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PLENARY MEETING
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Report by the Secretary-General

1. **Subject:** PROGRESS REPORT ON THE IMPLEMENTATION
OF ITU PUBLICATIONS POLICY

2. Purpose

This document summarizes the results of an operational review of ITU publications carried out in early 1993, with a view to determining measures to implement the publications policy adopted by Council in 1992.

3. Background

The report builds on earlier reviews, notably the Booz-Allen Hamilton/High Level Committee reports and the report on "Production, Marketing and Sale of Publications (1992 Council Document 7231). The report also looks at the implications of the proposed new financial management system for ITU publications.

4. Recommendation

This document is presented for information.

5. Implications

Ref. doc.

CA47/7231

Pekka TARJANNE
Secretary-General

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the meeting since no others can be made available.

OPERATIONS REVIEW OF ITU PUBLICATIONS

1. Summary

This document presents the main recommendations of an Operations Review of ITU Publications carried out in January-March 1993 with a view to implementing the publications policy agreed by Council in 1992. It summarises the current status of publication sales, highlights certain problems and proposes a market-based reform. Specifically, it is proposed that:

- An ITU Committee should be established which will be responsible for developing policy recommendations for consideration by the Coordination Committee and the Council, and overseeing the implementation of decisions so as to maximise the efficient and effective use of the Union's resources;
- More of the revenues from sales should return directly to author divisions who are responsible for publications production;
- An independent sales and marketing unit should be created bringing together functions which are currently dispersed;
- A closer link should be forged between workload and resources;

As part of the review process, a detailed document has been prepared which also includes cost-analysis and recommendations to changes in working methods. This is available on request from the Strategic Planning Unit.

2. Introduction

The publications of the ITU present the public face of the Union and constitute its main link with the wider telecommunications community. As such, the publications process fulfils a vital part of the mandate of the Union to promote the telecommunications industry and the exchange of information. Within ITU, almost a hundred people work directly in drafting, producing or selling publications and sales produce an annual revenue of around 10-12m SFr.

The recent changes in the structure of the Union and the proposed adoption of a new integrated financial management system, provide an opportunity to reform the publications process to **better serve the needs of clients**, particularly end-customers. A secondary objective should be to **increase sales**, both to fulfil the ITU's mandate for information exchange and to create revenues to finance improvements in the publications process. This should be done in a manner which provides **clearer cost accountability**, in particular by enabling managers to identify the real costs and sales performance of individual publications. A further aim should be to **reduce delays**, particularly for time-sensitive publications which contain technical standards or statistical data. Finally, it would be desirable to **improve the quality and presentation** of ITU publications so that they can continue to hold respect in an increasingly competitive market.

3. Analysis of the current sales position

ITU publication sales tended in the past to be highly cyclical in nature which made efficient management and rational resource allocation decisions very difficult. There has been a slight increase over the past decade (around 0.5% per year; slightly below the level of inflation), but it is not possible to pick out any clear trend. Three main publication series contribute around 70 per cent of total sales -- the CCITT Series, the CCIR Series and the Radiocommunications series (principally the Maritime publications). The year 1992 turned out to be much better than expected for ITU publications. From past experience, the year before the publication of a new CCITT series usually sees a marked drop in sales revenues. In 1992 however, the drop to 10.1m SFr (-5.8 per cent) was not as great as expected, thanks

to the "accelerated" publication procedure for CCITT recommendations. Indeed, the actual number of publications sold rose from 197 K volumes to 244 K; a rise of 24 per cent.

ITU Publication sales, 1992

Author sector	Volumes sold	Free/destroyed copies	Sector sales by volume as % of total	Value of sales (SFr)	Sector sales by value as % of total
SG Documents	12'686	3'001	5.4%	1'321'281	13.1%
Radio/maritime	51'334	3'223	18.8%	3'515'002	34.9%
IFRB	2'209	1'785	1.4%	1'525'136	15.1%
CCITT	167'934	31'527	68.6%	2'949'692	29.3%
CCIR	10'255	6'950	5.9%	767'185	7.6%
Total	244'418	46'486	100.0%	10'078'296	100.0%

While performance in 1992 exceeded expectations, there are a number of problems on the horizon:

