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Mini-presentation on

**SPPI for Publishing of books, periodicals and other publishing
services in the Czech Republic**

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1. Introduction

This paper provides a brief overview on the development and methodological framework of the Services Producer Price Index for 'Publishing of books, periodicals and other publishing services'.

Since 2011, prices of publishers (B2B prices) for selected representatives have been surveyed (books, newspapers and journals). The price index of 'Publishing of books, periodicals and other publishing services' is a sub-index of the total price index of business market services. Since 2013, indices of 'Publishing of books, periodicals and other publishing services' are published.

The Czech market of publishers is relatively concentrated in terms of ownership structure and several publishing houses.

The structure of this mini-presentation is based on the Content Development Framework of the Voorburg Group.

2. Definition of the service

In general, the publishing activity can be defined as the process of creation and dissemination of information, i.e. a making the information accessible for the widest audience. It concerns the distribution of various informational materials such as books, magazines, newspapers and sound recordings in print or electronic form. The publishing work includes various phases – from the development, acquisition, editorial work, graphic design, through other 'pre-press activities' to the actual production (i.e. printing), marketing and distribution.

Next description will be predominantly focused on publishing of books, newspapers and periodicals (journals).

Table 1 – Structure of Publishing of books, periodicals and other publishing activities after a revision of the NACE classification.

NACE Rev. 1.1	NACE Rev. 2
22.1 Publishing	58.1 Publishing of books, periodicals and other publishing activities
22.11 Publishing of books	58.11 Book publishing
	58.12 Publishing of directories and mailing lists
22.12 Publishing of newspapers	58.13 Publishing of newspapers
22.13 Publishing of journals and periodicals	58.14 Publishing of journals and periodicals
22.14 Publishing of sound recordings	59.20 Sound recording and music publishing activities
22.15 Other publishing	58.19 Other publishing activities

22.2 Printing and service activities related to printing	18.1 Printing and service activities related to printing
22.21 Printing of newspapers	18.11 Printing of newspapers
22.22 Printing n.e.c.	18.12 Other printing
22.23 Bookbinding	18.14 Binding and related services
22.24 Pre-press activities	18.13 Pre-press and pre-media services
22.25 Ancillary activities related to printing	18.13 Pre-press and pre-media services

A few years ago, along with a review of the classification “Publishing activities” were moved from an ‘Industrial producer price index’ to a ‘Price index of market services’. ‘Printing activities’ have only stayed in the ‘Industry’.

Concerning description of individual activities falling to the publishing activities we can see a characterization of services listed in NACE classification below:

58.1 Publishing of books, periodicals and other publishing activities

This group includes activities of publishing books, newspapers, magazines and other periodicals, directories and mailing lists, and other works such as photos, engravings, postcards, timetables, forms, posters and reproductions of works of art. These works are characterised by the intellectual creativity required in their development and are usually protected by copyright.

58.11 Book publishing

This class includes the activities of publishing of books in print, electronic (CD, electronic displays etc.) or audio form or on the Internet.

Included are:

- publishing of books, brochures, leaflets and similar publications, including publishing of dictionaries and encyclopaedias
- publishing of atlases, maps and charts
- publishing of audio books
- publishing of encyclopaedias etc. on CD-ROM

This class excludes:

- production of globes, see 32.99
- publishing of advertising material, see 58.19
- publishing of music and sheet books, see 59.20
- activities of independent authors, see 90.03

58.12 Publishing of directories and mailing lists

This class includes the publishing of lists of facts/information (databases) that are protected in their form, but not in their content. These lists can be published in printed or electronic form.

This class includes:

- publishing of mailing lists
- publishing of telephone books
- publishing of other directories and compilations, such as case law, pharmaceutical compendia etc.

58.13 Publishing of newspapers

This class includes the publishing of newspapers, including advertising newspapers, appearing at least four times a week. Publishing can be done in print or electronic form, including on the Internet.

