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**BOOKSELLING IRELAND:
THE ECONOMIC CONTRIBUTIONS
TO – AND IMPACTS ON
THE ECONOMY OF IRELAND'S
BOOKSELLING SECTOR**

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*The Bookselling Sector Makes a Very Important Economic, Social & Cultural Contribution to Irish Life | **Jim Power***

EXECUTIVE SUMMARY

- This is a summary of an economic impact assessment by Jim Power Economics Limited of Ireland's bookselling sector. The assessment was undertaken on behalf of Bookselling Ireland, part of the Booksellers Association (BA), a trade body representing the interests of Ireland's local and national booksellers. The report demonstrates how Ireland's booksellers bring real value to the economy but, more importantly, it highlights the impacts that set booksellers apart from global online conglomerates like Amazon.
- The bookselling sector experienced very difficult trading conditions from 2008 onwards as the Irish economy descended into a deep and prolonged recession. However, in line with the changed fortunes of the economy, the bookselling sector has experienced some improvement in activity over the past couple of years.
- The latest data from The Booksellers Association of Ireland relating to turnover in the sector shows that turnover fell significantly during the economic downturn. Between 2010 and the low point of the market in 2015, turnover declined by 29.3%. Since 2015, the market has commenced a gradual recovery, with turnover in 2017 up 2% on 2015 to €98 million.
- The environment for traditional booksellers has been and continues to be extremely challenging in Ireland. The costs of doing business are high. Due to ongoing personal financial pressures, consumers have become much more price conscious since the recession in 2008; and Amazon has achieved increased market penetration over the past decade.
- The bookselling sector makes a significant economic and financial contribution. This comes directly through its sales activity, but also indirectly through the increased economic activity that it fosters elsewhere in the economy.
- The bookselling sector is linked strongly with the publishing sector. The publishing sector provides booksellers with the books that they sell, which in turn are written by authors and facilitated by agents. Hence, through the activity of selling books, booksellers support the publishing industry, authors and their agents. However, booksellers also purchase many other inputs such as water, heating, electricity, insurance, maintenance and repairs, rents, consumable products, and various other services such as accounting, legal and IT.
- Gross Value Added (GVA) measures the contribution to an economy of an individual producer, industry, sector or region. It is the measure of the value of goods and services produced. Specifically, it is the value of output of goods and services less intermediate consumption and is used in the calculation of GDP. In 2017, the GVA of the Irish bookselling sector is estimated at €44 million. It declined quite sharply from 2010 to 2015, but it has subsequently started to recover.
- In 2017, the Irish bookselling sector contributed an aggregate GVA impact of €132 million to GDP. This in effect means that the bookselling sector has a 'footprint' of €132 million.

- *Bookselling Ireland* has 234 members' outlets, with 146 categorised as independent bookshops and 88 as non-independent bookshops. The CSO estimates that in 2015, there were 220 enterprises in the 4-digit NACE Rev 2 Class G4761; 'Retail Sales of Books in Specialised Stores', with a total of 1,796 persons engaged (persons engaged includes employees, proprietors and family members). The 1,796 FTE jobs in the bookselling sector support 1,437 jobs in the broader economy. In total, the bookselling sector supports 3,233 jobs through direct, indirect and induced employment.
- The bookselling sector is estimated to pay a gross wage bill of €35.9 million, which would translate into net wage receipts of €32.3 million. The workers who receive those wages spend the money in the economy on goods and services, which will in turn support other jobs in the economy.
- The bookselling sector makes a significant contribution to the Irish exchequer through the employer and employee payroll taxes that it collects and pays; through business taxes; and through local authority contributions. Based on the information garnered from a number of participants of all sizes in the bookselling sector, it is estimated that the bookselling sector contributes €6.6 million to the Exchequer.
- The social and cultural impact of bookshops cannot be overestimated. Along with publishers, they help foster creativity, community and social capital. A good local bookshop should be a key feature of every Irish town.

'A written work of fiction or non-fiction transcribed in a set of bound paper pages. Never needs charging. Pages are pre-loaded. Never malfunctions. No instructions necessary. Can be autographed. Collectible. Doubles as a flower press. Can function as a doorstop. Smells good. Likes a bookmark'

I. INTRODUCTION

In February 2018, Sebastian Barry became Ireland’s second Laureate for Fiction. The primary purpose of this role is to promote Irish fiction writing both to a domestic and an international audience. Speaking at the announcement of his appointment, the President of Ireland, Michael D Higgins, stressed the importance of books and bookshops to Irish life. This reflection from the President encapsulates very accurately the importance of the traditional book selling sector to Ireland.

Literature is part of Ireland’s cultural heritage and the country boasts four Nobel Prize Winners for Literature, which is more than any other country. William Butler Yeats won it in 1923; George Bernard Shaw in 1925; Samuel Beckett in 1969; and Seamus Heaney in 1995. As such, literature is one of the most iconic symbols of Ireland’s culture, and bookselling is an integral part of the cultural landscape of the country.

The Booksellers’ Association of Ireland has 234 members’ outlets, with 146 categorised as Independent bookshops and 88 as Non-Independent bookshops. The CSO estimates that in 2015, there were 220 enterprises in the 4-digit NACE Rev 2 Class G4761; ‘Retail Sales of Books in Specialised Stores’, with a total of 1,796 persons engaged.

The role of the bookshop can be encapsulated by the term ‘discoverability’, which means that book readers need to be made aware of the existence of books. The good bookshop obviously has a key role to play in that regard. In addition to selling books and providing guidance to customers, bookshops typically engage in a variety of other book-related activities. These include book launches; book readings; participation in book and literary festivals; and children’s book events. In addition, more bookshops are offering a café as part of the overall offering, thereby improving the commerciality of the business and providing a greater social experience.

The environment for traditional booksellers has been and continues to be extremely challenging in Ireland. The costs of doing business are high. Due to ongoing personal financial pressures, consumers have become much more price conscious since the recession in 2008; and Amazon has achieved increased market penetration over the past decade.

This report presents the results of an independent assessment of the contribution to the Irish economy made by Irish booksellers. Much of the analysis spans the period 2010 to 2017, depending on data availability. It seeks to capture the full economic, financial, social and cultural ‘footprint’ of the bookselling sector in Ireland.