- Selling recommendations individually provides a more timely service to clients, enabling them to pick and choose, and it evens out the peaks and troughs in sales performance, but it also leads to increased sales processing costs. The new recommendations accounted for 17 per cent of sales by value but 55 per cent of sales by volume. If the staff costs of the sales and dispatch divisions were taken into account on a volume basis, the new recommendations in fact lost the ITU around 331 K SFr in 1992.
- Many of the "best-sellers" of the past are declining in sales. Some new publications have done well, notably the BDT Regional Indicator Series, but not in sufficient volume to meet the shortfall in sales and profits.
- The current accounting procedures do not give a true picture of the profitability of individual publications because they do not take staff costs fully into account. On a fully distributed costs methodology, it can be seen that over the last four years, publications sales covered around 70 per cent of the cost of editorial, production and sales, and even this proportion declined in 1992.

4. Options for restructuring

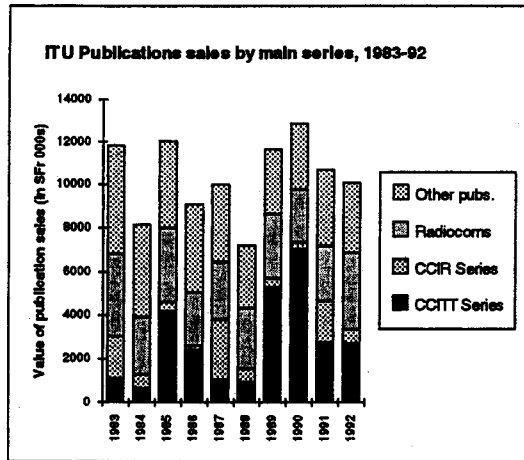
The publications process in the ITU is currently dispersed between several different sectors, including:

- Author sectors, principally the TSB and the BR;
- Common Services, including external publications, publications photocomposition, electronic publications and marketing, reprography and dispatch;
- Finance, including order-processing, sales and distribution;
- Plus other dispersed activities such as the Telecommunications Journal in Conference Services and ITUDoc in ISD.

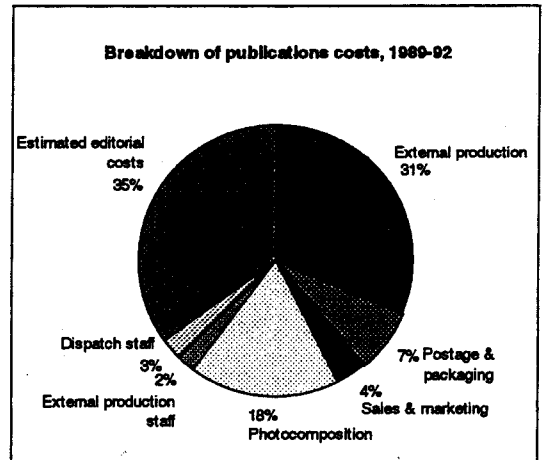
One of the consequences of this dispersed structure is that no single person or group is able to exercise control over the publications policy of the Union. The structural changes in the Union agreed at the December 1992 APP, following on from the HLC/Booz-Allen Hamilton recommendations, have important implications for ITU publications policy.

Publications overview

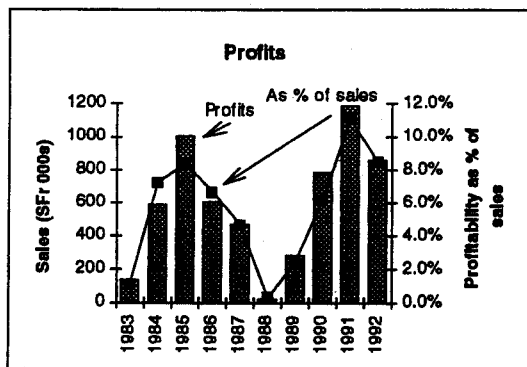
Publications sales have increased slightly over the last decade but remain highly cyclical. In 1992, radiocommunications publications (maritime etc.) and CCITT Recommendations continued to provide the bulk of sales



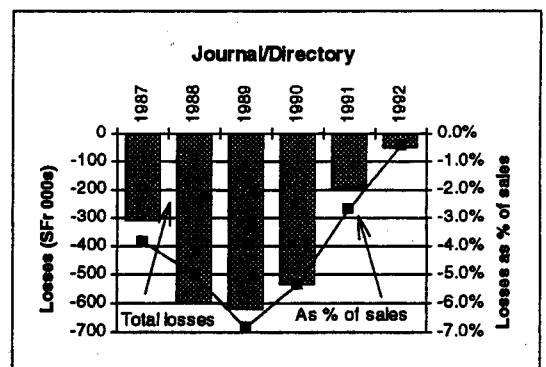
ITU publication costs stem principally from external production and mailing (38%) internal production and sales costs (27%) and editorial costs (35% of total).