This class excludes:

- news agency activities, see 63.91

58.14 Publishing of journals and periodicals

This class includes the publishing of periodicals and other journals, appearing less than four times a week. Publishing can be done in print or electronic form, including on the Internet. Publishing of radio and television schedules is included here.

58.19 Other publishing activities

This class includes:

A) Publishing (including on-line) of:

- Catalogues
- Photos, engravings and postcards
- Greeting cards
- Forms
- Posters, reproduction of works of art
- Advertising material
- Other printed matter

B) On-line publishing of statistics and other information

This class excludes:

- publishing of advertising newspapers, see 58.13
- on-line provision of software (application hosting and application service provisioning), see 63.11

According to the CPA 2008 the Publishing of books, periodicals and other publishing services (code 58.1) are divided into several categories: book publishing services (code 58.11), publishing directories and mailing lists (code 58.12), publishing services of newspapers (code 58.13), publishing services of journals and periodicals (code 58.14) and other publishing services (code 58.19).

Individual categories mentioned above include further service products on the six-digit level (see table 2).

Table 2 – Structure of Publishing of books, periodicals and other publishing services (CPA classification). Services covered by the Czech SPPI are in bold.

58.1	Publishing of books, periodicals and other publishing services
58.11	Book publishing services
58.11.1	Printed books
58.11.11	Printed educational textbooks
58.11.12	Printed professional, technical and scholarly books
58.11.13	Printed children books
58.11.14	Printed dictionaries and encyclopedias
58.11.15	Printed atlases and other books with maps
58.11.16	Printed maps and hydrographic or similar charts, other than in book

	form
58.11.19	Other printed books, brochures, leaflets and the like
58.11.2	Books on disk, tape or other physical media
58.11.20	Books on disk, tape or other physical media
58.11.3	On-line books
58.11.30	On-line books
58.11.4	Advertising space in books
58.11.41	Advertising space in books, printed
58.11.42	Advertising space in books, electronic
58.11.5	Publishing of books on a fee or contract basis
58.11.50	Publishing of books on a fee or contract basis
58.11.6	Licensing services for books
58.11.60	Licensing services for books
58.12	Publishing directories and mailing lists
58.12.1	Directories and mailing lists printed or on physical media
58.12.10	Directories and mailing lists printed or on physical media
58.12.2	On-line directories and mailing lists
58.12.20	On-line directories and mailing lists
58.12.3	Licensing services for the right to use directories and mailing lists
58.12.30	Licensing services for the right to use directories and mailing lists
58.13	Publishing services of newspapers
58.13.1	Printed newspapers
58.13.10	Printed newspapers
58.13.2	On-line newspapers
58.13.20	On-line newspapers
58.13.3	Advertising space in newspapers
58.13.31	Advertising space in newspapers, printed
58.13.32	Advertising space in newspapers, electronic
58.14	Publishing services of journals and periodicals
58.14.1	Printed journals and periodicals
58.14.11	Printed general interest journals and periodicals
58.14.12	Printed business, professional and academic journals and periodicals
58.14.19	Other printed journals and periodicals
58.14.2	On-line journals and periodicals
58.14.20	On-line journals and periodicals
58.14.3	Advertising space in journals and periodicals

58.14.31	Advertising space in journals and periodicals, printed
58.14.32	Advertising space in journals and periodicals, electronic
58.14.4	Licensing services for journals and periodicals
58.14.40	Licensing services for journals and periodicals
58.19	Other publishing services
58.19.1	Other printed matter publishing services
58.19.11	Printed postcards, cards bearing greetings and the like
58.19.12	Printed pictures, designs and photographs
58.19.13	Printed transfers (decalcomanias), calendars
58.19.14	Printed unused postage, revenue or similar stamps; stamp-impressed paper; cheque forms; banknotes, stock, share or bond certificates and similar documents of title
58.19.15	Printed trade advertising material, commercial catalogues and the like
58.19.19	Other printed matter
58.19.2	Other on-line content
58.19.21	On-line adult content
58.19.29	Other on-line content n.e.c.
58.19.3	Licensing services for other printed matter
58.19.30	Licensing services for other printed matter

3. Pricing unit of measure

The nature of price representatives (e.g. publishing of printed newspapers - the specific title), the type of client (e.g. distributor, newsstands or firms) and the pricing method (e.g. direct use of prices of repeated services) are taken into account during the determination of pricing unit of measure.