The purpose of the report is to demonstrate the various ways in which Irish bookselling, which includes both wholesale and retail bookselling (excludes Amazon), contributes to the Irish economy both directly and indirectly. It will also identify the issues and challenges facing the sector.

In preparing the report, the author utilised a combination of desk-based research, data mining and analysis, and conducted interviews with diverse participants in the sector. These interviews included independent bookshop owners, chain book shop operators, publishers, and library suppliers.

The first aim of the report is to demonstrate the significance of the impact booksellers produce; an economic contribution and overall impact that are arguably more important and significant than that generated by a global online seller – like Amazon. To do this, the author draws from data provided by the Booksellers Association, the Central Statistics Office (CSO), and Nielsen. Direct and multiplier impacts are considered, and it will be shown that more of the impact of booksellers remains in the local economy than in the case of an overseas online company such as Amazon.

The second aim of the report is to demonstrate the wider ‘spillover’ impacts of booksellers and particularly of bookshops. The benefits of local booksellers to Irish communities extend beyond the standard contributions to turnover, GDP, employment and other economic and financial metrics. These less tangible ‘spillover’ benefits are more difficult to quantify in monetary terms, but they are important in the context of the overall social, cultural and economic contribution that bookshops make to the Irish economy.

Sebastian Barry, the 2017 winner of the Independent Bookshop Week Book Awards, Adult Category, said that

“If books constitute a magical religion that doesn’t persecute anyone, then obviously a bookshop is a radiant chapel of that religion. In this strange new world, the importance of books and bookshops has taken a quantum leap. I am thrilled, strengthened and frankly improved by receiving this award from this Atlas-like sector of society – may independent bookshops thrive, and indeed be nurtured, till the end of time.”

To demonstrate the economic role and contribution of the bookselling sector, there is a focus on the booksellers’ contribution to turnover in the economy, to employment, the gross value added (GVA) contribution to GDP, and the contribution to the Exchequer.

In understanding and measuring the impact of booksellers, it is important to understand the retail operation itself and the relationships with the rest of the economy that underlie the business model. Booksellers rely on a supply chain that involves two principal elements – the merchandise they sell (books, stationery, other publications, and other items such as music) and the other non-merchandise inputs required to facilitate the retail operation, such as heating and lighting, water, cleaning materials, rents, and commercial rates. The activities stimulated by booksellers in these supply chains leads to indirect impacts, predominantly through the sector producing the merchandise sold by bookshops – the publishing sector.

Further induced impacts arise in the wider economy when direct and indirect (supply chain) employees of the booksellers spend their earnings on the final goods and services required by households to sustain their ability to supply their labour resource. These direct and multiplier impacts of the Irish bookselling sector are considered in sections 3 and 4.

The report also assesses the ‘spillover;’ effects of booksellers, especially those operating ‘bricks and mortar’ retail bookshops. These ‘spillover’ effects are not captured in standard measures of value such as price, turnover or GDP, and they are difficult to measure in monetary terms. This part of the analysis is qualitative in nature and draws on evidence from interviews conducted by Jim Power Economics (with a sample of Irish BA members), and desk-based research.

The report is structured as follows:

Section 2 describes the general economic environment in which the bookselling sector has operated in recent years and the performance of the Bookselling and Publishing sectors. It has been a very challenging environment for the sector, but in 2017, market conditions did improve somewhat.

Section 3 outlines the direct economic and financial impacts of the bookselling sector in Ireland. Direct turnover, gross value added (GVA), employment, employee compensation, and tax contribution are evaluated.

Section 4 considers the multiplier impacts of the bookselling sector through the activities it stimulates in its supply chain and in the wider economy when its direct and indirect (supply chain) employees spend their wages in the wider economy.

Section 5 looks at the challenges and issues facing the bookselling sector; and

Section 6 considers the social and cultural contribution that booksellers make to Ireland.

Data availability down to a sufficient level of detail was an issue in the preparation of this report. However, official data from the Central Statistics Office (CSO); data provided by the Booksellers Association (BA); Nielsen, and interviews conducted with a representative number of participants in the bookselling industry, at the wholesale and retail level, have provided an effective snapshot and assessment of sector value.

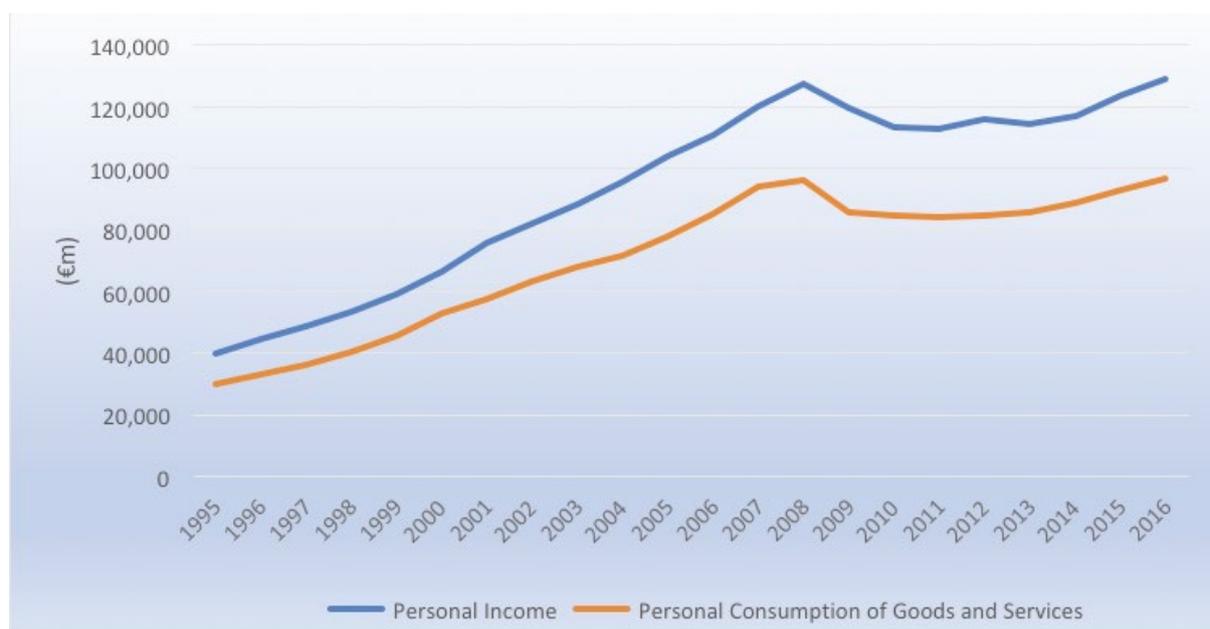
2. THE ECONOMIC CONTEXT FOR THE IRISH BOOKSELLING SECTOR

This section provides an overview of key trends in the bookselling sector in recent years.

