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Ordnance Survey
Romsey Road
SOUTHAMPTON
SO16 4GU
United Kingdom

Publishing Partnership – refining the business model

J Gaisford
Managing Director
Philip's
United Kingdom

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Philip's and Ordnance Survey have had a business relationship for nearly one hundred years. Over that period the business model has varied considerably, largely in response to the changing needs and attitudes of the OS itself. This paper looks at the experience of the past 20 years, as a case study in partnership between a commercial enterprise and a national agency, and aims to identify some of the key elements in making the partnership work that could be applied by other agencies.

Philip's is one of the UK's leading map publishers. Now owned by the French publisher, Hachette, we are based in London and employ 44 staff, of whom 18 are cartographers – the rest are involved in all the other elements of publishing, from sales and marketing to design and print purchasing.

The company was founded in Liverpool in 1834 as a general publisher, but always had a strong interest in geography. It published its first atlas – the Imperial General Atlas, in 1853. The business at that time was built on the twin pillars of the British Empire and compulsory education – so virtually all of its mapping products were world atlases. But in 1905 the company produced its first ABC Pocket Atlas of London, and in 1909 a 20-sheet road map series of England and Wales.

I assume that Philip's involvement with Ordnance Survey must date back to these historic publications. From that time on the rapid growth of motoring and the British road network brought a huge demand for road maps. Philip's became a major player, using its own cartographers to produce numerous editions of maps and atlases both under its own name and for oil companies and roadside rescue services.

In its heyday, Philip's employed well over a hundred draftsmen, and had its own printing works, all housed in a specially-constructed offices in north London.

During World War II Philip's undertook printing for the Ordnance Survey and other government mapping departments – and even printed banknotes.

For most of the 20th century the company drew its own road maps and street atlases, taking much but by no means all of its source information from OS maps, and paying a royalty for every copy printed. At the time I joined Philip's in 1987, this relationship was governed by a standard terms document published annually by Ordnance Survey's Copyright Branch, which set out the conditions under which publishers could copy OS maps – and the price per copy they would pay for the following year. To my knowledge there was no consultation involved: OS simply imposed the terms and conditions it deemed necessary, within its legal remit.

These were the years of Prime Minister Margaret Thatcher, when the OS came under heavy pressure to recover far more of its costs. Raising the royalty rates was an obvious lever to use in this endeavour, so each year's standard terms document was studied with enormous care as soon as it arrived, rather like the Inland Revenue assessment – and with the same ambition, to control and if at all possible, to reduce the cost of the royalty payments. For several consecutive years the rises were steep, and there was real concern that royalties could rise so far that they would jeopardise the survival of some map publishers. An

organisation which already seemed closed, secretive and difficult to deal with, was in danger of being seen as the enemy.

But as a parallel initiative, also intended to raise additional revenue, OS issued a ground-breaking invitation: publishers were sought for co-publishing partnerships with the Ordnance Survey. The offer was compelling and straightforward. The publisher would propose the publishing concept. If OS was persuaded it could succeed, OS would create the necessary cartography. The publisher would provide text, images and design, and also handle the printing. Both parties would provide sales, marketing and distribution. Costs and revenues would be shared 50/50. And most importantly OS would fund the royalty obligation out of its own share of the revenue.

For publishers there were substantial benefits in this arrangement. OS had much larger resources than any commercial map publisher, and could bring an unmatched cartographic resource to bear. The OS brand-name would be helping sell the products. Funding was assured, and there was no risk from increased royalty.

The downsides appeared to be the risk of uncontrolled cartographic costs, and a loss of independence through yielding a share of control to a vast, possibly unwieldy, and largely unknown organization. This was an organization, moreover, that was known to be ready to use its power if necessary. OS reserved the right to refuse permission for publishers to create their own products and promptly did so – Philip's soon learned that street atlas publishing based on OS copyrights would in future ONLY be permitted on joint venture terms.

Carrot and stick proved a powerful combination, at least for Philip's. We decided to take the plunge and enter a co-publishing partnership. But our larger competitors were not convinced. One simply carried on as before, while campaigning vigorously against the royalty increases. Two others, backed by their wealthy owners, took an opposite approach. Equally alarmed by the rapid rise in royalty rates they determined to free themselves entirely from dependence on OS, by creating and revising road maps with the aid of GPS, aerial photography and out-of-copyright sources.

From 1986 to 1999, the relationship between Philip's and OS became much closer. Our commercial partnership, though frustrating at times, grew increasingly productive and survived two changes of ownership for Philip's – transforming us from an old family business into a division of a large multi-national – and numerous reorganizations of Ordnance Survey.

Together we built a new and extensive range of more than 30 street atlases to a very high specification, suitable for professional as well as leisure users, which is now widely available in bookshops, newsagents and petrol stations. Within 15 years, almost the whole of England was mapped to a standard and highly detailed specification, creating a wider and richer coverage than is provided in the UK by any other publisher.

This major project could not have been contemplated by Philip's on its own. The whole undertaking was fraught with difficulties. The period of our co-publishing agreements spanned the period of transition from film-based to digital mapping, and from monochrome to colour, and we needed not only OS's huge surveying and cartographic resource and commitment to quality control, but also the agency's tremendous capacity to tackle complex technological change.

