

HARLEQUIN ENTERPRISES: THE MIRA DECISION¹

Ken Mark prepared this case under the supervision of Professors Rod White and Mary Crossan solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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During June 1993, Harlequin management was deciding whether or not to launch MIRA, a new line of single-title women's fiction novels. With the increased popularity of single-title women's fiction, Harlequin's leading position as the world's largest romance publisher was being threatened. While Harlequin was the dominant and very profitable producer of *series* romance novels, research indicated that many customers were reading as many *single-title* romance and women's fiction books as series romances. Facing a steady loss of share in a growing total women's fiction market, Harlequin convened a task force in December 1992 to study the possibility of relaunching a single-title women's fiction program. Donna Hayes, vice-president of direct marketing, stated:

Industry trends reveal that demand for single-title women's fiction continues to grow while demand for series romance remains stable. Our strengths lie in series romance . . . but by any account, launching MIRA will still be a challenge for us. How do we successfully launch a single-title women's fiction program?

Tentatively named "MIRA," Harlequin's proposed single-title program would focus exclusively on women's fiction. Management hoped MIRA's launch would provide the opportunity to continue Harlequin's history of strong revenue growth.

¹To protect confidentiality, all financial information within this case study has been disguised.

Hayes, leader of the MIRA team, knew this was a significant decision for Harlequin. Several years earlier an attempt at single-title publishing — Worldwide Library — had failed. Before going to her executive group for approval, Hayes thought about the decisions the company faced if it wished to enter single-title women's fiction publishing: What were the growth and profitability implications if Harlequin broadened its scope from series romance to single-title women's fiction? What fundamental changes would have to be made to Harlequin's current business model? Did the company have the necessary resources and capabilities to succeed in this new arena? If the company proceeds, how should it go about launching MIRA?

THE PUBLISHING INDUSTRY²

Apart from educational material, traditional single-title book publishing was typically a high-risk venture. Each book was a new product with all the risks attendant on any new product introduction. The risks varied with the author's reputation, the subject matter and thus the predictability of the market's response. Among the numerous decisions facing the publisher were selecting manuscripts out of the thousands submitted each year, deciding how many copies to print and deciding how to promote the book.

Insiders judged one key to success in publishing was the creative genius needed to identify good young authors among the hundreds of would-be writers, and then publish and develop them through their careers. Years ago, Sol Stein of Stein and Day Publishers had commented; "Most successful publishers are creative editors at heart and contribute more than risk capital and marketing expertise to the books they publish. If a publisher does not add value to what he publishes, he's a printer, not a publisher."

Traditional single-title publishers allowed distributors 50 per cent margins (from which the retailer's margin would come).³ Some other typical costs included royalty payments of more than 12 per cent, warehouse and handling costs of four per cent, and selling expenses at 5.5 per cent. Advertising generally required six per cent and printing costs⁴ required another 12 per cent. The remainder was earnings before indirect overhead. Typically, indirect overhead accounted for two per cent of the retail price of a book. Because of author advances, pre-publication promotion and fixed costs of printing break-even volumes were significant. And if the publisher failed to sell enough books, the losses could be substantial. Harlequin's core business, series romance fiction was significantly different from traditional single-title publishing.

²This section is adapted from the Richard Ivey School of Business #9A87M002 Harlequin Enterprises Limited — 1979, Peter Killing.

³All amounts are a percentage of the suggested retail price.

⁴Numbers are for the typical paperback. Hardcover books cost more to produce, but as a percentage of its higher retail price, printing costs were roughly the same proportion.

HARLEQUIN ENTERPRISES LIMITED

The word romance and the name Harlequin had become synonymous over the last half-century. Founded in 1949, Harlequin began applying its revolutionary approach to publishing — a packaged, consumer-goods strategy — in 1968 shortly after acquiring the publishing business of U.K.-based Mills & Boon. Each book was part of an identifiable product line; consistently delivering the expected benefit to the consumer. With a growth rate of 25 per cent per year during the 1970s, Harlequin became the world's largest publisher of women's series romance fiction. It was during this time that Torstar, a newspaper publisher, acquired Harlequin.

