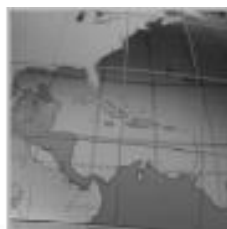


Analysis



Business Development Services



February 2012

Publishing: A Whole New World

Service Area

Business Development Strategies

[Comments or Questions?](#)

Table of Contents

Key Highlights	2
Introduction.....	3
The Good News... Book Sales Are Up!.....	3
Books... From Analog to Digital	4
Publishers Will Respond!.....	5
Service Providers Are Stepping Up	5
The Bottom Line.....	7
About the Author	8

Key Highlights

- While the transition to digital is not moving at the same rate for all publishing segments, e-book sales are expected to account for a substantial portion of trade revenues within the next five years.
- A September 2011 Harris Poll indicates that one in six Americans (15%) currently uses an e-reader, while another 15% of respondents plan to purchase one in the next six months.
- By 2015, the top three production digital print applications in terms of volume will be direct mail, books, and bills and statements. Combined volumes for these applications are expected to exceed 270 billion impressions.
- Digital printing strategies can reduce the amount of unsold books, decrease or eliminate storage costs, meet demand through more efficient reprinting in smaller batches, and provide the opportunity to print specialty books economically for niche markets.

Introduction

It truly is a whole new world for book publishing. No matter where you are—at the beach, on an airplane, or in the subway—you will see people with their Kindles or iPads. There are headlines in every magazine and newspaper about Google's Publishing platform, tools from Apple that threaten the text book market, Amazon's success with e-books, and predictions of the demise of the publishing industry as we know it.

While the transition to digital is not moving at the same rate for all publishing segments (Trade, K-12, Higher Education, Professional, and Scholarly), it is generally believed that e-book sales will account for a substantial portion of trade revenues within the next five years. Just a few years ago, traditional companies were more frightened of this transformation than excited about the opportunity. Today, this has reversed. Printers, publishers, booksellers, distributors, and agents have embraced the new technologies and are retooling their businesses to accommodate a world of digital and printed books.

The Good News... Book Sales Are Up!

In August 2011, the Association of American Publishers (AAP) and the Book Industry Study Group (BISG) released the U.S. BookStats. This is considered one of the most comprehensive statistical surveys conducted in the modern publishing industry. It is focused on capturing size, scope, revenue, and expansion across multi-platform content and sales distribution channels. Net sales for publishers increased to \$27.94 billion in 2010, representing a 5.6% increase over 2008. Publishers sold 2.57 billion net units in 2010, marking a 5.6% increase over 2008. Growth hit all segments. Higher education was up 18.7%, with sales reaching \$4.55 billion in 2010. Sale of trade books grew 5.8% to \$13.9 billion, partly fueled by e-books. One of the strongest growth areas was adult fiction, which saw a revenue increase of 8.8%. While e-books represented only .6% of the total market in 2008, this share had risen to 6.4% by 2010. A September 2011 Harris Poll indicates that one in six Americans (15%) currently uses an e-reader, while another 15% plan to purchase one in the next six months. At the same time, however, this also implies that 70% of the market does not own an e-reader and has no near-term plans to acquire one.

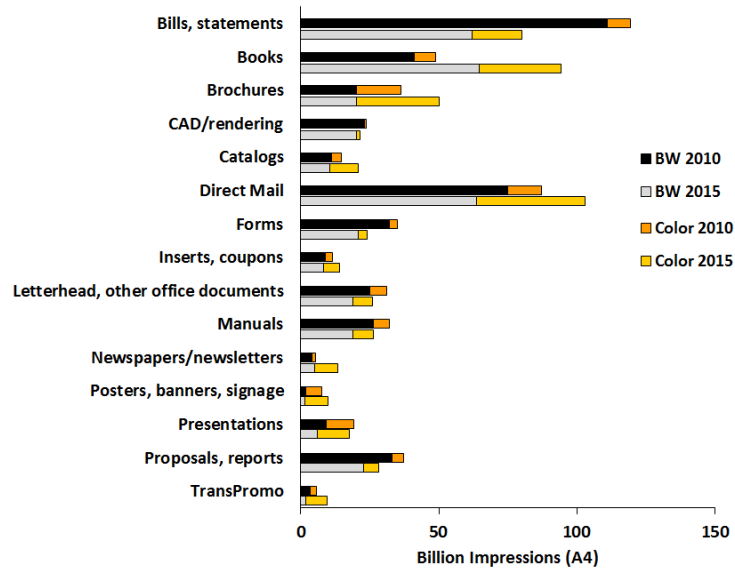
The key message is that e-readers are definitely here to stay, so the printing and publishing worlds must change with the times. There will always be a place for hardcover and paperback books, but recent developments will demand a huge transition for book printers and publishers alike. How businesses adapt will determine who is left standing five years from now.

Books... From Analog to Digital

InfoTrends recently completed its 2010-2015 U.S. Digital Production Printing Application Forecast. Print is driven by applications, and digital production printing is no exception. Demand for specific applications changes over time for a number of different reasons, including growth in usage, electronic replacement, and shorter runs. This study explored 28 specific application segments and measured digitally printed application volume changes in A4 (U.S. letter-sized) equivalent impressions.