Concerning the publishing services direct use of prices of repeated services is used as the standard pricing method.

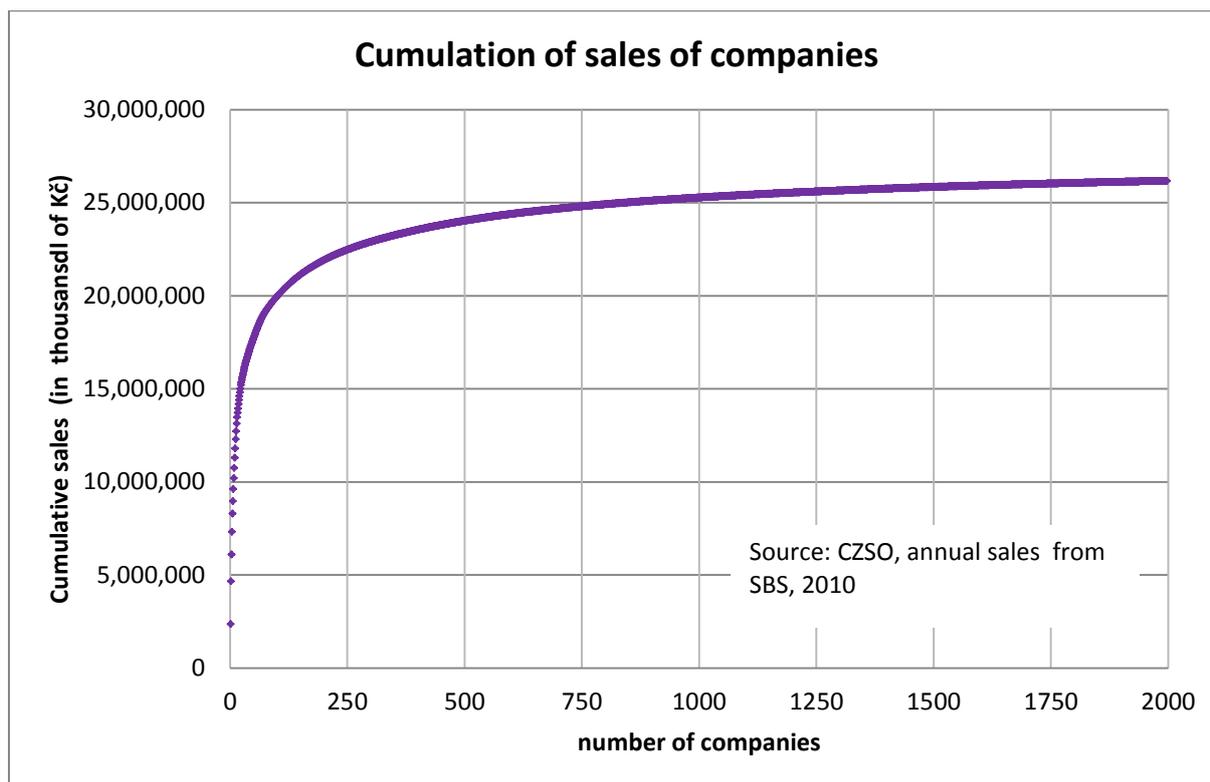
More detailed analysis will be introduced in chapter 8 'Pricing methods and criteria for choosing of various pricing methods'.

