

Why We Should Use Nondenominational Printers And Bookstores

by Wilfred M. Hillock

If Adventists are to fulfill their commission to distribute their literature as cheaply and widely as possible, policies in two areas of denominational publishing must be changed: printing and distributing of books and periodicals. Action now toward better management can vastly enhance our success in reaching the public with our publications.

The Adventist publishing work is one of the larger enterprises of the church. Over the past century, we have built up three publishing houses in North America. In 1974, the 1,000 persons employed in these houses produced \$48 million worth of literature. The denomination's investment in these three enterprises is said to be \$29.5 million according to the Annual Statistical Report of the General Conference of Seventh-day Adventists, issued in 1974. A conservative estimate of replacement cost for plant and equipment would be \$60 million. It is only responsible to reflect on how such a large and expensive instrument for good can be improved.

In Adventist jargon, the publishing work encompasses much more than offering books

and periodicals for sale. It has been virtually unchallenged policy from the pioneer days of the church that what we publish we also produce. The publication system goes from the purchase of raw materials of manuscript, ink and paper, to consumer delivery of the printed materials. While the normal mode of operation for publishers is to specialize in editorial and sales work, we as a church have chosen to own and control the production-distribution process. Outside the Adventist church, the physical production of books and magazines is usually done at least to a degree by independent printer specialists on the basis of competitive bidding.

In trying to understand the church policy of owning, and thereby controlling the entire publication, printing and marketing process, we find several possible rationales. The policy may have arisen: from tradition, carrying forward the norm from a previous era; from the need to provide employment for Adventist printers; from the belief that it is less expensive to do it ourselves; from a desire to control the process for the flexibility of scheduling it affords; or simply from a failure to consider other possibilities.

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service or produce a product at a cost lower than it could be purchased from nondenominational enterprises. It does not appear that this is true for our medical, educational, food or publishing institutions, but the expectation persists. Possible reasons for this idea could be our so-called “sacrificial” wage structure and/or a general faith in the superior capacity of our institutions. Whatever the cause, the notion persists.

The limitations of this article do not permit a complete development of proof that our

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costs are not lower than normal. It is instructive, however, to consider the case of college operating costs. Tuition rates for Adventist colleges approximate the norms for private colleges even though salaries to teachers are considerably lower than the norms. The conclusion is that with a normal income, a break-even operation and the largest element of cost (salaries) considerably below the norm, our costs other than salaries are higher than normal. One could say that the advantage of low salaries is dissipated in other costs. Prices of medical services, books, food and tuition would indicate that if there are cases where our costs are low these are not passed on to the consumers. It appears reasonable to conclude that we cannot as a general rule “do it for less,” and there is some evidence that in specific cases our costs are higher despite the wage structure.

The first proposal is that we promptly reconsider the policy that we must physically produce all the literature we distribute. In Adam Smith’s germinal book of modern economics, *The Wealth of Nations*, he pro-

claimed the principle of the “invisible hand” which would promote efficiency and reduce costs. He claimed, and most of the economic community has since agreed, that any interference with a freely competitive market is almost certain to be injurious. While it is true that publishing is by nature a monopolistic industry, the production of printing and distribution of books does not need to be so. Smith’s concern was with minimizing the wastes involved in monopolistic situations. Remember that a monopoly is any market with only one seller. The imperfectly competitive situation that he envisioned as evil involved unchallenged control over price — precisely the position Adventist publishers now enjoy.

The Adventist publishing industry and, in particular, its printing operations, have no rivals and there is little built-in incentive for the captive (totally controlled) printing plants to insure that costs are minimized. The absence of competition and the lack of a profit incentive can be expected to result in higher than competitive prices, a failure to maximize revenue, and costs well beyond possible minimums. In the church’s one significant experiment in competing with other commercial printing enterprises (the Canadian division of Pacific Press, Maracle Press Ltd.) we have a history of financial losses dating back for 25 or more years. In that case, our system has not been able to compete. This experience reinforces the expectations created by economic theory and raises the question whether there is a more economical way to produce Adventist literature than the exclusive use of denominationally controlled printing plants.

What forces would push our printing plants toward more economical production methods? So far we have built a bigger and better collusive oligopoly, that is, an industry in which there are only a few competitors who act in agreement with each other. The problem with this arrangement is that “informal collusion among oligopolists may yield price and output results similar to pure monopoly, yet maintains the outward appearance of several independent and competing firms.” What has happened is what economists would predict. “A purely

monopolistic firm will find it profitable to charge a higher price, produce a smaller output, and foster an allocation of resources inferior to that of a purely competitive firm.”¹ We have developed an organizational structure for the production and distribution of Adventist literature that almost guarantees economic waste.