Over the years, many book publishers had attempted to enter Harlequin's segment of the industry. All had eventually withdrawn. Only once had Harlequin's dominance in series romance fiction been seriously challenged. The "romance wars" began in 1980 when Harlequin took over U.S. distribution of its series products from Simon & Schuster (S&S), a large U.S.-based single-title publisher with established paperback distribution. Consequently, S&S began publishing series romance fiction under the Silhouette imprint. After several years, a truce was negotiated between Harlequin and S&S. Harlequin acquired Silhouette, S&S's series romance business, and S&S got a 20-year deal as Harlequin's sole U.S. distributor for series fiction.

During the late 1980s and early 1990s, growth in the series market slowed. Harlequin was able to maintain revenues by publishing longer and more expensive series products and generally raising prices. However, as shown in Table 1, global unit volume was no longer growing.

Table 1

TOTAL UNIT SALES (in '000s)

Year	1988	1989	1990	1991	1992	1993
Operating Revenue	344,574	326,539	348,358	357,013	417,884	443,825
Operating Profit	48,142	56,217	57,769	52,385	61,842	62,589
Total Unit Sales	202	191	196	193	205	199

Harlequin's Target Market and Products

Harlequin books were sold in more than 100 international markets in more than 23 languages around the world. Along with romance fiction, Harlequin participated in the series mystery and male action-adventure markets under its Worldwide Library and Gold Eagle imprints.

Harlequin had an estimated 20 million readers in North America and 50 million readers around the world. With a median age of 41, the Harlequin's romance series reader was likely to be married, well educated and working outside the home. More than half of Harlequin readers spent at least three hours reading per week. Harlequin series readers were brand loyal; a survey indicated four out of five readers would continue to buy Harlequin books in the next year. Larry Heisey, Harlequin's former chief executive officer and chairman, expanded on the value of Harlequin's products: "I think our books are so popular because they provide relaxation and escape We get many letters from people who tell us how much these books mean to them."

While Harlequin had advertised its series product on television, current marketing efforts centred on print media. Harlequin advertised in leading women's magazines such as *Cosmopolitan*, *Glamour*, *Redbook*, *Good Housekeeping* and general interest magazines such as *People*. The print advertisement usually featured one of Harlequin's series products and also promoted the overall Harlequin brand.

Romance Series Product: Well Defined and Consistent

Under the Harlequin and Silhouette brands, Harlequin published 13 different series with 64 titles each month. Each series was distinctly positioned, featuring a particular genre (e.g., historical romances) or level of explicitness. Isabel Swift, editorial director of Silhouette, discussed the different types of series books published by Harlequin:

Our different lines deliver different promises to our readers. For example, Harlequin Temptation's tagline is *sassy, sexy and seductive*, promising that each story will deliver a sexy, fun, contemporary romance between one man and one woman. Whereas the Silhouette Romance title, in comparison, is a tender read within a framework of more traditional values.

Overall, the product portfolio offered a wide variety of stories to capture readers' interests. For the positioning of Harlequin's series, see Exhibit 1. Sold in more than a dozen countries, Harlequin had the ability to publish series books worldwide. The average retail price of a Harlequin series novel was \$4.40,⁵ significantly less than the \$7 retail price for the typical single-title paperback novel, and much less than the \$15 to \$25 for longer, hardcover titles by best-selling authors.

Harlequin's series romance product was fundamentally different from that of traditional single-title publishers: content, length, artwork size, basic formats and

⁵All amounts in Cdn\$ unless otherwise specified.

print were all well defined to ensure a consistent product. Each book was not a new product, but rather an addition to a clearly defined product line. Unlike single-title books, Harlequin's series products had a common format. They measured 105 millimetres by 168 millimetres and fit neatly into specially designed racks located primarily in supermarkets and drugstores. Most product lines were 192 to 256 pages in length; some were up to 304 pages in length. Cover designs differed slightly by product line and country, but the look and feel was similar (see Exhibit 2).

Harlequin provided prospective series romance authors with plot, style and book length guidelines. However, crafting the stories still demanded skill and work. As David Galloway, chief executive officer of Torstar, Harlequin's parent company, and the former head of Harlequin observed:

The books are quite simply good stories. If they weren't, we wouldn't be getting the repeat purchases we do. A lot of writers think they can dash off a Harlequin, but they can't. We've had submissions from PhD's in English who can certainly write but they can't tell a story.