2.1 ECONOMIC TRENDS

The Irish economy went through a very sharp downward adjustment from 2008 onwards, with a sharp decline in gross domestic product (GDP); a sharp decline in employment and consequent increase in unemployment; falling personal incomes; and a very significant decline in consumer spending. Non-essential items were most adversely affected. Figure 1 shows the long-term trend in personal incomes and personal consumption of goods and services at a national level. The sharp adjustment from 2008 onwards created serious challenges across the overall retail sector, but a sustained recovery is now seemingly underway. Data for 2017 are not yet available, but a further significant improvement occurred.

Figure 1: Personal Incomes and Consumption



Source: CSO Databank.

The CSO does not produce detailed data for retail sales of books alone in specialised stores, but the trends in Figure 2 provide a good picture of consumer trends in a related space. Figure 2 shows the sharp decline in the sale of books, newspapers and stationery since 2010 in both value and volume terms. In 2017, the value of sales was 18.7% lower than in 2010 and the volume of sales was 24.4% lower. However, some improvement was recorded in 2017, with an annual increase of 1.1% in the value of sales and an increase of 0.8% in the volume of sales.

Figure 2: Retail Sales of Books, Newspapers & Stationery

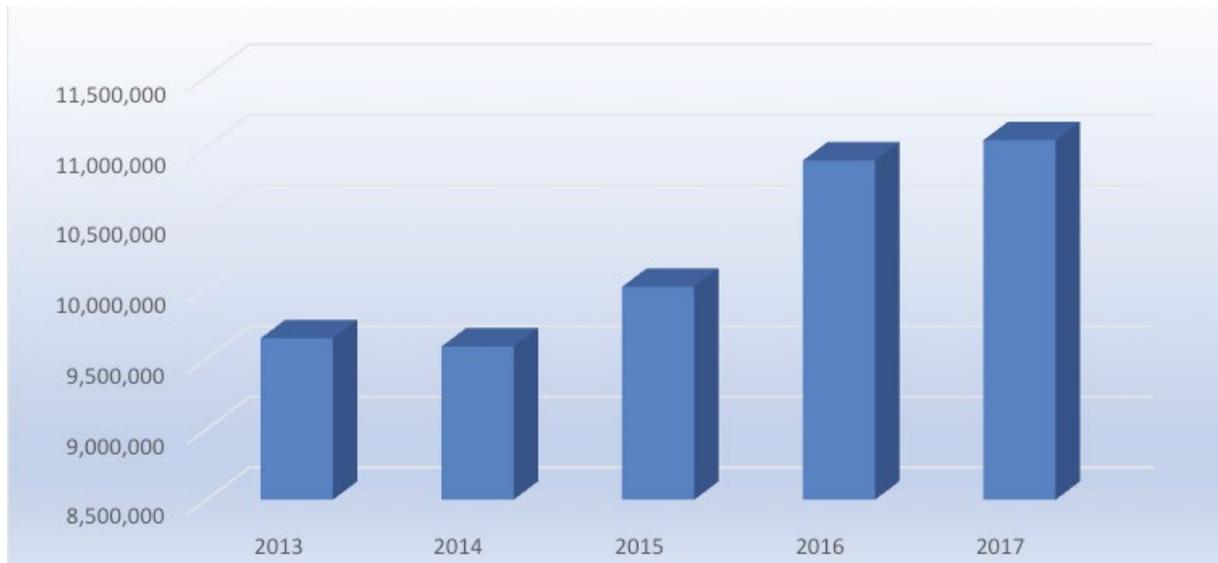


Source: CSO Statbank.

2.2 TRENDS IN SALE AND PRICE OF BOOKS

Data from Nielsen show the trend in the volume and value of book sales since 2013. Figure 3 shows that in 2017, 11.1 million units were sold in the Irish market, which represents an increase of 14.6% on 2013 levels. In 2017, Children’s books, which include textbooks, accounted for 38% of the market; non-fiction accounted for 36%; and fiction accounted for 26%.

Figure 3: Number of Units Sold in Irish Consumer market (ICM)



Source: Nielsen, BookScan Irish Consumer Market (ICM) Top Line Analysis.

Figure 4 shows the value of sales in the Irish market. In 2017, the value of total book sales reached €131.7 million, which represents an increase of 24.1% on 2013.

Figure 4: Value of Book Sales in Irish Consumer Market (ICM)



Source: Nielsen, BookScan Irish Consumer Market (ICM) Top Line Analysis.

Figure 5 shows the trend in the average price of books since 2005. Between January 2005 and January 2018, average book prices have increased by 14.1%, compared to an increase of 14.2% in overall average consumer prices in the economy. This trend in book prices is indicative of general consumer resistance to higher prices across the economy. There is also an element of sterling weakness over the past two years reflected in the price trend for books. In 2017, Nielsen estimates that the average price of fiction was €11.06; trade non-fiction was €14.35; and the average price of children’s books sold was €9.51.

Figure 5: Average Consumer Price for Books



Source: CSO Statbank

2.3 TRENDS IN THE PUBLISHING SECTOR

The book sector in Ireland is primarily made up of publishers, wholesalers, and bookshops themselves. These three components of the sector should be considered as part of the whole and all three are inextricably linked.

The key characteristic that distinguishes Ireland’s book sector is the extent to which a significant proportion of the books sold are imported from the UK and distributed through the book wholesalers.

Publishing Ireland, the Irish Book Publishers’ Association, was set up in 1970 in order to build a network for Irish book publishers to share their expertise and resources. The association has 61 members across the island of Ireland¹, consisting of trade, general and academic publishers.

Nielsen figures show that in 2017, books published in Ireland were worth €30.2 million, with the top 10 publishers accounting for €23.3 million, or 77.2% of the total market.