What are the alternatives? Not, certainly, immediate dismantling of our printing plants. The preferred approach, according to economic and managerial principles, would be to introduce competition by moving away from using completely captive printing plants.

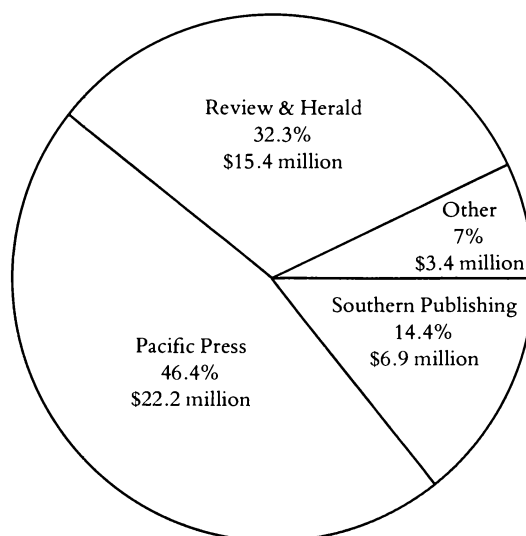
Management theory has suggestions concerning captive service departments, that is, departments which facilitate the operation of other departments, as our printing plants facilitate the publishing department, and which serve only their parent organization.

In discussing the typical problems of service departments, Koontz and O'Donnell say this:

The organization of a department for the purpose of performing certain services for all other departments is almost always accompanied by an edict that its service must be used. . . . Frequently, complaints result in improvement, but that can also result in the decentralization of the service activity or its abolition in favor of buying the service from independent outside entrepreneurs Observers are quick to recognize a striking parallel between the operating tendencies of service departments and the costly, rigid formalism in government. The private bureaucracy reaches its terrifying size not in one fell swoop but by minute accretions of function and procedure. It is here that the “empire builders” become visible The executive who criticizes the cost of the service knows full well that the whole department cannot be eliminated. . . . Elimination of centralized service and centralization of service represent the two extremes in organization The right kind and degree of partial decentralization of service activities can be attractive from several points of view. . . .²

We have chosen complete and total cen-

tralization; kinds and degrees of partial decentralization have not as yet been introduced. In North America we have developed three regionally located publishing houses and attached to each a production plant with an exclusive right to render the printing service. A distribution of North American publishing and printing activities (since they operate in tandem) is as follows:



Total: \$47.9 million³

“Other” includes Christian Record, Conferences, Schools

What we need to do is balance the costs of the service against the benefits provided and decide whether the church stands to gain from modifying the scope and duties of its printing service. To assume that the edicts of the past apply to the present is to proceed on the basis of tradition as opposed to planning for efficiency and effectiveness in our present environment. In making this cost benefit decision, the

savings and costs of personnel and equipment can usually be accurately calculated; the total costs of operating a service department can rarely be set down in a neat row and summed. Much to the discouragement of cost analysts, many unmeasurable elements — among them poor service, poor communication, delays, failures to act and simple arrogance — must somehow be evaluated There is, however, the alternative of purchasing the service from another firm There are no general rules that can be summoned for a quick

solution of the problem of whether to own or purchase service But the framework of correct procedure is both clear and applicable to all kinds of service activities. The first step involves the careful calculation of the measurable costs of owned versus purchased service and the determinations of the net savings of the firm. The second step consists of the painstaking analysis of the unmeasurable relative costs of the alternatives. The third step requires the comparison of the results of the first steps and a decision in the best interest of the firm.⁴

Our typical reflex response to the suggestion of rescinding the edict to print what we publish is to argue that a church has special reasons for wanting control of the printing processes related to its publishing activities. But it is difficult to see how literature could become contaminated on printing presses. The crux of the debate is economic and must be settled according to sound economic theory.