4. Market Conditions and Constraints

4.1 Size of the industry

On the market in the Czech Republic there are approximately 7,000 companies that reported sales for publishing services included in the group CZ-CPA 581 (corresponded with CPA 2008). In 2010, the sales of these companies amounted to 27 billion CZK (source: annual sales from SBS for 2010).

Graph 1: Cumulation of sales of companies included in group 581 (CZ-CPA 2008)



The graph 1 shows that the market is dominated by a few dozen large companies, whose sales account for the majority of sales. Sales for publishing services reported both companies involved in this activity primarily, and both companies whose main activity is different.

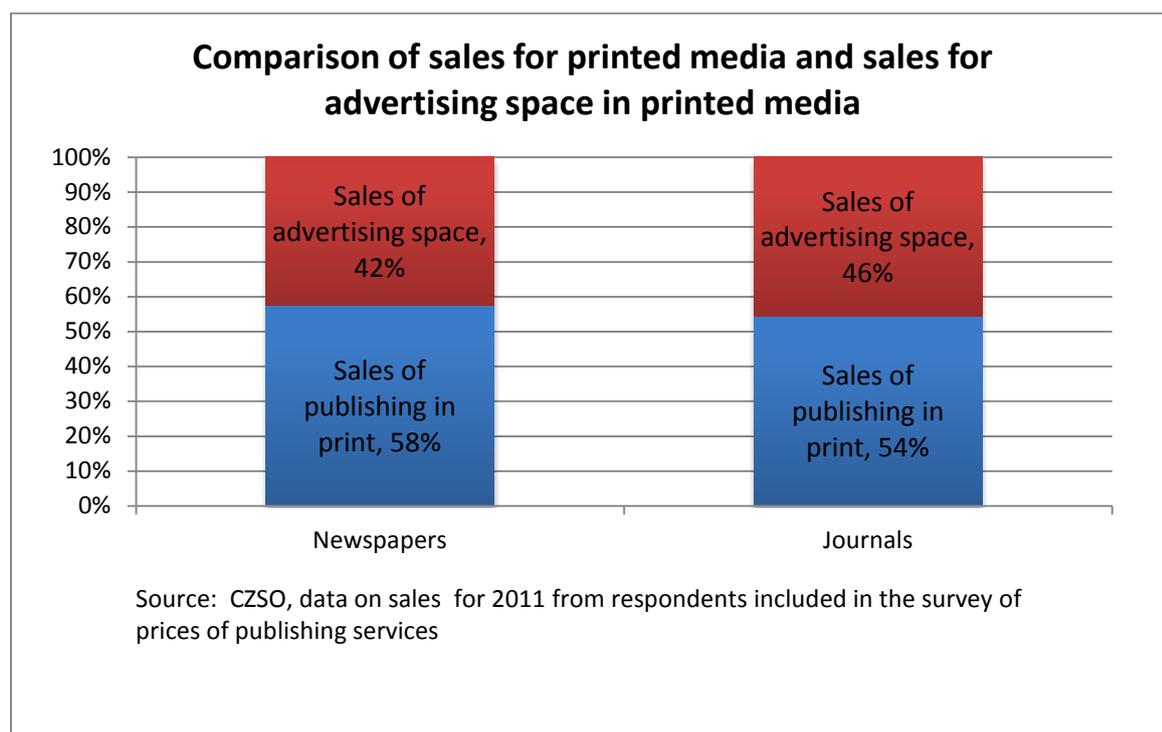
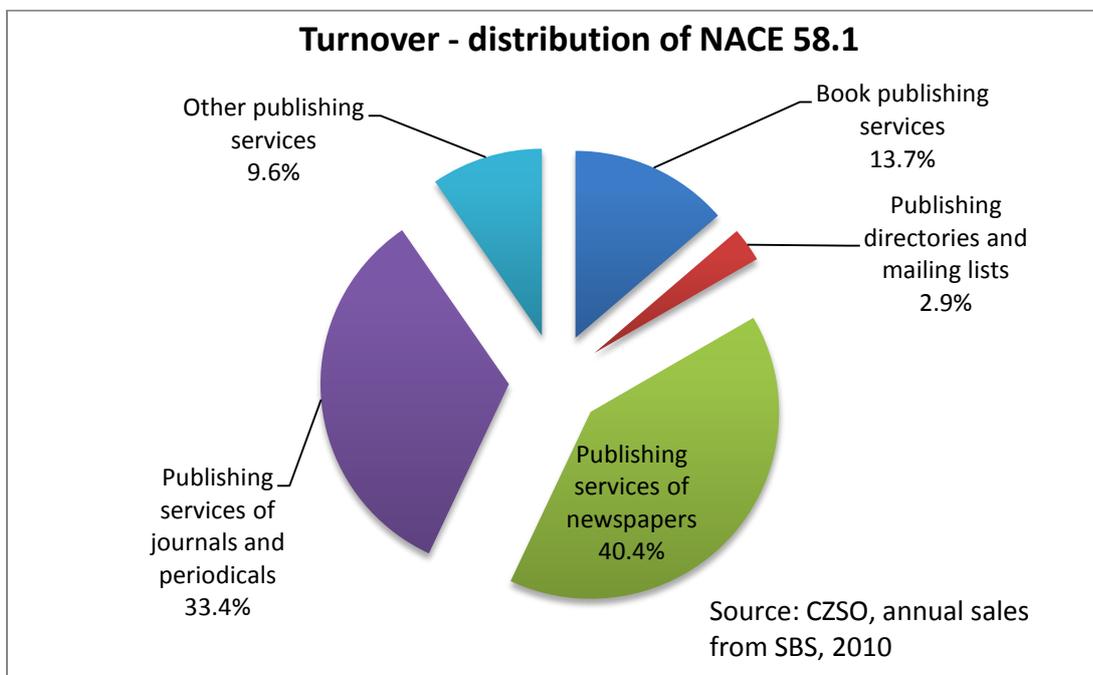
The analysis of sales is based on SBS survey, where units report CZ-NACE code for their main business activity, and itemize for individual sales activities by CZ-CPA. The data shows that the majority of sales for publishing services (CZ-CPA 581) originate from companies for whom this activity is their main business activity (see Table 3)