Table 1: Top 10 Irish Publishers

PUBLISHER	VOLUME	VALUE	VALUE MARKET SHARE
Gill Group	454,576	€6,601,978	21.9%
Edco, Educational Company of Ireland	294,954	€3,409,831	11.31%
Folens	213,410	€3,011,958	9.99%
C.J. Fallon	232,066	€2,591,093	8.59%
Penguin Random House	127,065	€1,942,486	6.44%
Hachette Books Ireland	147,411	€1,878,592	6.23%
O'Brien Press	122,438	€1,363,587	4.52%
Cork University Press	20,301	€1,030,042	3.42%
The Collins Press	52,426	€780,161	2.59%
Educate.ie	94,497	€683,456	2.27%

Source: Nielsen, BookScan ICM 2017 Top Line Analysis

3. ECONOMIC AND FINANCIAL CONTRIBUTION OF THE BOOKSELLING SECTOR

The bookselling sector is linked strongly with the publishing sector. The publishing sector provides booksellers with the books that they sell, which in turn are written by authors and facilitated by agents. Hence, through the activity of selling books, booksellers support the publishing industry, authors and their agents. However, booksellers also purchase many other inputs such as water, heating, electricity, insurance, maintenance and repairs, rents, consumable products, and various other services such as accounting, legal and IT.

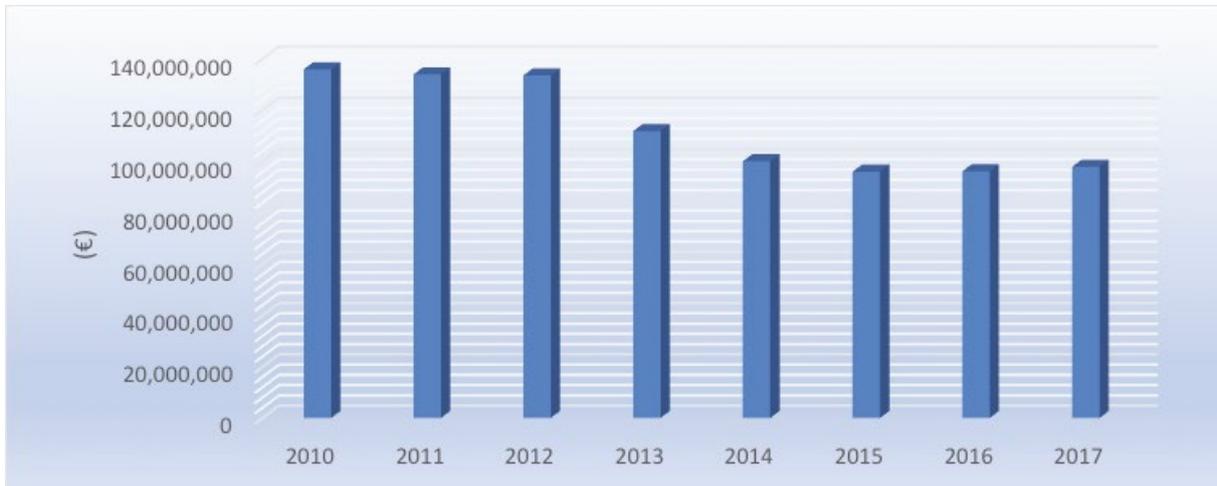
In turn, the suppliers of books and the other merchandise that booksellers sell, and the suppliers of the various goods and services that are supplied to booksellers, generate turnover, GVA contributions to GDP, employment and earnings as a result of the activities that booksellers induce them to carry out. The proportions that arise from meeting these demands can be described as indirect or supply chain effects. Economic activity is also generated when the employees of the bookselling sector spend their earnings on the final goods and services required by households to live and supply their labour. The contribution to macroeconomic indicators made by the industries that produce the final goods and services are ascribed to the bookselling sector as induced multiplier effects.

The following analysis seeks to measure the direct, indirect and induced impact of the activities of the bookselling sector.

3.1 TURNOVER IN THE BOOKSELLING SECTOR

The latest data from Bookselling Ireland relating to turnover in the sector shows that turnover fell significantly during the economic downturn. Between 2010 and the low point of the market in 2015, turnover declined by 29.3%. Since 2015, the market has commenced a gradual recovery, with turnover in 2017 up 2% on 2015 to €98 million. This is equivalent to 0.27% of total turnover in the retail sector and 6.9% of turnover in specialised shops selling cultural and recreation goods.

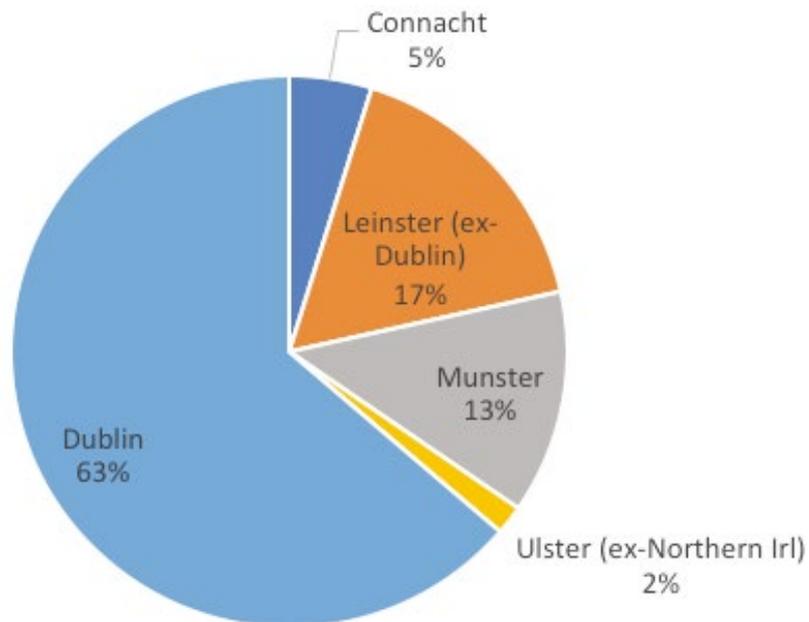
Figure 6: BA Members' Turnover 2010-2017



Source: Bookselling Ireland Member Data

Figure 7 shows the regional breakdown of turnover in the bookselling sector. Dublin accounted for 63.7% of the total turnover in the country in 2017.