To ensure a consistent product emerged, Harlequin's editors assessed many elements including plot, story line, main character(s), setting, percentage of romance in the plot, level of realism, level of fantasy, sensuality, social and/or individual problems, happy ending and reading impact. Even though many different authors contributed to series romance, Harlequin's editors ensured a consistent finished product, satisfying the needs of their loyal series romance readers. The consequences of this uniformity were significant. The reader was buying a Harlequin novel, and advertising promoted the Harlequin brands rather than a particular book or author.

Bookstores were not the primary channel for series romance novels. Most retail purchases were made at supermarkets and drugstores. But many Harlequin customers got the product delivered to their home every month through Harlequin's direct mail service. The standardized size and format made warehousing and distribution more efficient. In addition, the product's consistency enabled standing order distribution to retail. As Pam Laycock, director of new product development, explained:

A major contributor to our success as a series publisher is our standing order distribution. Each series is distributed to a retail location in a predetermined configuration — for example in a series where we publish four titles per month, a retailer may take six copies per title and this level of distribution is generally agreed upon and maintained for the entire year. This approach enables us

to more accurately predict monthly print quantities and achieve significant print cost effectiveness.

Orders (and sales) for conventional single-title books were not as predictable. Another significant difference was that series romance books, as part of Harlequin's standing order distribution plan, were displayed on retail shelves for four weeks. Harlequin's distributors then removed and returned any unsold books, and replaced them with the next month's offerings. By comparison, single-title books were typically displayed at retail from six to 12 months or more.

Harlequin's series romance business did not generate or even encourage best-sellers. "Best-sellers (in series romance) would ruin our system," a Harlequin insider stated. "Our objective is consistency in volume. We have no winners and no losers." Unsold books could be returned to the publisher for credit. A consequence of Harlequin's even and predictable sales was that order regulation and returns could be more easily optimized to maximize the contribution to profits.

A comparison of Harlequin's series business model and the operations of traditional "one-off" publishers is presented in Exhibit 3.

With a consistent quality product, standing orders, predictable retail traffic patterns and the ability to produce and deliver books at low costs, Harlequin had achieved great success. Harlequin's series romance business had consistently earned a return on sales of 15 per cent. As shown in Exhibit 4, this figure compared favorably with larger traditional publishers.

Loriana Sacilotto, director of retail marketing, explained why Harlequin outperformed other traditional single-title publishers:

There are a variety of reasons why other publishers do not achieve the same margins we enjoy. The main reason is that they are broad in their publishing focus whereas we focus on women's fiction. They don't have the same reader recognition, trust and relationships. We invest in it.

Harlequin Business System

The Global Author — Editor Team

Harlequin had established a strong level of reader trust and brand equity by consistently delivering quality content. Editors in three acquisition centres in Toronto, New York and London were responsible for working closely with 1,300-plus authors to develop and publish more than 1,000 new titles annually. In addition to the work of its regular writers, Harlequin received approximately

30,000 unsolicited manuscripts per year. Typically, about 100 of these were accepted in any given year.

Series authors received royalties of 13 per cent of retail book price. Harlequin's typical series authors had more than 100,000 of each of their books distributed worldwide.

Harlequin's series romance product focused solely on *front-list* sales. In the publishing world, front-list sales referred to the first print runs of a book supporting its initial market launch. *Back-list* referred to books reprinted and reissued years after the book's initial run (generally to support an author's subsequent books). Harlequin's series romance novels — unlike a traditional publisher's single-title books — were not available on back-list. However, Harlequin retained these rights.

Printing was a highly competitive business and Harlequin subcontracted its requirements. Costs per series book were typically \$0.44 per book compared to the competitors' average costs of \$0.88 per single-title soft cover book.

Distribution, Selling and Promotion

With its standing orders, Harlequin's distribution costs per book were \$0.18, with selling expenses at an average of \$0.09 per book. Because it was the dominant player in series romance, Harlequin had relatively low advertising and promotion costs — about \$0.22 per book.

In Canada, Harlequin had its own distribution. Elsewhere in the world, independent distributors were employed. In the United States, Pocketbooks, the sales division of Simon & Schuster, a large traditional publisher, handled Harlequin's series romance books. Supermarkets, drugstores, discount department stores and mass merchandisers accounted for 70 per cent of retail sales. Specialty big-box bookstores like Barnes and Noble and other chains and independent bookstores accounted for the remainder of retail sales.