It is time to consider the introduction of the invisible hand of competition as a guide to more economical production costs. We need to plan a printing industry at less than our total need capacity. This would result in benefits not the least of which would be the ability to allow commercial enterprises to provide for costly peak production needs. It is economical to use other firms to provide for those needs above the low point in the production cycle. Firms in a competitive market can regulate their intake and avoid the widely varied production swings that result from meeting the needs of only one customer. Moreover, the experience of dealing with outside enterprises on a bid basis would reduce costs related to indecision and expensive last-minute changes. Persons who have worked in our publishing houses know the frustration in both editorial and production areas that sometimes results from in-family expectations. We are normal in that we take advantage of each other within the family. This human cost should be seen along with other resource costs as one of the unnecessary penalties of the present system.

Finding the right kind and degree of partial decentralization of our printing activities will

necessitate a policy change that provides for some level of competitive bidding for the production of our literature. This multimillion dollar enterprise needs to follow such a procedure in an effort to become more efficient.

What is proposed should in no way affect the content of Adventist literature. The publisher always maintains complete control of the content and format of literature. Printers simply render the service of producing what publishers request.

The two primary channels of distribution for Adventist literature are the shortest, most direct — and the most expensive: the publisher either sells directly to the consumer (via literature evangelists) or through its own retail outlets (Adventist Book Centers).

Distribution by means of door-to-door salesmen is used successfully by producers of items that require a high level of personal point-of-purchase attention. But “it is generally true the most costly channels of distribution are those involving direct sale to household consumers”⁵ It is no wonder that our literature costs so much.

It is instructive that during the past half century the proportion of literature evangelists to ordained ministers has fallen drastically. In 1920, literature evangelists outnumbered ministers 2-1; now the reverse is true. Had the proportions of 1920 held we would have 16,000 literature evangelists today where the number is less than 6,000.⁶

The point is that literature evangelists as a method of distribution have not kept pace with the development of the work of the church along other lines. Apparently, our exclusive reliance on the colporteur ministry for book sales to the public may be outdated, at least in some environments.

Sales of literature to church members is accomplished through the Adventist Book Centers. The smallest of these centers does an annual volume of business approximating \$25,000 a year and the largest \$1,600,000.⁷ They are in existence, as *Adventist Book World* said in 1976, “for only one reason — putting

our Seventh-day Adventist literature in the hands of our members as conveniently and efficiently as we can." Since the retail outlets are church owned, and direct, this channel falls within the category marketing literature characterizes as exclusive and expensive.

In choosing its marketing channels, an organization should carefully analyze its market, its products, its middlemen and the organization itself. To conclude that existing channels are the most appropriate because of their existence and their approval by respected pioneers is to overlook potential opportunities. Multiple channels are an option that should be considered, either to increase sales in an existing market or to reach different markets.

Our desire to control the distribution system has caused us to limit our potential for a wider market. The natural result of this approach is that prices are higher than they would be with wider circulation.

What is needed is the adoption of a marketing viewpoint, a customer orientation to replace our preoccupation with producer orientation. The

marketing concept is the idea that the company [publishing work] should be organized around the marketing function, or as it is sometimes put, around the customer. Anticipating, stimulating and supplying customer wants are the primary company aims, and all other functions are auxiliary or secondary. The consumer, not the firm, becomes the center of the business universe.⁸

I propose that we undertake a major emphasis on meeting the spiritual needs of the

general public. In the choice of ways to meet this public, "the selection process begins by analyzing the consumer and then working backward through the various channels."⁹

This is not to suggest that we should abandon our present direct channels. It is likely that, for our message books, the customer does not recognize his need, and aggressive door-to-door selling efforts may be essential to market the books. This does not mean that literature evangelists or Adventist Book Centers are the best and only channels for *all* possible Adventist literature sales.

Mass market distribution becomes possible by first deciding that it is an option. In planning to meet the needs of new consumers, we should, for example, consider wholesale distribution of paperbacks to non-Adventist retail bookstores.

Of course, entrenched interests will oppose potential competition, however peripheral, with colporteurs or book centers. This should not deter us. We have the capacity — and we have a mission to satisfy human needs; it is time to approach the task systematically on a massive scale.

My intent has been to raise two policy issues: first, the question of giving denominational printing plants the exclusive right to produce denominational literature; second, the question of using alternate mass distribution channels. I have not suggested specific solutions in detail since the task of defining problems precedes the working out of solutions. But I do say this: It is time to reevaluate our obsession with ownership and control of all production and distribution. Let's use the avenues available to finish the work.

NOTES AND REFERENCES

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5. Phillips and Duncan, *Marketing Principles and Methods*, 3rd edition, Richard D. Irwin, Inc., 1956, p. 567.

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