

The diamond-water paradox - long and short run analysis of the market for adult and children's books in India

Mihir Parekh

*Department of International Studies and History, Christ University, Bangalore-560029, India
mvparkh@gmail.com*

Abstract

Objective: The objective of the study lies in proving that although children's literature in India has a wider consumer base than adult literature, publishers still sell children's literature at lower rates despite the surmounting cost of publishing as opposed to adult literature which is less in demand but still is sold at a higher price, even with a relatively lower cost of publishing-the fundamental principle behind this phenomenon emulates the Diamond-Water Paradox in the short run, but due to the additional component of cost of publishing, in the long run the paradox breaks and ceases to exist.

Methods: The paper uses first hand data compiled from a variety of sources including Marketing Heads and Directors of publishing houses, editors and accomplished authors in an attempt to provide proof to the thesis.

Findings: With the help of the data, the paper successfully concludes that this phenomenon strongly emulates the Diamond-Water paradox, also known as the Paradox of Value, in the short run. By emulating such a phenomenon, it is also shown how such a phenomenon takes place with regard to price-cost/demand-supply analysis and how certain components of this analysis alter the market and dilute the paradox in the long run.

Applications: The paper's findings can be applied in creating a new found understanding of the market for Indian literature as well as the mindsets of Indian publishing houses and customer behavior towards different kinds of literature. Moreover, as this paper brings to the forefront only the paradox and not a solution to it, further research may enable the finding of a possible result as to why the paradox takes place to begin with.

Keywords: Indian Literature; Adult Books; Children Books; Diamond-Water Paradox; Paradox of Value.

1. Introduction

Literature has been inherent to the Indian subcontinent since the period 1500-1200 BCE, but was however orally transmitted as hymns and prayers rather than as written works. Since then, literature underwent several changes, both languages wise as well as through how people perceived the advent of such works. Literature became more widespread in India once works had started to come out in the English language. Authors such as R.K. Narayan, and Michael Dutt strongly contributed to this faction of literature through their works in fiction. However, literature back in the Vedic Ages or even during the colonial period of India was initially looked at very strongly through a qualitative perspective that contributed to society first before the literature helped people earn a livelihood or became a booming business. Nonetheless, the market for literature still very strongly existed with the publishing of Hickey's Bengal Gazette in 1780. Even with the colonial period of India coming to an end in 1947, authors, writers, and even newspaper publishers flourished greatly and soon, an established market had come to the forefront.

Naturally, that same market today has widely expanded from the colonial era, and holds a staggering value of 261 billion rupees as of 2015 and is expected to hit 739 billion rupees by 2020 [1] and could possibly even reach the title of 'Industry'. This market however is fixated primarily on books, the sales of which have been analyzed in the next part of this paper. The paper further narrows down the analysis and takes into account the demand and supply of books in India - within the current scenario - and primarily concentrates on an apparent paradox found in recent book sales, between adult and children's books and how this paradox has been borne from a continuous evolution of consumer behavior towards books in general as well as how that very behavior does not work in congruence with the requirements of the audience.

2. The consumer's perspective

1. The diminishing sales in the genre of adult books in the Indian market

Over the past few years, several eminent figures in the world of literature have noticed a steep decline in the number of readers from the 'Adult' section of the Indian population. This decline has been noticed very strongly in book sales and the reason for the same has been attributed to several causes. Noticeably, experts on the sales of books strongly believe that the new usage has significantly changed readers' outlook towards books. Managing Director of Hachette India, Thomas Abraham also strongly believes that the adult population has now been treating books as magazines and has also suggested that people would much rather skim through books and leave them aside and get back to the internet rather than pick up a book and read it [2] this very phenomenon leads to the conclusion that there has been a strong downward facing trend in the demand for books by the adult population of the country.