The direct channel handled direct-to-reader book sales. Harlequin's "Reader Service" book club was an important source of sales and profits. Investing in advertising to acquire readers, this direct mail operation offered frequent Harlequin readers the possibility of purchasing every book the company published, delivered right to their doorstep. In the United States, six books were sold through the book club for every 10 sold at retail. Furthermore, a book sold through the book club yielded Harlequin the full cover price, whereas a book sold at retail netted the company approximately half the retail price, and required advertising, distribution costs and the acceptance of returns from retailers.

RISE OF SINGLE-TITLE ROMANCE

The proliferation of titles and authors during the "Romance Wars" had resulted in the emergence of single-titles as a significant factor in the women's romance fiction market. Exhibit 5 provides the sales breakdown for romance novels following the Romance Wars.

In an attempt to capitalize on reader's growing appetite for single-titles, Harlequin launched World-Wide Library in 1986, its first single-title publishing program. This move also gave Harlequin's more accomplished series authors another outlet. Laycock commented:

Several authors who began their writing careers with Harlequin writing series romance wanted broader opportunities — opportunities that they saw in the single-title women's fiction publishing arena. Prior to the launch of Worldwide Library, Harlequin didn't have publishing opportunities to meet the desires of these authors. As a result, authors would seek out competitive publishers to support their single-title works.

By 1988, Worldwide was shut down as a result of several problems. "Worldwide could never decide if it was a romance program, a women's fiction program or a general fiction program" a Harlequin insider commented. Exhibit 6 illustrates a list of typical titles published at Worldwide.

With the shutdown of Worldwide Library, popular authors moved to other publishers. As shown in Exhibit 7, other publishers continued to exploit the popularity of single-title romance novels.

Eager to find ways to grow its publishing business, Harlequin's management re-examined the publishing market. A broader analysis revealed that although Harlequin's series romance had captured well over 80 per cent of the North American series romance market by 1990, Harlequin's estimated share of the North American *women's fiction* market was only about five per cent. Table 2 provides a breakdown of the women's fiction market.

Table 2

NORTH AMERICAN WOMEN'S FICTION MARKET SIZE ESTIMATE, 1993
(As a percentage of overall segment sizes in US\$ millions)

	General Fiction	Romance	Mystery	Sci-Fi	Total Fiction
Total Segment Size	2,222	1,220	353	476	4,271
Estimated Women's Fiction Share of Segment	60%	100%	60%	38%	69%

There was substantial overlap in the readership of series romance fiction and other fiction. Mark Mailman, vice-president of market research and analysis added:

One compelling reason to get into single-title publishing is that when we look at our research on customers, they're reading 20 Harlequin books and 20 single-title books from other publishers. We have an opportunity to take a greater share of that market.

HARLEQUIN'S SINGLE-TITLE TASK FORCE

Faced with slow or no growth in series romance, a Harlequin task force convened in 1992 to study the feasibility of launching a new women's fiction single-title program. To begin, they examined why Worldwide had failed and concluded that overall lack of success was attributable to: editorial parameters that were too broad; less than optimal North American retail distribution; very few Worldwide titles distributed through the direct-to-reader channel; global support for the program was not timely and universal; the selection of authors and titles was unsuccessful. The task force report stated:

In the past few years, sell-through efficiencies in the supermarket channels are not as great as the sell-through efficiencies in both mass merchandisers and bookstores. The more efficient retailer knew that the consumer was spending her discretionary reading dollar to buy a diversity of romantic reads, including those that had previously been thought of as mainstream.

Since a single-title strategy requires a single-title solicitation from the sales force and more expensive single-title packaging, two of Harlequin's strategic lynchpins of our earlier decades have to be rethought (for single-title): standing order program and same format production. However, Harlequin can still capitalize on its global base and its ability to distribute widely to points of purchase that women visit on a regular basis.

MIRA Launch Decision

The task force was preparing its recommendation for MIRA, Harlequin's proposed women's fiction single-title program. The addition of single titles would make a welcome contribution to overhead costs. Currently, indirect overhead costs per series novel were \$0.09 per book. Because infrastructure was already in place, it was estimated that MIRA novels would not incur additional indirect overhead costs. Printing costs for single-titles were expected to be \$0.71 per book (350

pages on average). Estimated advertising and promotional costs for new single-titles were six per cent of (the higher) retail price.