Figure 7: Turnover by Region (2017)



Source: Bookselling Ireland Member Data

3.2 THE BOOKSELLING SECTOR’S GVA CONTRIBUTIONS TO IRISH GDP

Gross Value Added (GVA) measures the contribution to an economy of an individual producer, industry, sector or region. It is the measure of the value of goods and services produced. Specifically, it is the value of output of goods and services less intermediate consumption and is used in the calculation of GDP. In 2017, the GVA of the Irish bookselling sector is estimated at €44 million. It declined quite sharply from 2010 to 2015, but it has subsequently started to recover.

Figure 8: The Bookselling Sector’s Direct GVA Contribution to GDP



Source: Bookselling Ireland Member Data & Jim Power Economics

3.3 DIRECT EMPLOYMENT & WAGES IN THE SECTOR

Bookselling Ireland has 234 members’ outlets, with 146 categorised as independent bookshops and 88 as non-independent bookshops.

The CSO estimates that in 2015, there were 220 enterprises in the 4-digit NACE Rev 2 Class G4761; ‘Retail Sales of Books in Specialised Stores’, with a total of 1,796 persons engaged (persons engaged includes employees, proprietors and family members).¹

The bookselling sector is estimated to pay a gross wage bill of €35.9 million, which would translate into net wage receipts of €32.3 million. The workers who receive those wages will spend the money in the economy on goods and services, which will in turn support other jobs in the economy.

Table 2: Financial Contribution of Booksellers' – Direct Employment

SOURCE	NET EFFECT (€M)
Gross Wages	35.9
Tax/PRSI/Levies	3.6
Net Wages	32.3

3.4 DIRECT TAX CONTRIBUTION OF THE BOOKSELLING SECTOR

The bookselling sector makes a significant contribution to the Irish exchequer through the employer and employee payroll taxes that it collects and pays; through business taxes; and through local authority contributions.

Based on the information garnered from a number of participants of all sizes in the bookselling sector, it is estimated that the bookselling sector contributes €6.6 million to the Exchequer.

Table 3: Direct Contribution of Booksellers to the Exchequer

CATEGORY	€
Payroll Taxes	3.6
Business Taxes	2.0
Local Authority Charges	1.0
Total	6.6

4. THE MULTIPLIER EFFECTS OF IRELAND'S BOOKSELLING SECTOR

The multiplier effect basically seeks to capture how many times a given euro spent in an economy literally turns-over or otherwise results in other transactions.

In addition to the direct economic and financial impact of the activities of booksellers through turnover generated, there are also indirect and induced impacts.

As the output/sales of the bookselling sector increases, there will be an increasing demand on their suppliers and so on down the supply chain. This is the indirect effect.

As a result of the direct and indirect effects, the level of household income throughout the economy will increase as a result of increased employment. A proportion of the increased earned income will be re-spent on final goods and services across the economy. This is the induced effect.

When all of these effects are added together, we get the total economic value associated with the bookselling sector, in this case. The ratio of the total economic activity to the direct economic activity is the multiplier.

4.1 THE IRISH BOOKSELLING SECTOR'S EFFECTS ON TURNOVER

Research carried out by the Centre for Economics and Business Research (Cebr) for the UK's bookselling sector² estimates the bookselling sector's multiplier impact on turnover is 2.91. This comprises a Direct Impact of £1, an indirect supply chain Impact of £0.95 and an induced employee spending impact of £0.96 for every £1 of bookseller turnover.

An Indirect Impact of £0.95 means that for every £1 of bookseller turnover, an additional £0.95 of turnover is generated in the booksellers' supply chains. This is the turnover generated in the businesses from which the booksellers purchase goods and services as inputs for their own activities. This is the merchandise and non-merchandise supply chain element of the bookselling business.

The induced employee spending impact of £0.96 means that for every £1 of bookseller turnover, an additional £0.96 of economic activity is generated when the direct and the indirect employees down the supply chain spend their income in the wider economy.

In summary, this means that for every £1 of bookseller turnover, an estimated £2.91 of domestic output will have been generated in the economy as a whole, due to the combination of direct, indirect and induced multiplier effects.

Data availability down to the level of the bookseller from official sources is more limited in Ireland. However, based on extensive interviews conducted by the author of this report with different components of the industry in Ireland, including booksellers, wholesale distributors, library suppliers, education suppliers and publishers, it is clear that the structure of the Irish bookselling sector is reasonably similar to that of the UK in terms of the supply chain and the various input costs. However, there is one significant difference – a high percentage of the books sold in Ireland are imported, rather than published in Ireland. As a consequence of this higher import content, the multiplier effect in Ireland is lower than in the UK. We estimate that a turnover multiplier of 2.40 is a more accurate representation of the Irish book selling market.

Table 4 shows the multiplier effects on Irish bookseller turnover between 2010 and 2015.

In 2017, the Irish bookselling sector can be associated with an aggregate turnover impact of €279.7 million in the overall economy.

Table 4: Irish BA Members Aggregate Turnover Effects (€m)

	BOOKSELLERS' DIRECT TURNOVER CONTRIBUTION (€M)	TURNOVER MULTIPLIER	AGGREGATE TURNOVER IMPACT (€M)
2010	136.0	2.40	326.4
2011	134.0	2.40	321.6
2012	133.5	2.40	320.4
2013	111.8	2.40	268.3
2014	100.1	2.40	240.2
2015	96.1	2.40	230.6
2016	96.2	2.40	230.8
2017	98.0	2.40	235.2

Source: Bookselling Ireland data

4.2 THE IRISH BOOKSELLING SECTOR'S EFFECTS ON GVA CONTRIBUTIONS TO GDP

In its analysis of the UK bookselling sector, Cebr estimated a GVA multiplier for the UK bookselling sector of 3.62. This means that for every £1 of direct GVA contribution to GDP, a further £2.62 of additional GVA is generated in the wider economy. The indirect impacts through the booksellers' supply chains are estimated to account for an estimated £1.28 of this, while induced impacts account for £1.34.

As mentioned earlier, one of the main points of difference between the Irish and UK book selling sector is the higher import content in the Irish market, which means that the multiplier effect in Ireland is lower than in the UK. Analysis conducted for this report suggests that a multiplier effect of 3 is a closer representation of the Irish market.