Table 3: The volume of sales in thousands CZK for CZ-CPA 581 by main activity for the reporting unit in SBS (first 10 major activities)

Ranking	CZ-NACE	Name of activity	Sales of CZ-CPA 581
1.	581	Publishing services of books, periodicals and other publishing services	19 465 468
2.	471	Retail sale in non-specialised stores	1 317 226
3.	960	Other personal service activities	1 120 812
4.	731	Advertising	1 104 477
5.	855	Other education	554 609
6.	932	Amusement and recreation activities	267 355
7.	742	Photographic activities	258 649
8.	181	Printing and service activities related to printing	234 005
9.	740	Other professional, scientific and technical activities	213 244
10.	900	Creative, arts and entertainment activities	196 612

At the four-digit level, the group 581 of classification CZ-CPA is divided into Book publishing services (5811), Publishing directories and mailing lists (5812), Publishing services of newspapers (5813), Publishing services of journals and periodicals (5814) and Other publishing services (5819).

The highest market share in terms of annual revenues has publishing of newspapers and magazines, which together account for nearly ¾ of all sales for publishing services (source: CZSO, annual sales from SBS, 2010).



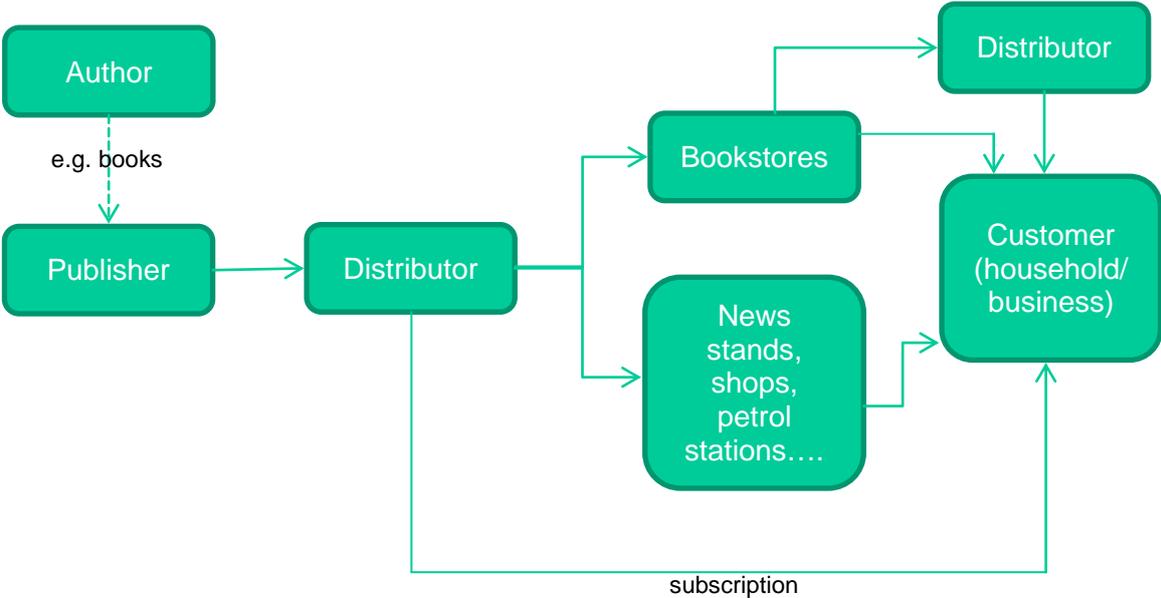
For this reason it was determined that the price index for newspapers and journals will consist of two sub-indices – index of publishing services in printed form without advertising space and index of advertising space in printed media. In the case of the newspaper, as sub-index is used an existing index of advertising space in newspapers which is also published separately. In the case of journals and periodicals, the sub-index of advertising space is calculated from prices of advertising pages published on the web of each respondent.

Publishing online and licensing services were not included to the monitoring because it is assumed that their weight is small and traceability difficult. In the future, however, can be expected the rise in the significance of publishing on-line.

It is necessary in turn to know the interconnections on the market and between its most important players.

The most important players carrying out transaction within the meaning of economic activity group 581 are: author (books), publisher and distributor.

Figure 1 – Transaction in the market of publishers



Regarding publishing services, surveyed contracts, entering into price index, are based on the relationship between the publisher and the distributor.

The next logistical step is a relationship between the distributor and the trade unit. However, the service provided by the distributor falls into group 5229.

4.2 Special condition and restrictions

The publishing services in the Czech legislation are regulated by several following laws: The Press Act - adjusts certain rights and obligations of the publishers and other persons in connection with the issue of the periodical press.

The Civil Code - Protection of personality and protection of the reputation of legal entities.

The Commercial Code (Unfair competition).

Further the Copyright Act, the Law on Personal Data Protection, Law on Free Access to Information, the trade act and Act on Regulation of Advertising.

4.3 Record keeping practice

Information on prices and turnover in the field of publishing services is obtained through a monthly statistical reporting form. There are several sections for monitoring publishing of books, newspapers and journals in the frame of statistical reporting form.

For each chosen area of publishing services were selected and approached several publishers with the highest sales. During the second half of 2010, these firms were contacted with a request for initial meeting. At these meetings were discussed specifics of price monitoring of publishing services and selected an appropriate titles for monthly monitoring of prices.

The share of obtained respondents in sales to total sales of publishing service sector CZ-CPA 581 is 44%, i.e., the statistical survey of prices of publishing services covers 44% of the market for publishing services (source: CZSO, annual sales from SBS, 2010).