Author Management

In the single-title market, authors were categorized into three groups, based on their sales potential: brand new, mid-list and best-seller (see Exhibit 8). Depending on the author group royalties, sales and promotional support varied. Best-selling authors were expected to sell more than a million books. Publishers were known to sign established authors for up to a five-book contract with large advances. It had not been determined whether MIRA should follow suit. In addition to author advances, typical royalties per MIRA-type book were estimated to be 13 per cent of the \$6.75 retail price.

A Different Format

Women's fiction books were expected to have many differences from well-defined series romance books. Unlike series romance, topics would cover a broader range of segments including general fiction, science fiction and mystery. Women's fiction books would be longer in length: 100,000 to 400,000 words compared with a series romance book length of 75,000 words. Naturally, book sizes would be bigger in terms of page length: from 250 to 400 pages versus a norm of 192 to 304 pages for series romance.

Distribution

Harlequin had a strong distribution network for its series romances through supermarkets drugstores and discount department stores. Single-title women's fiction novels required more mainstream distribution focusing on retail bookstores. In addition, standing order distribution, a hallmark of Harlequin's series romance business model, would have to be abandoned in favor of relying on orders generated by the distributor's sales force.

Success in the United States would be key for MIRA, and in this market, Harlequin relied upon Simon and Schuster's sales force. Since S&S was a major single-title publisher, Harlequin did not know how much support MIRA would be afforded. Harlequin was considering offering better margins to the distributors than those it offered for series romance distribution. Expenses for single-title distribution were expected to be \$0.27 per book.

MIRA books would be distributed through the same channels, and retailers would be encouraged to shelve MIRA books separately from the series offering. This more intensive selling effort for single titles would require four per cent of the

single title retail price. The new single-title program planned to offer \$3.38 in margin for single-title books versus \$2.42 for series books (50 per cent and 55 per cent of the retail selling price respectively).

Acquiring Single-title Rights

Harlequin subsidiaries in some countries were already buying rights to publish single-titles. By launching MIRA Harlequin could negotiate better global-author deals. The task force report added: "By acquiring mainstream titles through a central acquiring office, the collective clout of Harlequin could create the likelihood of better-selling mainstream titles marketed by all countries in the global enterprise."

Harlequin's author and editor relationships remained strong, so much so that many series authors were enthusiastic about maintaining a long-term relationship with a trusted editor as they pursued their break-out mainstream book. With MIRA, these authors could remain loyal to Harlequin.

HOW BEST TO PROCEED

There were many issues to be resolved prior to any launch of MIRA. Most pressing was the question of whether Harlequin had the resources and capabilities to succeed in its new women's fiction segment. Certainly there were elements of its series business model that could be transferred to the broader women's fiction market. But what were the gaps? What else did Harlequin need?

Hayes had a several options if MIRA was launched. Several established best-selling authors had begun their writing careers with Harlequin and had moved on to writing single-title books. These authors had established reputations. Harlequin could approach one or more of these authors to sign with MIRA/Harlequin. Such an arrangement would involve a multi-book contract and substantial advances. While risky, this approach would ensure that MIRA's launch attracted attention.