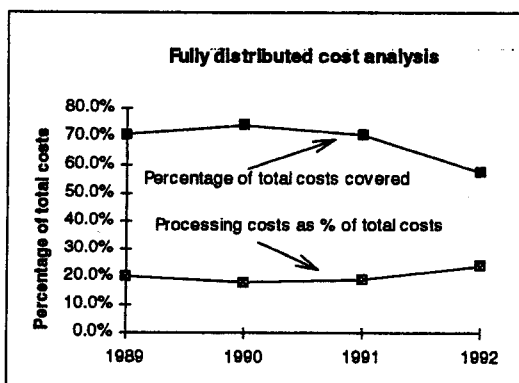
Nominal profits have increased substantially since 1988 but are still affected by publications cycles ...



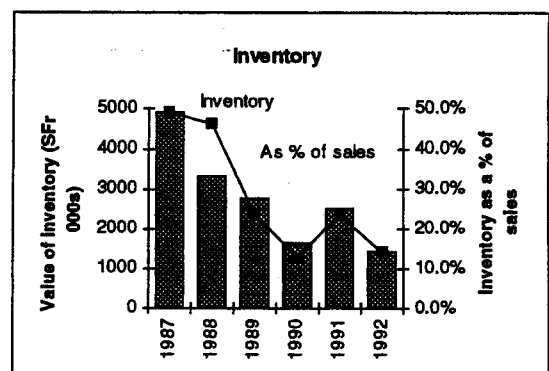
Losses on the Telecommunication Journal have been substantially reduced since 1989 and the Global Directory is now profitable ...



However, analysis based on fully distributed costs shows that less than 70 % of total publications costs are covered. Due to the practice of selling individual recommendations, sales processing costs are growing



The inventory has been successfully cut from the unrealistically high levels of the mid-1980s following more realistic assessment of print runs. Inventory currently stands at around 14 per cent of annual sales.



A significant step towards restructuring the publications function was the report on "Production, Marketing and Sale of Publications" (1992 Council Document 7231) which was agreed in June 1992. However, if the new decentralised financial management system is adopted as proposed as from 1995, then this will bring new opportunities and challenges for reform. The Operations Review identified three main options for reforming the publications process:

1. **Simple reorganisation into fundholders (author services) and service providers (common services).** The publications production, sales and distribution function would be centralised as part of Common Services and funded directly by contracts from author services. This option follows quite closely the recommendations of the report on "Production, Marketing and Sale of Publications" in that full budgetary control rests with the author services. However, it provides no real performance incentives and little exposure to market competition.
2. **Establishment of an internal publishing house in competition with outside printers/publishers.** In this scenario, a separate publications production, sales and distribution unit could be established reporting directly to the Secretary-General. This unit would have independent budget management, be funded directly from sales revenues, and would compete with outside publishing houses for the business of individual author sectors. However, there may be a danger of creating a large unit which is not fully accountable to the overall management objectives of the Union.
3. **A market-oriented approach in which the sales and marketing of publications is separated from production of publications (see diagram).** Publications production would be managed and funded directly by author services who would receive around 80 per cent of sales revenues. They would give contracts to Common Services in competition with outside contractors. An independent publication sales and marketing unit would be established reporting to the different author sectors. Its budget would be funded as a fixed proportion (around 20 per cent) of sales revenues which is intended to cover all sales processing costs including postage and distribution. Each publication would be treated as a separate project for budget purposes.

In practice these options are not mutually exclusive and each has elements which are attractive as well as disadvantages. No single solution is likely to prove perfect. Nevertheless, the third option, based on a market-oriented solution with a sharing of budget management responsibilities, seems the most attractive. This option provides incentives both to author services to reduce production costs and to sales and marketing services to increase sales. It opens up, as far as possible, the actual production of publications to competition between in-house and external facilities with competition phased in over several years. The recommendations below follow this third option.