Applying these multiplier effects to Ireland suggests that in 2017, the Irish bookselling sector contributed an aggregate GVA impact of €132 million to GDP. This in effect means that the bookselling sector has a ‘footprint’ of €132 million.

Table 5: Irish Booksellers’ Direct & Aggregate GVA Effects (€m)

	BOOKSELLERS’ DIRECT GVA (€M)	GVA MULTIPLIER	AGGREGATE GVA IMPACT (€M)
2010	68	3.0	204
2011	64	3.0	192
2012	51	3.0	153
2013	45	3.0	135
2014	40	3.0	120
2015	39	3.0	117
2016	42	3.0	126
2017	44	3.0	132

Source: Cebr, Bookselling Ireland

4.3 THE IRISH BOOKSELLING SECTOR’S EFFECTS ON EMPLOYEE EARNINGS

The Cebr estimated in the UK that for every £1 of wages paid by the bookselling sector, another £1.87 is supported in the wider economy due to the bookselling sector’s indirect and induced multiplier effects. The indirect impact is estimated at £1.07 and the induced effect is estimated at £0.80. The indirect effect derives from the wages that are paid in the supply chain sector for the booksellers. The induced impact, is the effect that the expenditure of wages has on other wages and employment in the economy. In effect, this earnings multiplier of 2.87 means that every £1 spent on wages by the bookselling sector generates overall wage payments of £2.87 in the broader economy.

An earnings multiplier of 2.2 is a better estimate of the multiplier for Ireland. Applying this analysis to Ireland suggests that the net wage bill of €32.6 million paid out by the bookselling sector injected €71.2 million in wage payments into the broader economy.

4.4 THE IRISH BOOKSELLING SECTOR'S EMPLOYMENT MULTIPLIER EFFECTS

The Irish bookselling sector supports an estimated 1,796 full time equivalent jobs in the Irish economy directly. However, these jobs support further indirect jobs in the supply chain to the booksellers and induced jobs as a result of the expenditure of the beneficiaries of the direct and indirect employment. Cebr estimates that in the UK, for every direct job in the bookselling sector, a further 0.42 jobs are supported in the bookselling sectors supply chain and 0.46 jobs are supported in the sectors providing the final goods and services purchased by households who are the recipients of the employee earnings generated within the bookselling sector itself and with the supply chain sectors.

An employment multiplier of 0.8 is estimated for Ireland. Applying this analysis to Ireland shows that the 1,796 FTE jobs in the bookselling sector support 1,437 jobs in the broader economy. In total, the bookselling sector supports 3,233 jobs through direct, indirect and induced employment effects.

5. THE CHALLENGES & FUTURE FOR THE IRISH BOOKSELLING SECTOR

The Irish bookselling sector makes an important economic, financial, and social contribution to the Irish economy and to Irish society. The sector suffered significantly during the economic downturn, with a large decline in book sales and turnover in the sector. However, over the past couple of years, sales of books have started to increase again and turnover is rising. The general mood in the sector now is one of optimism about the future. The economy is recovering and significantly, interest in physical books is rising again.

In extensive interviews with various stakeholders in the sector, a number of issues and concerns were identified. First and foremost, all types of retailing are challenging and margins are under pressure in the face of rising costs and a financially stretched consumer that is resistant to higher prices. The book selling sector is no different than the rest of the retail sector.

5.1 ONLINE RETAILERS AND ELECTRONIC BOOKS

Online competition from retailers such as Amazon, particularly amongst the younger customer segment is a significant challenge for the sector. The Nielsen BookScan Irish Consumer Market data estimates the size of the Irish book market at €131.7 million in 2017. This equates to 11.1 million units. The Nielsen data include specialist and non-specialist book sellers, and also online sellers such as Amazon and The Book Depository. Data from Bookselling Ireland, which covers physical specialised book shops, shows a market size of €98 million. Not all of this difference of almost €34 million is due to online conglomerates such as Amazon, but it is likely that they now account for around 18% of total book sales in Ireland. These conglomerates have a much lower cost base and can avail of substantial economies of scale, which make them quite competitive from a price perspective, although when postage costs are factored in, the savings for the consumer are much less significant.

The Electronic Book format recorded strong growth initially, but this has levelled off and appears to have plateaued at around 20% of the market. There is now clear evidence of a trend back towards the physical book.

5.2 BREXIT

Brexit has potentially significant implications for almost every sector of the Irish economy, and the bookselling sector is no different. It is estimated that 60% of physical books sold in Ireland are published in the UK and distributed into Ireland. The impact of Brexit on this trade in books is very uncertain and could create serious difficulties. If barriers to trade go up in the event of a 'hard Brexit', then this trade could be seriously disruptive and could become considerably more expensive. To date the only fallout from the vote to leave the EU in June 2016 has been seen through a significant adjustment in the exchange rate value of sterling. For example, the sterling/euro exchange rate averaged 72.64 pence in 2015; 81.92 pence in 2016; and 87.64 pence in 2017.

This represents a significant decline in the value of sterling and this currency weakness squeezes margins for booksellers.

5.3 COMMERCIAL RATES

Business rates represent a particular issue for most small businesses, and booksellers are no exception. Rates are a property tax levied by Local Authorities on the occupiers of commercial and industrial properties and are collected on the basis of property valuation. Rateable valuations for all properties are determined by the Commissioner of Valuation and set out in a Valuation List. The Valuation is based on an estimate of the Net Annual Value (annual rental value) of a property at a specified valuation date, on the assumption that the occupier is responsible for the payment of commercial rates, internal and external repairs and the building insurance on the property.

The charge for commercial rates is calculated as the Rateable Valuation of the Property X the Annual Rate on Valuation (also referred to as the Multiplier).

The methodology for calculating commercial rates is unclear and lacks transparency. It does not adequately reflect business conditions faced by many retailers. For example, a bookseller in a city centre venue will pay significantly higher rates, regardless of turnover, than a shop in an out of town location or in a shopping centre. Online booksellers are not subject to commercial rates.

In Germany, local bookshops are regarded as part of the cultural offering of the country and are given favourable treatment in relation to commercial rates and other local authority charges. Similarly, in Italy booksellers are offered discounts of 20,000 Euros for independents and 10,000 Euros for chains in an attempt to counter the negative impact of online retailing on the high street.