2. The growing need for children's books in the Indian market

As a strong contrast to the aforementioned fall in the demand for adult books, there has been a rise in the demand for children's books by parents and children themselves. Several prominent editors such as Vidya Mani, the managing editor of Good books, believe that this sudden trend has arisen out of parents looking for books that can connect with children and that Indian literature has a tendency to do just this. Moreover, with the growing number of publishers and publishing houses for children's books, the market looks like it's on an upward scale. Mala Kumar, editor of Pratham Books fervently believes that this surge in demand is "Not just a trend" and that "It's here to stay". Furthermore, she believes that many old and new publishing houses are opening their doors to an increased supply in children's books to cater to the even larger demand [3] through these opinions and judgments of credible figures in the publishing industry, a deduction can be made that there is a vehement increase in the demand for children's literature.

3. The publisher's perspective

This section of the paper primarily takes into consideration the supply side economics of the book market. In particular, the average costs of production of the aforementioned adult book market and the children book market as well as the average price of both markets. The section can be broken down into an analysis of the side by side comparisons of average prices as well as the average costs of production of both markets.

1. Average prices of both markets

When looking at the market for children's books, Shantanu Duttgupta, Marketing Head of Scholastic India states that the average prices of these books five years ago since 2016 used to stand between 135-150 rupees, and has grown from there till a range of ₹ 150-190 [4]. This proves that although the average price has increased in those 5 years, it has done so only incrementally, and yet, children's books are sold at a fairly low cost.

On the other hand, in the market for adult books, Lavanya Arvind, author of "The Heavens We Chase: A Novel" very meticulously calculated the cover price of a book - in particular "Fiction" and states that this price could range from ₹ 100 for books that can be easily and quickly read to ₹ 350 for full-fledged fiction books [5].

The above analysis made from the consumer's and publisher's perspectives of the two markets can lead to the first of a two-part conclusion of the thesis of this paper i.e:

- a. The need for children's books is far greater than that of adult books, and the demand for the former is greater than the latter.
- b. The price of adult books is greater than that of children's books.

To arrive at the second part of the conclusion, further analysis of the two markets can be made via the average costs of production that prevails in the markets for children and adult books.

2. Costs of publishing in both markets

This part of the paper compiles a variety of calculations put forth from accredited self-publishing houses, as well as a general estimate on the features of the “Average book” from each market. For this analysis fixed factors are taken into consideration - number of pages, page size, binding, paper type and interior color. For the average adult book across the globe the minimum number of pages stands at 200 [6], the page size stands at 6 inches x 9 inches [7], binding is ‘soft bound’, paper type is ‘plain paper’ and interior color is B&W or Black and White. For the average children’s book across the globe the minimum number of pages stands at 28 pages [8], the page size stands at 8 inches x 11 inches [9], binding is ‘saddle stitch’, paper type is ‘Coated Paper’ and interior color is ‘Full Color’.

For the calculation of the cost of publishing in both markets, the minimum number of pages will be used so as to show that the marginal cost of publishing is higher in one market than in the other. The calculation is done by accredited self-publishing house Pothi.com which uses the above parameters to conclude an estimated cost of publishing. Pothi.com has been around for close to a decade and has published hundreds of titles under its name making it a household name in the world of publishing [10]. The cost of publishing for both - the average adult book as well as the average children’s book can be done by the royalty calculator [11]. Upon using the aforementioned parameters for both markets of books, it has been found that the cost of publishing one adult book amounts to ₹ 233 whereas the cost of publishing one children’s book amounts to ₹ 336.

The above analysis in terms of cost of production of the average book in both markets leads to the second part of the two part conclusion of the paper’s thesis i.e - the cost of producing an adult book is much lesser than producing a children’s book.

4. The paradox of value - putting the two parts together

This part of the paper discusses the crux of the thesis i.e. the emulation of the Diamond-Water Paradox or the paradox of value that occurs in the market for literature between the aforementioned genres both in the short run and long run. To begin, the idea of the Diamond-Water Paradox or paradox of value must be explained.

The Diamond-Water paradox begs the question - why is it that water that is extremely necessary and is demanded by many is so cheap in price whereas diamond which is demanded by few is so expensive? [12, 13] The solution to this lies in the term scarcity. It is due to the scarcity in supply that diamond is expensive whereas it is due to the abundance in supply of water that it is so cheap.