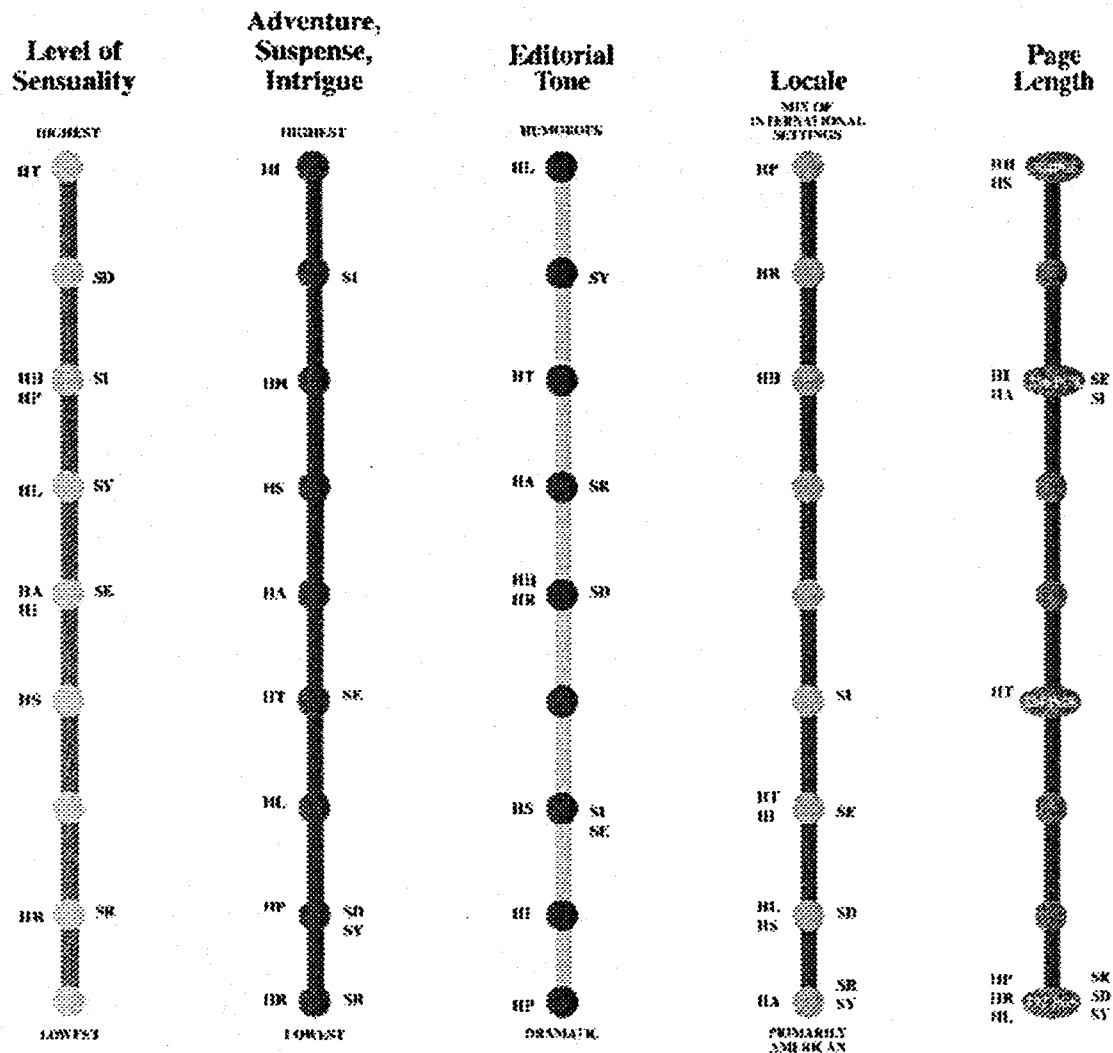
A different, less risky alternative was to tap into Harlequin's extensive back-list collection and reissue a selection of novels by current best-selling authors currently signed with rival single-title publishers. The physical size of the book and page length could be extended to 250 pages from 192 by adjusting format. In addition, a new, MIRA-branded cover could be produced to repackage the books. Coincident with the launch of this back-list, Harlequin's editors would cultivate and develop existing series authors, encouraging them to write single-title books for MIRA.

Returning to the strategic dilemma that Harlequin faced, Swift commented on the challenge of successfully launching MIRA:

Our biggest challenge is the requirement to publish on a title-by-title basis. Every new book will have to stand on its own, with its own cover, a new marketing plan and possibly even an author tour. Can we as a company develop the flexibility to remain nimble? How patient should we be in waiting for success? Given Worldwide's poor results, how should we approach this challenge?

Exhibit 1

HARLEQUIN/SILHOUETTE SERIES POSITIONING SCALES



Series Legend

HA	Harlequin American Romance	HS	Silhouette Desire
HB	Harlequin Historicals	SI	Silhouette Special Editions
HT	Harlequin Intrigue	SR	Silhouette Romantic Moments
HL	Harlequin Love and Laughter	SY	Silhouette Young Love
HP	Harlequin Presents		
HM	Harlequin Monarchs		
HS	Harlequin Superromance		
HT	Harlequin Temptation		

Source: Company files.

Exhibit 2

TYPICAL HARLEQUIN SERIES ROMANCE PRODUCTS



Allison Kelly
THE MARRIAGE ASSIGNMENT



500 3 16 09 2413



Source: Company files.