5.4 RISING COSTS OF DOING BUSINESS

During the economic downturn, most business costs adjusted in a downward direction, particularly labour costs. Now as the economy recovers, all business costs are starting to rise, particularly wage rates, rents and leases. This will pressurise margins in the sector.

Every year the National Competitiveness Council benchmarks business costs in Ireland against costs in competitor countries. In the *Costs of Doing Business in Ireland 2017*ⁱⁱ the Council stresses that cost competitiveness is a crucial foundation to withstand economic shocks and that the pursuance of cost competitiveness across all business inputs is essential for a small, open, trade-dependent economy such as Ireland.

THE KEY FINDINGS OF THE 2017 REPORT INCLUDE:

- Total Economy Hourly Labour Costs in Ireland in 2016 were the 8th highest in the Euro Area, and were 2% higher than the Euro area average and 12% higher than the UK;
- In the year to 2016, Irish labour costs grew by 1.6%, compared with growth of 1.6% in the EU-28 and 1.4% in the euro area and 1.5% in the UK;
- In 2017, Ireland had the 2nd highest monthly minimum wage and the 5th highest in Purchasing Power Parity (PPP) terms of 18 countries considered;
- In 2015, Ireland had the 8th highest annual gross wage level in the Euro area and the 6th highest net wage level. Net earnings were 13% above the Euro area average;
- In 2016, Ireland was the 5th most expensive location in the Euro area for prime retail rents. Rents increased by 31.5% between 2014 and 2016;
- Commercial rates increased as a proportion of total Local Authority revenue from 24% in 2002 to 36.5% in 2016. Over the same period, the proportion received from Central Government fell from 46% to 24%;
- In January 2017, Ireland was the 6th most expensive country in Europe for diesel;
- In the first half of 2016, weighted average industrial electricity prices in Ireland were 2.9% higher than the Euro area average, but 6% cheaper than the UK;
- Water and waste-water costs for industrial users compare favourably to those in competitor markets; and
- Ireland had the 4th highest SME interest rates in the Euro area in 2016. Irish interest rates on business loans have been consistently higher than equivalent euro area rates. In January 2017, the interest rate on loans of up to €1 million was almost double the Euro area average rate for new business.

The National Minimum Wage was introduced in Ireland under the National Minimum Wage Act 2000. It was initially introduced at a rate of €5.59 per hour. In January 2018, it was increased by 3.2% from €9.25 to €9.55 per hour. Between 2000 and the beginning of 2018, the minimum wage has increased by 70.8%. Over the same period, the consumer price index increased by 38.5%. This is a particular issue of concern for book sellers, the smaller ones in particular.

In addition to rising costs, labour shortages may also become an issue for the sector. The book sector is not unique in this regard, but for the sector, margins are generally tight and competition is particularly intense, so the challenges are more real than for many other sectors. Booksellers are particularly hamstrung in this regard as books come with prices printed on them, making it hard for booksellers to flex their pricing in response to external factors like NMW.

5.5 SUPPORT FOR SMALL INDEPENDENT BUSINESSES

State support structures are generally poor for small independent businesses in Ireland, and particularly so for bookshops. Access to capital is very challenging and support to grow the business from State agencies basically does not exist.

For booksellers who are facing intense competition from large overseas online channels such as Amazon, creating an online presence is very important, but is also difficult and expensive. State aid in helping small retail businesses create a proper online presence would be very desirable and helpful, otherwise many smaller retailers may struggle to survive. On a positive note, many smaller book sellers realising that going toe-to-toe on price with large online retailers is not a sensible strategy, and so many are now trying to offer something a bit different to enhance the customer experience. This can include a coffee offering, book clubs and other book events, emphasising the physical and personal nature of the book-buying experience – it's about people, conversations, recommendations, engagement, and all the senses – touch, smell – and emotions.

5.6 TOWN PLANNING

Increasingly, the streets of Irish towns are characterised by coffee shops and restaurants. This has the effect of making many streets just night time areas and during the day, not a lot happens. Planners should seek to encourage the growth of retail shops which would help foster more footfall and economic activity during the daytime.

5.7 LIBRARY SUPPLY BUSINESS

Due to changes in the Irish library tendering system, contracts have gone to the UK, thereby seriously squeezing Irish library suppliers. This reflects the nature of globalisation, but the State should make an effort to maintain as much of the tendering business as possible for Irish suppliers – perhaps taking a leaf out of the Scottish Government's book, which exercised their option for a cultural exemption when Scottish library supply went out to tender, retaining some portion of the tenders for local suppliers.

5.8 NEGATIVE PERCEPTIONS

Attracting a younger generation into the bookselling business can be challenging as there is a perception that bookselling is a challenging business due to online retailing and changing reading habits. The sector needs fresh young blood to keep it vibrant, and one of the aims of this report may be to prove the significance of Irish bookselling to the Irish economy and society, and consequently to help attract new entrants. The independent sector in Ireland has held up remarkably well over the recessionary period, with new shops opening every year, and with confidence and a supportive business environment, we could potentially see some growth here.

6. THE BROADER NON-ECONOMIC IMPACT OF THE BOOKSELLING SECTOR IN IRELAND

The foregoing analysis shows the very real economic and financial contribution that the book selling sector makes to the Irish economy. However, its contribution should not be measured in economic and financial terms alone. The sector makes a strong cultural and social contribution and is an important part of the social and community fabric of towns and cities around Ireland. In addition, books foster creativity, which in turns boosts long-term economic growth.

6.1 THE SOCIAL AND CULTURAL IMPORTANCE OF BOOKSHOPS

The bookselling sector is geographically spread around the country and provides considerable employment in towns and cities. Regional and rural economic development is now a key policy objective of the Irish government, and a key objective in particular is to bring life back to towns around the country that have been denuded of economic activity and social vibrancy. The objective should be to create towns where people want to live, to visit, to socialise and to work in.

A number of attributes are key to improving the attractiveness of towns. These include, the quality of public infrastructure and public realm, the quality of public services, personal security, and the diversity and fullness of the retail offering.