Upon backtracking and putting the two parts of the first sub-conclusion together, a bigger conclusion can be arrived at that emulates the aforementioned Diamond-Water Paradox.

5. Conclusion

Despite the high demand for children’s books, the books are sold for a high of ₹ 190; however the low demand for adult books does not stop the price to be set at a high of ₹ 350. This however is only the first part of the crux of the thesis of this paper as it only deals with the emulation of the Diamond-Water paradox. This can be hypothesized only as a short-run problem and nothing more, primarily because further analysis can be done by adding this conclusion to the second sub-conclusion (derived from the cost of publishing analysis) and can serve as a long run analysis of the market. Upon adding the cost of production analysis to this conclusion - although in the short run children’s books are cheaper despite the high demand, the surmounting cost of production per book - ₹ 336 works as a strong reason as to why in the long run, due to the high cost of supply, the prices for the books will rise as well, thereby lowering demand for the same.

Furthermore, although children’s books and adult books are not substitute goods, it has been seen in the past that adults tend to read more teen-fiction/young adult books that categorize broadly under children’s literature. Due to the higher prices now set to those books as mentioned before, the price for adult books will be forced to come down to save the market for readers from being extinguished thereby giving readers an alternative to the high priced children’s literature, thereby stabilizing the market.

The above final derivation also stands against the explanation that it is not a reason of scarcity that leads to the emulation of the Diamond-Water Paradox in the short run, since cost of production over time creates a ripple effect and constraints supply in the long run. Moreover, the cost of publishing of adult books is relatively cheaper than that of children's books (₹ 233) thereby allowing adult book publishers to suffer the brunt of lowering their prices in the long run.

6. References

1. Indian book market to touch ₹ 739 billion by 2020: Survey. <https://economictimes.indiatimes.com/industry/media/entertainment/media/indian-book-market-to-touch-rs-739-billion-by-2020-survey/articleshow/49996781.cms>. Date accessed: 01/12/2015.
2. The reading conundrum: Is the books business booming or dying? <https://www.hindustantimes.com/brunch/the-reading-conundrum-is-the-books-business-booming-or-dying/story-hvCX4vW9oX1xa0sllz8zzK.html>. Date accessed: 23/11/ 2015.
3. A world beyond lacrosse and éclairs. <http://www.thehindu.com/features/metroplus/what-does-childrens-literature-in-india-look-like/article8188256.ece>. Date accessed: 03/02/2016.
4. A growing (and Fragmented) Children's Book Market in India. <https://www.publishersweekly.com/pw/by-topic/childrens/childrens-industry-news/article/69146-a-growing-and-fragmented-children-s-book-market-in-india.html>. Date accessed: 14/01/2016.
5. Book Pricing: How the cover price of a book is set –Booksoarus. <http://www.booksoarus.com/book-pricing-how-cover-price-is-set/>. Date accessed 28/02/2014.
6. Frequently asked questions - getting published. Meg Cabot. 2015.
7. Basic Book Design/Page Size – Wiki books, open books for an open world. https://en.wikibooks.org/wiki/Basic_Book_Design/Page_Size. Date accessed: 16/10/2017.
8. Laura Backes. Six steps to make your children's story sparkle. Writing-World.com. 2007
9. What size should I illustrate my children's book? <http://www.aliceink.com/childrens-book-illustration-size/>. Date accessed: 06/06/2014.
10. Easy writer. <http://www.thehindu.com/features/magazine/easy-writer/article4150457.ece>. Date accessed: 01/12/2012.
11. Price &royalty calculator. Publish.pothi.com. 2008.
12. Jason Welker. The economics classroom. Diamond and Water Paradox. 2018.
13. Why are so many adults reading YA and teen fiction? <https://www.theguardian.com/childrens-books-site/2015/feb/24/why-are-so-many-adults-reading-ya-teen-fiction?> Date accessed: 24/02/2015.

The Publication fee is defrayed by Indian Society for Education and Environment (www.iseeadyar.org)

Cite this article as:

Mihir Parekh. The diamond-water paradox - long and short run analysis of the market for adult and children's books in India. *Indian Journal of Economics and Development*. Vol 6 (3), March 2018.