The 6 publishers have to fill out prices for selected titles listed in the reporting unit in Czech crowns.

In such a small number of respondents it is not difficult to achieve a response rate 100%. An overview on a structure of surveyed services, method of data collection, sample methods, number of representatives and number of monthly prices is shown in Table 3.

Table 3 – Characteristics of collection of prices

Surveyed services (according to CPA 2008)	Method of data collection	Use	Sample method	The number of representatives and the reported prices
58.11 Book publishing services	Monthly statistical survey	SPPI	Purposive	13 titles – 13 prices
58.13 Publishing services of newspapers	Monthly statistical survey	SPPI	Purposive	9 titles – 9 prices
58.14 Publishing services of journals and periodicals	Monthly statistical survey	SPPI	Purposive	15 titles – 15 prices

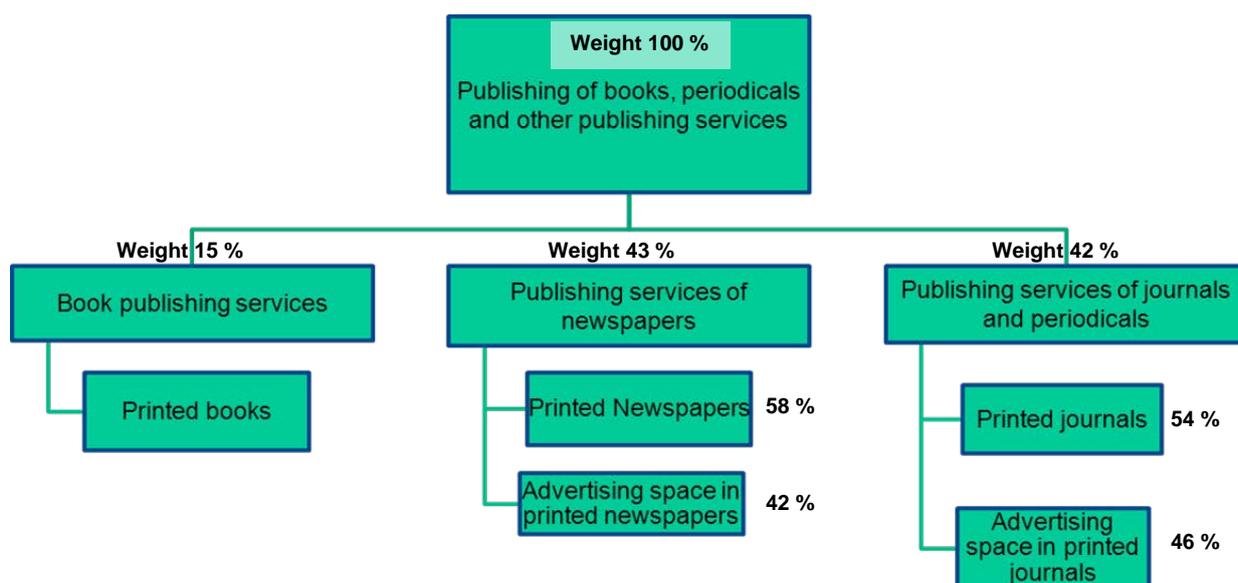
5. Structure and detail of standard classification related to the area

The structure of the Czech standard industrial classification CZ-NACE and the Czech classification of products by activity CZ-CPA is identical to the NACE Rev. 2 at the 4-digit level and the CPA 2008 at 6-digit level, respectively.

6. Evaluation of standard vs. definition and market conditions

Inclusion of publishing services to market services is somewhat problematic because the majority of titles published is intended for end users outside the enterprise. In agreement with the publishers it was finally chosen as a solution to monitor prices, including in terms of the above definition to create an information product, ie. the prices do not include the price of distribution.

In the Czech Republic, the structure of publishing services (CPA 581) is divided into three main types as follows:



7. National accounts concepts

National Accounts use the SPPIs for the publishing services on the 3 digit level (581 CPA).