Step 1. The ITU secretariat should play a more active role in the formulation of the publication policy of the Union.

The ITU Secretariat has traditionally played a passive role in the formulation of the ITU's publication policy. In future, the Secretariat should play a more active role in preparing policy recommendations for consideration by ITU Council and Conferences on the basis of decisions taken. In view of the Secretary-General's responsibility for ensuring the economic use of the Union's resources, the secretariat should formulate policies and plans regarding the format, pricing, marketing plan and budget for each publication within the parameters of the Union's mandate.

Step 2. An ITU committee should be established to co-ordinate a Union-wide publications policy.

While the different sectors are in the best position to manage their own publications budgets, certain issues are better handled in a collegial manner. An inter-sectoral publications committee should be established to advise the Secretary-General in establishing a Union-wide publications policy. The responsibilities of the committee should include reviewing proposals for new publications, defining common standards for presentation and format, determining pricing policy and auditing publications contracts awarded by the different author sectors.

Step 3. A new publications sales and marketing unit should be set up.

A new publications unit should be established which will centralise the functions of sales and marketing and act as a purchaser of distribution services. This unit should have a single head and should incorporate responsibilities for marketing, product development, order-processing and distribution. In addition, there should be an information research post responsible for reporting on sales trends, cost analysis and market research. The publications service should run as a profit centre and its work should be overseen by the ITU Publications Committee.

Step 4. The publications sales budget should cover the sales and marketing of ITU publications and should be funded directly as a proportion of sales revenues.

The size of the budget for the sales and marketing unit should be determined directly from the sales of ITU publications.

Proposed formula: 20% of sales revenue averaged over 4 years, plus/minus 20% of any increase/decrease over one year.

For 1993, this would have given a total publications sales budget of 2.14 m SFr, which is close to that foreseen for staff costs and other expenses in the 1993 budget (2.16m SFr). The exact division of this budget between marketing, distribution costs and sales processing costs should be left to the discretion of the manager of the unit. The distribution costs of publications should be funded directly by the sales and marketing service, from the cover price of the publications.

Step 5. Publications production should be controlled directly by the different author sectors.

Under the proposed new integrated financial management structure the three sectors will become fundholders responsible for managing their own budgets. They should therefore establish their own publications production budgets and "buy" services either from in-house or from outside. This will involve devolving some of the functions currently carried out in external publications to control of author sectors. It is anticipated that the costs of publications production should be covered by the 80% of revenues received directly from publications sales. Each sector should set targets for the percentage of editorial and other publications costs that should be met from sales revenues and should adjust their costs and pricing structure accordingly. Individual publications should be managed on a project basis.

Step 6. Accounting procedures should be revised to provide more information about the true costs of individual publications.

The ITU has a mandate to cover the cost of reproduction and distribution of its publications through the sale price. In practice, ITU publications incur three main costs:

- external production and mailing costs (around 40 per cent of the total)
- internal staff costs involved in the photocomposition of final manuscripts and order-processing of sales (around 25 per cent of the total)

- editorial costs for overseeing the preparation of the final manuscript in three languages and production of publications (around 35 per cent of the total).

In addition, there are many indirect costs incurred before the delivery of the final manuscript which are covered directly by Member's contributions, such as drafting, translation and technical editing.

The supplementary publications budget currently covers most external costs, but only a portion of internal staff costs (16 posts out of potentially 40 or more) and minimal editorial costs (4 posts out of potentially 50 or more). Thus the nominal profits which are reported are essentially arbitrary. Over the last four years, publications sales have covered just under 70 per cent of these direct costs at a net cost (loss) to the ITU of around 5 m SFr per year. Where separate language editions are produced, English editions are generally profitable but French and Spanish editions cover less than 70 per cent of their costs. In future, more information about the real costs of individual publications should be made available to managers and Study Groups before a decision to publish is endorsed.

Step 7. Pricing policy should take both cost and market factors into account.