Having a bookshop in a town is widely regarded as a very important part of a proper retail offering. In her 2011 bookⁱⁱⁱ, *Locavesting*, Amy Cortese talks about the concept of 'community capital' and discusses how quirky cafes and shops give communities their unique identities and how communities have engaged in crowd funding activities to keep local shops in business. She argues that 'nowhere do passions run as deep as among booklovers and their local bookstores'. Her ideal is a 'cosy well-created bookstore where you can browse and bump into neighbours' and she believes that every good neighbourhood once had one, but she laments the fact that independent booksellers have been brutally squeezed by mega-chains, online retailers and now the 'Kindle and its digital ilk'. Cortese cites numerous examples in the US where communities came together to create and to save local bookstores in the face of harsh economic winds and trends.

There is a growing realisation of the importance of the economics of local with many studies citing the importance of local shops and local business. See for example Power (2016)^{iv} and Goetz and Fleming (2011)^v. In August 2016, a community bookstore, Books@One, was opened in Louisburgh County Mayo with the help of philanthropy. In a rural town that had become accustomed to the closure of shops and businesses, this initiative has given the town a lift and a vote of confidence, and it has brought new life to the area. Locals are very enthusiastic about the initiative and believe that this could provide a template for the future rejuvenation of rural towns and villages. Obviously, without philanthropic support such a venture would be very difficult to get off the ground, but it is telling that a bookshop has been chosen as the basis for town regeneration in Louisburgh. The objective of the community bookshop is 'Promoting book love, Social Enterprise, Community Rejuvenation and Regeneration'.

6.2 BOOKSHOPS AND CULTURE

In the Cebr study on the UK bookselling sector the importance of creative spillovers to the UK economy are viewed as being even more significant than the monetary economic impacts, based on the belief that sustainable long term economic growth is a function of technological process and innovation.

Richard Florida^{vi} argues that creativity has become the principal driving force in the growth and development of cities, regions and nations. The book industry is an integral part of this creative process and has been key to the creative explosion of recent decades.

Bookstores foster creativity by encouraging a love of books and reading, the dissemination of knowledge and ideas, and the nurturing of local writers and creative individuals.

In Ireland, book publishers and booksellers work together to foster these attributes.

Irish publishing helps keep bookshops contemporary and culturally relevant; helps them compete against online competitors through unique offerings; helps bookshops maintain customer and author engagement; helps grow the number of young readers; helps maintain local and scaled publishing; helps foster new talent; and helps drive tourist business.

Bookshops in turn support publishing by making book recommendations; having instore features; organising events; helping to promote new authors; maintain a backlist; promote through social media; engage in collaboration and feedback loops with publishers; give awards; and engage in price promotions.

The collaboration between bookselling and publishing creates a very positive cultural dynamic that adds to the social and cultural richness of the country. The impact of this dynamic cannot be overestimated and is very real.

6.3 WHAT BOOKSTORES DO APART FROM SELLING BOOKS

In preparing this report, the author interviewed a number of small, medium and large booksellers and discovered that in addition to selling books, bookstores engage in many other activities that help foster community spirit and create social and cultural capital. These activities include:

- Book launches;
- Book readings;
- Book events for children;
- Book clubs;
- Local sponsorships; and
- Book festivals.

All of these activities and more, give an idea of the important social and economic contribution that booksellers make to the Irish economy and Irish society.

Appendix I lists the literary festivals held in Ireland.

CONCLUSIONS

Bookselling and associated activities make a very significant economic and social contribution to Irish life. They provide employment, they generate real economic activity, and they foster cultural creativity and community spirit.

The sector has experienced very challenging times in recent years in the face of a very difficult economic climate and pressure from online bookselling conglomerates, who are able to operate at a serious competitive advantage. While the fortunes of Irish booksellers are now improving, there are still serious pressures and challenges.

It is important to remember that bookshops provide a richer experience than the colder transactional experience of online conglomerates such as Amazon. They pay taxes, local authority charges, and provide real employment in communities.

Policy makers should seek to make the environment as supportive as possible for bookshops and consumers should endeavour to support local bookshops. It is only when a local bookshop closes that we realise how big a void is left.

Books are vital for society and reading is essential. A recent quote from a US academic Kelly Grey Carlisle sums it up very well:

'I am starting to think the best preparation for college is a youth spent reading books. It's so obvious which students have read a lot and which haven't. Parents, get them started now.'

APPENDIX I

LITERARY FESTIVALS IN IRELAND

- Kildare Readers Festival, Co. Kildare
- Mountains to the Sea Festival, Dun Laoghaire
- Listowel Writers Week, Co. Kerry
- Doolin Writers Weekend, Co. Clare
- Ennis Book Club Festival, Co. Clare
- Cúirt International Festival of Literature, Galway
- International Literature Festival, Dublin
- Dublin Book Festival, Dublin city
- Maria Edgeworth Literary Festival, Co. Longford
- Dalkey Book festival, Co. Dublin
- Hay Festival Kells, Co. Meath
- West Cork Literary Festival, Co. Cork
- Red Line Book Festival, South Dublin
- Cork Spring Poetry Festival, Co. Cork
- Limerick Literary Festival, Co. Limerick
- Lennox Robinson Literary Festival, Douglas, Co. Cork
- Gort Literary Festival, Co. Galway
- Eigse, Michael Hartnett, Literary & Arts Festival, Newcastlewest, Co. Limerick
- Franco-Irish Literary Festival, Dublin
- Yeats Summer School, Co. Sligo
- Strokestown Arts & Poetry Festival, Co. Roscommon
- Borris House Festival of Writing & Ideas, Co. Carlow
- Sound eye Poetry Festival, Cork
- Frank O’Connor, Cork International Short Story Festival
- Immrama Festival of Travel Writing, Lismore, Co. Waterford
- Waterford Writers Weekend, Waterford
- Féile Litríochta Gaeilge, Baile Átha Cliath
- Athlone Literary Festival, Co. Westmeath
- Kerrygold Ballymaloe Literary Festival of Food & Wine, Co. Cork
- Focal, Wexford Literary Festival, Co. Wexford
- Gerard Manley Hopkins Literary Festival, Co. Kildare
- Graiguenamanagh ‘Town of Books’ Festival, Co. Kilkenny
- International Summer School in Irish Studies, UCC, Cork
- Annual Patrick Kavanagh Literary Weekend, Inniskeen, Co. Monaghan
- Dromineer Literary Festival, Co. Tipperary
- Samhain International Poetry Festival, Gortahork, Co. Donegal
- Rolling Sun Book Festival, Westport, Co. Mayo
- Wild Words Book Festival, Carrick-on-Shannon, Co. Leitrim.

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