benchmark Index, a series of print-specific performance measures based on generic benchmarking tools provided by the DTI's Small Business Service. ViP-accredited advisors (including teams from BPIF) carry out assessments of participating companies and help them to produce development plans.

### **Manufacturing Advisory Service (MAS)**

The DTI-backed MAS teaches companies how to improve the efficiency of the manufacturing, supply chain and product development processes, and includes printing as a target sector. In London, the scheme is supported by the LDA and delivered through Business Link for London and the Engineering Employers Federation.

### **Modern Apprenticeships**

The BPIF currently runs apprenticeship schemes in 'print production' and 'print commercial', combining workplace learning and college tuition (leading to NVQ qualifications at levels 2 and 3) for 16-24 year olds. Under plans announced by the Government in May 2004, the apprenticeship framework is due to expand to include both younger entrants and over-25s. The print sector is already involved in pilot schemes offering apprenticeships and training to older age groups.

### **Access to Skills**

The Learning and Skills Council scheme, designed to encourage upskilling in the workforce, offers subsidised NVQ training to over-25s. Those undertaking print-related courses are eligible.

### **GPMU Skills Training**

The GPMU union has opened a dedicated learning centre in Oval, south London, with a primary emphasis on helping its members develop basic ITC skills.

## **Management Development**

Management development programmes are offered through the BPIF and the London College of Communication (formerly London College of Printing) at the University of the Arts. In addition, **Printmanager.org.uk** is an online resource developed by PEF (in its earlier incarnation as the PGC NTO) to address skills' gaps at management level, and provide routes to professional development.

## **Appendix 2: Printing Industry Organisations**

### **Print Education Forum (PEF)**

PEF evolved from the Print and Graphic Communication national training organisation following the dissolution of NTOs in 2002. PEF produces national training and skills development plans for the industry, and works to promote training activity and identify trends and skills shortage areas, often in conjunction with other bodies, such as the DfES, DTI and Learning & Skills Councils. PEF is also involved in forming an appropriate alliance with one of the new Sector Skills Councils ([www.printnto.org](http://www.printnto.org)).

### **British Printing Industries Federation (BPIF)**

BPIF is the main trade association for the printing, packaging and graphic communication industry, offering business support, news and training to its members. The BPIF contains a number of specialist groups, focusing on sub-sectors of the industry, such as book publishing, cartons and digital printing ([www.britishprint.com](http://www.britishprint.com)).

### **Vision in Print (ViP)**

Established with DTI backing, Vision in Print is an industry forum with a remit to improve performance at company level by promoting best practice to raise productivity and improve competitiveness. This is achieved partly via a benchmarking process, developed specifically for the print industry in conjunction with the Small Business Service ([www.visioninprint.co.uk](http://www.visioninprint.co.uk)).

### **Graphical, Paper & Media Union (GPMU)**

The printing sector's single trade union, representing all employees within the printing, ink making, papermaking, publishing and related IT industries. Currently in discussions regarding a possible merger with the skills and manufacturing union Amicus. Regional branches run dedicated Learn Direct training centres, including one in London ([www.gpmu.org.uk](http://www.gpmu.org.uk) / [www.gpmulondon.org](http://www.gpmulondon.org)).

**British Association for Print and Communication (BAPC)**

A trade association that offers advice and arranges training seminars and distance learning for members ([www.bapc.co.uk](http://www.bapc.co.uk)).

**European Flexographic Technical Association (EFTA)**

A body that represents those involved with this printing process, commonly used in the packaging and labelling industries ([www.efta.co.uk](http://www.efta.co.uk)).

**Institute of Printing (IOP)**

A body that promotes professional practice within the sector, and offers technical and academic support to members ([www.instituteofprinting.org](http://www.instituteofprinting.org)).

**Picon Ltd**

An information service for the paper, printing and packaging industries ([www.picon.com](http://www.picon.com)).

**Pira International**

An independent company providing research, consultancy and online business information for companies in the printing, publishing, packaging and paper industries. ([www.pira.co.uk](http://www.pira.co.uk)).

**Scottish Print Employers Federation (SPEF)**

Trade association and employers' organisation of the Scottish printing industry, representing the industry and offering advice on technical and legal matters as well as education and training ([www.spef.org.uk](http://www.spef.org.uk)).

**Screen Printing Association (SPA)**

Trade association for the screen printing industry, providing training, guidance and promotion to members ([www.spauk.co.uk](http://www.spauk.co.uk)).

**Print Media & Graphics Network**

Not-for-profit industry association and network serving the print media & graphics sector, primarily in the East Midlands ([www.printsector.net](http://www.printsector.net)).

**British Printing Society (BPS)**

Represents small printers ([www.bpsnet.org.uk](http://www.bpsnet.org.uk)).

**Independent Print Industries Association (IPIA)**

Trade association for printers, distributors and manufacturers ([www.ipia.org.uk](http://www.ipia.org.uk)).

**Association of Hot Foil Printers**

Serves the sub-sector specialising in metallic printing ([www.hotfoilprinting.org](http://www.hotfoilprinting.org)).

**Dotprint**

Online information source for the printing industry ([www.dotprint.com](http://www.dotprint.com)).

## The Corporation of London

The City of London is exceptional in many ways, not least in that it has a dedicated local authority committed to enhancing its status on the world stage. The smooth running of the City's business relies on the web of high quality services that the Corporation of London provides.

Older than Parliament itself, the Corporation has centuries of proven success in protecting the City's interests, whether it be policing and cleaning its streets or in identifying international opportunities for economic growth. It is also able to promote the City in a unique and powerful way through the Lord Mayor of London, a respected ambassador for financial services who takes the City's credentials to a remarkably wide and influential audience.

Alongside its promotion of the business community, the Corporation has a host of responsibilities which extend far beyond the City boundaries. It runs the internationally renowned Barbican Arts Centre; it is the port health authority for the whole of the Thames estuary; it manages a portfolio of property throughout the capital, and it owns and protects 10,000 acres of open space in and around it.

The Corporation, however, never loses sight of its primary role – the sustained and expert promotion of the 'City', a byword for strength and stability, innovation and flexibility – and it seeks to perpetuate the City's position as a global business leader into the new century.