For a small company, as we were at the beginning, the costs and risks of this enterprise would have been too great. Philip's had more than enough on its own plate, since we had to make the same technological change for our own map assets. More than 4000 pages of atlas film became obsolete during this period, as we built our own small-scale topographic databases of the world and of the British Isles. Working in partnership with OS meant that we could grow our business; on our own we might have struggled to stand still.

In 1999, with the task almost complete, OS announced an astonishing change of strategy. They wished to terminate the co-publishing agreements, and return to a variation on our former business model. It seemed that their own battle to cut costs and build revenues had been so successful that they were at risk of becoming too commercial. Once again Philip's would be obliged to shoulder the entire risk, commission the mapping and pay OS both for contract cartography and royalty on copies printed. The stick was in evidence again; but this time the carrot was a promise to review the standard terms and conditions to make them more publisher friendly, and to encourage the use of OS data by reducing the royalty rates for small scales mapping.

This brought a moment of truth for both parties. The new terms had not yet been announced, so how could Philip's evaluate the benefits they might bring? Could we negotiate a separation that would meet both our needs and keep the programme viable? How would we value the physical and digital assets we had created? Who would own the copyright in them? Could Philip's raise the capital to buy OS's share – and if not, would OS be willing to buy Philip's share?

These proved far more complex questions than either side anticipated, and the negotiations were difficult and long-drawn out, even after the basic principles of the separation had been agreed. That they were, in the end, successful was almost certainly due to both sides concluding that they must succeed. The investment must continue to deliver returns.

Today our relationship is once again governed by documents produced by OS: a Licensed Partner Agreement which permits us to publish maps and atlases based on OS copyright and sets out the terms and conditions which apply; and a cartographic services agreement under which OS creates and maintains street atlas datasets on our behalf. Like other Licensed Partners, we have no certainty over the future level of royalties, which makes our forecasting difficult.

But in important respects, the new model is quite different. OS now makes substantial efforts to communicate and consult with its licensed partners. They have appointed an Account Manager to deal with all aspects of our business, and to ensure that we are apprised of developments within OS that could affect us. We have been identified as 'strategic partners' and given the opportunity to comment on and possibly influence developments within OS. There are still plenty of surprises, but in general we sense that their impact on our relationship has been understood.

During the ups and downs of this sometimes intense relationship, we have learned many valuable lessons about working with a government-owned agency. Mutual respect for the real (and proper) cultural differences between commercial and public entities was blossomed slowly; we had to learn how to get the best from each other, and this took time and extensive personal contacts.

It took a long time, for example, for us to fully understand quite simple things, for example how big an organization OS was. We were bewildered by the sheer number of different people we met at different times. Many we met only once, when they were introduced to deal with a single subject. We were confused by the number of reorganisations, and the changing roles of people we did meet more frequently.

We were never quite sure where and how decisions were reached. When we needed to persuade OS to change gear or direction, we often struggled to understand how best to present our case so that it would be well-received by the more senior managers whom we rarely met. All these things seem understandable now, but they remain foreign to our own culture, which is decentralised and largely autonomous at the operational level.

Fortunately however OS did and still do recognise this problem. They set up a dedicated team to work on the street atlas programme, and in the really crucial areas of our co-operation, they maintained a good level of continuity. On the rare occasions they did not, the effects were felt immediately. When key changes were made the incoming staff were well-briefed. Even more important from our perspective, the individuals we have dealt with have been friendly, honest and as direct as they could be, within the limits of their own needs for confidentiality.

It is perhaps the difficulty of creating personal contact with agencies outside Britain that has inhibited our activities elsewhere in the world.

Probably the biggest problem area for publishers is dealing with – or even correctly understanding – the terms and conditions laid down by the agencies. This may stem from publishers not being seen as priority customers for mapping agencies who may be more focused on government departments or utilities. There are three typical barriers: first, many agencies have complex terms and conditions that are difficult for publishers to understand; second, the financial terms may set too high a threshold for new entrants; thirdly the terms appear inflexible, rarely open to negotiation, and at odds with the standard structures of our industry.

Publishers – and Philip's is no exception – are very conscious of being in a risky business, where it may take some years to build a product range. Our owners are generally impatient to see a return. So we prefer to minimise risks, especially early in the product cycle, or to share both risks and rewards with our content suppliers. This translates into a preference for paying flat fees, regardless of the number of copies made or sold, or paying royalties based on copies sold, not copies made. The culture is entrepreneurial, based on shared risk and demanding a great deal of trust.

Most of the publishing business operates in this way – mapping agencies typically do not. For those I have dealt with the objectives appear to be: a level playing field, achieved by offering a large menu of standard terms; financial certainty, achieved by requiring fixed fees, based on the number of copies made; and copyright security, achieved by a strong emphasis on defining the permissions granted, documenting the copies made and acknowledging sources. The culture of the business seems administrative, regulatory and demanding a great deal of compliance.

The challenge for agencies who wish to generate more revenues from publishers is to create business models which publishers can understand and feel comfortable with. For OS this has been achieved by reaching out, understanding the publishing business, seeing the map publishers as partners, and creating conditions in which map publishing can grow. Personal relationships are at the centre of this process; and the crucial manifestation is the development of publisher-friendly terms and conditions, and a willingness to help grow the market.