8. Pricing method(s) and criteria for choosing various pricing methods

Group 581 is constructed so that each class at the four-digit code includes publishing services in both printed and on-line form, advertising space and licensing services. Data from SBS survey do not allow yet find out the significance of the above sub-publishing services within each class.

The data from respondents enabled to estimate the share of advertising volume in newspapers and magazines in printed form. In 2011, respondents were asked to provide data both on annual sales of publishing services in print (without online, advertising space and licensing services) and annual sales of advertising space in printed media. Among individual respondents were some differences in the share of sales of advertising space, but overall it showed the proportion of advertising as very significant (around 50%).

The survey of prices publishing services includes 13 respondents who report prices per 2-3 titles of books, newspapers or magazines. The price index is constructed gradually from bottom to top. First, the indices at the level of individual publishers are calculated. These sub-indices are within the classes merged on a four-digit level CZ-CPA 5811, 5813, 5814. Finally, total price index of publishing services is calculated from these three indices.

Indices for the CZ-CPA 5813 and 5814 consist of two sub-indices - index of prices of newspapers or magazines in print and index of prices of advertising space in newspapers or magazines.

All indices are calculated as a weighted arithmetic mean. The weights were detected either by the respondents or by SBS Survey. The base year is 2011.

Pricing method which is used to survey prices in publishing services is a direct use of prices of repeated services.

For each respondent were selected as representatives of two to three print titles that best meet the demands of long-term monitoring and also represented a sales support representative published titles for the publisher.

Concerning books there are several possibilities for selection of titles.

- Titles, which are published repeatedly (e.g. books on Taxes)
- Series of successive books (e.g. encyclopedia of regions)
- Titles, which are qualitatively the same from a well-known author

Concerning newspaper and journals titles published with invariable number of pages in a certain day without a supplement are selected

Further, for the purpose of statistical monitoring of prices of publishing services was established price of selected printed title without VAT and distributor's rebate.

Each publisher has usually more distributor channels. Therefore, respondents were advised to choose their dominant distributor.

The monitored price is the contract price, not realized, i.e., it is a price that is agreed in the contract with the distributor, and that ignores the realized sales, remittances, etc.

The most common factors that lead to a change in the reported prices are:

1. Change in the contract with the distributor - the change of contract is usually 1 to 2 times a year.
2. Change of the final price of the title - price change of the title is usually reflected in the price reported.
3. Change of VAT - if the VAT is changed, publishers usually respond by keeping the final price of the title. Reported price is therefore reduced. Alternatively, publishers increase the final price of the title and the reported price doesn't change much.

9. Quality adjustment methodologies

Defining the unique output and assuring the measurement of a constant quality is a challenge in virtually all service industries.

In case that the book title is changed, the following parameters are taken into account:

- The number of pages
- The number of pictures
- The type or literary genre of book
- The price range of an old and a new book

Concerning newspapers and journals titles on the market are very stable.

10. Evaluation and comparability with turnover/output measures

Compilation of turnover and output in the short-term business statistics

Turnover data for publishing services is surveyed in the frame of short-term statistics.

Compilation of turnover by product

Currently the Structural Business Statistics of the CSO only collect turnover data on publishing services at 4 digit level of CPA classification.

However, the survey is inadequate for the purposes of price statistics.

11. Summary

- Czech statistical office has been developing the SPPI for publishing services (B2B index) since 2011.
- The monitored price is the contract price, not realized, i.e., it is a price that is agreed in the contract with the distributor, and that ignores the realized sales, remittances, etc.
- Prices are surveyed monthly by the dominant six publishers.
- In publishing services the pricing method used is a direct use of prices of repeated services.
- Publishing services have been divided into three B2B publishing services: Book publishing services, Publishing services of newspapers and Publishing services of journals and periodicals.
- The aggregated index is calculated as a Laspeyres type
- Representative services (titles) have been selected in close cooperation with all respondents themselves.