At present, the pricing policy for publications is based on the (external) cost of producing publications plus a modest mark-up (40 per cent for members and 60 per cent for non-members). However, as demonstrated above, this does not take into account the true cost to the ITU of producing each publication. Furthermore, it fails to take into account the value of the information to the market which is heavily influenced by the timeliness of the information. A revised pricing policy should be based on fully allocated costs according to a certain target for coverage of costs (e.g. 70 per cent at present; 100 per cent in future) plus an element related to timeliness. Thus, for example, if a draft or pre-published recommendation is sold, it could be priced at ten times the cost per page of a finished "book" and individual recommendations at three times the price per page. The book itself should be discounted in price two years after publication. A minimum price per publication should be set of at least 20 SFr to take into account sales processing costs. Information with a high market value (e.g. telecommunication indicators) should be priced accordingly. Special discounts and/or free copies should be given to developing countries rather than subsidising the price to all consumers.

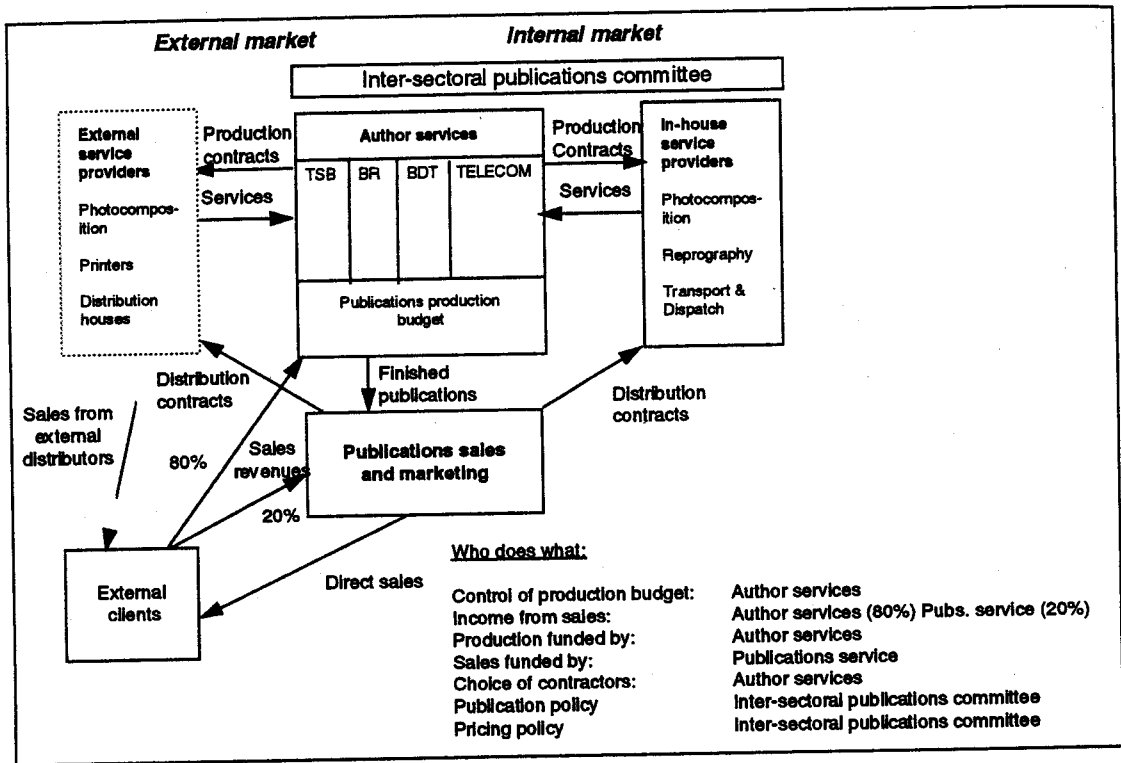
5. Conclusion

In summary, the proposed changes to the structure of the publications function within ITU should bring a number of benefits which should include:

- clear and separate responsibility for the production of publications (author services) and for the sale and marketing of publications (sales and marketing) with appropriate budgetary control for each task;
- cost control responsibilities for author services to reduce publication production costs and an incentive for sales and marketing to increase publications sales through direct return of sales revenues;
- internal services for the production and distribution of publications exposed to competition on equal terms with outside contractors with competitive tendering phased in over several years;
- realistic pricing of publications and the provision of clear cost accounting information with the aim of achieving full recovery of publication costs.

These measures should go some way to improving the productivity and efficiency of the publications process and should serve to create a more transparent financial management strategy in line with the changes agreed by the APP-92. More importantly, the reform process should contribute towards providing a better service to the ITU's customers.

Proposed market-based approach for publications production, sales and marketing (Option 3)



Proposed structure of the ITU Publications Sales and Marketing Service