Exhibit 3

COMPARING HARLEQUIN'S SERIES BUSINESS MODEL AND A TRADITIONAL PUBLISHER'S

	Harlequin Series	One-off Publisher
Editorial	Emphasizes consistency within established guidelines	Requires separate judgment on potential consumer demand for each manuscript
Rights	Uses standardized contract	Can be a complex process, involving subrights, hard/soft deals, advances and tying up authors for future books
Author Management	Less dependent on specific authors	Vulnerable to key authors changing publisher
Production	Uses consistent format with focus on efficiency	Emphasizes package, size and format — cost control secondary
Marketing	Builds the imprint/series	Builds each title/author
Distribution	Supermarkets, drugstores, mass merchandisers, big-box bookstores. Large direct mail	Bookstores (all types) Book clubs and mass merchandisers
Selling	Emphasizes servicing, rack placement, and order regulation	Cover, in-store placement, critical reviews, special promotional tactics (e.g., author signings)
Order Regltn/ Information Systems	Utilizes very sophisticated shipping and returns handling procedures	Historically has not received much attention, and hence, is not as sophisticated

Exhibit 4

COMPARISON OF HARLEQUIN'S PERFORMANCE WITH TRADITIONAL PUBLISHER — 1993
(in millions of dollars)

	<u>Harlequin^(a)</u>	<u>Simon & Schuster^(b)</u>	<u>Harper/Avon^(c)</u>
Sales Revenue	417.8	1,929.0	1,210.4
Operating Profit	61.8	218.4	160.8
Identifiable Assets	319.2	2,875.8	2,528.0
R.O.S	14.8%	11.3%	13.2%
R.O.I.A.	19.4%	7.6%	6.4%

(a) Canadian dollars

(b) U.S. dollars (Cdn\$1.20 = US\$1)

(c) Australian dollars (Cdn\$0.80 = AUD\$1)

Exhibit 5

ROMANCE NOVEL SALES IN NORTH AMERICA
(millions of units)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Harlequin series romance	77	79	80	82	83	85
Other romance series publishers	12	12	13	13	14	14
Single-title romance books by other publishers	72	79	86	94	102	112
Total romance books	161	170	179	189	199	211

Exhibit 6

RANGE OF WORLDWIDE TITLES (1987)

Book Title	Type/Genre	Unit Sales Data	Harlequin Series Author?
Longest Pleasure	Romance	304,000	Yes
Quarantine	Horror	62,000	No
Eve of Regression	Psychological Thriller	55,000	No
War Moon	Suspense	72,000	No
Illusion	Psychological Suspense	35,000	No
Dream Escape	Romance	297,000	Yes
Alien Planet	Science Fiction	71,000	No

Exhibit 7

MONTHLY SINGLE TITLE ROMANCE OUTPUT ANALYSIS
North America Market

Single Title Romance by Category:	1985	1989	1991
Contemporary	2	6	12
Historical	22	37	43
Regency	6	8	17
Total	30	51	72
By Publisher			
Zebra (Kensington Publishing)	5	15	21
Bantam/Dell	2	2	8
Diamond	0	0	4
Harper Paperbacks	0	0	3
Avon	4	5	6
Jove	2	2	4
Leisure Books	3	3	5
NAL/Signet	6	7	8
Pocket Books (Simon & Schuster)	1	6	3
Ballantine/Fawcett, Onyx, SMP	4	7	7
Warner Books/Popular Library	3	4	3
Total	30	51	72

Source: Company files.

Exhibit 8

GENERAL INDUSTRY CONTRACT TERMS FOR FICTION CATEGORY BY AUTHOR GROUP

	Brand New Author	Mid-List Author	Best-Selling Author
Advance	\$10,000 to \$30,000	\$80,000 to \$200,000	\$1 million to \$5 million
Royalties	5% to 13%	8% to 15%	10% to 17%
Overseas Publishing Schedule	Within 18 months	Within 12 months	Simultaneous
Overseas Publishing Markets	Major markets	All markets	All markets
Minimum Distribution	30,000 to 80,000	100,000 to 400,000	>1 million
Promotional Support per book	Possibly some support (up to \$50,000)	Support (\$100,000)	Very strong support (more than \$300,000)

Source: Industry sources and casewriter estimates.