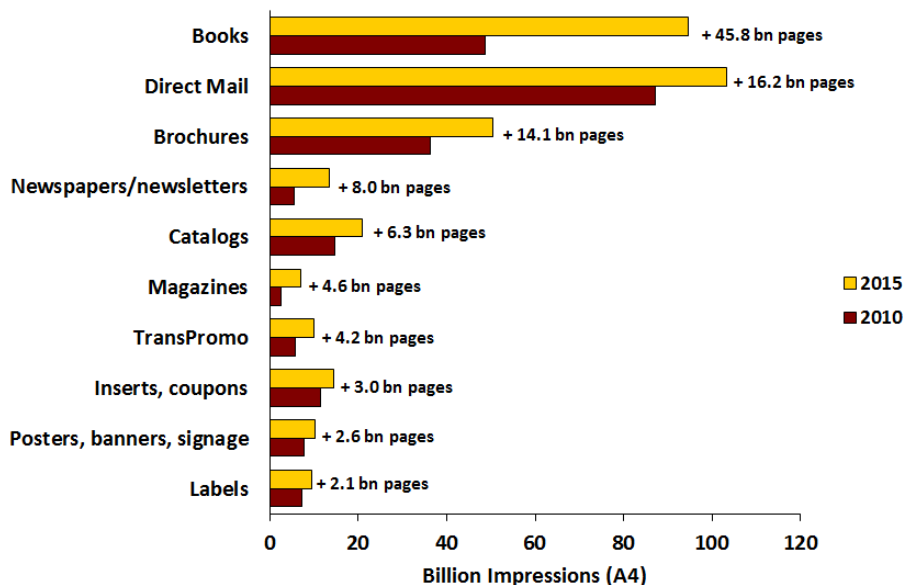
The top three production digital print applications in the U.S. will be direct mail, books, and bills and statements. Combined volumes for these applications are expected to exceed 270 billion impressions. Book printing is expected to account for a 16.6% share by the end of the forecast period (94.5 billion impressions).

Figure 1: Top 15 Applications by Digital Print Volume, 2010 and 2015 (U.S.)



In terms of pure pages, the book market is expected to show the biggest gain. Its share is expected to experience a compound annual growth rate of 14.2% between 2010 and 2015, representing over 45 billion pages by the end of the forecast period.

Figure 2: Fastest Growing Applications by Absolute Digital Print Volume Gain (U.S.)



Inkjet and digital printing will aggressively begin to displace analog offset printing of books. Improvements in continuous-feed inkjet printers will fuel the shift to digital printing within the book market. Every aspect of inkjet—speed, quality, and format—will see significant leaps in performance during 2012.

Publishers Will Respond!

Digital printing is destined to grow in volume at the expense of conventional printing. In an uncertain market, publishers are beginning to embrace digital because it enables shorter runs. Shorter runs reduce the amount of unsold books, reduce storage costs, allow reprinting in smaller batches, and offer the opportunity to print specialty books for niche markets, including self-published books.

There is much confusion about how consumers want their content delivered, but digital printing will provide the answer. Publishers understand the value proposition, and everything links to dollars and cents.

- **Risk reduction:** Demand is difficult to forecast, but high-speed inkjet and electrophotographic technologies enable the economical production of books in small quantities. Publishers can monitor the demand and order only what is required to eliminate warehousing and return costs.
- **Cycle time for on demand:** A number of highly sophisticated on demand printers are able to turn orders around within 24 hours. Publishers can quickly react to market demands for printed books.

- **Specialty books and fresh content:** Everyone has a story to tell. Digital printing eliminates the minimum quantity requirements and enables printing of books in very low quantities. Furthermore, every page that is digitally printed can be unique. Digital printing opens up creative opportunities for in-line customization, personalization, and real-time marketing activities such as cross-selling or promotional material inclusion.
- **Bottom line business results:** By following the demand curve more closely and minimizing warehousing and returns costs, publishers can have greater inventory turnover and improved profitability.

Service Providers Are Stepping Up

Service providers are responding to publishers' needs with fast, economical ways to get books into the hands of eager buyers. They are expanding their service levels to become one-stop shops for the publishing market.

Tennessee-based Lightning Source, an Ingram Content Group company, provides a comprehensive suite of inventory-free on-demand print and distribution services for books to the publishing industry. Lightning Source offers the publishing community the option to print books in any quantity (one to 10,000). It provides its customers with access to the industry's most comprehensive bookselling channel in the United States as well as the United Kingdom. Firms like Lightning Source are turning the traditional publishing model upside down by providing "print to order" capabilities. Lightning Source sells titles on a publisher's behalf and pays the publisher the wholesale price of the book, less print costs for each book sold through its large network of distribution partners. Using the publishers ISBNs as identifiers, the firm prints on demand as orders are received from wholesalers, retailers, or consumers so the publisher is never out of stock of a desired book.

Ohio-based BookMasters, Inc. has been offering full-service publishing solutions from design to distribution to customers worldwide. A privately held, family-owned business, BookMasters, Inc. has expanded its service portfolio to feature an array of services, including distribution, fulfillment, content conversion, multi-channel sales and marketing, credit and collections, and transportation management. For example, the company's content services offering takes a publisher's content from a rough manuscript to a richly-tagged XML file ready for print production as well as digital e-book distribution.

John Yurchak Jr. founded Yurchak Printing, Inc. in 1998 in the heart of Amish country in Landisville, Pennsylvania. The company's goal was to offer high quality, short-run digital book manufacturing services to the publishing industry, manufacturing and service companies, professional associations, government agencies, colleges, and universities. Yurchak Printing has combined its digital print capabilities with front-end editorial,

design, and composition services to become a publisher's full-service ultra-short-run production alternative.

The Bottom Line

Technology keeps changing and publishers, authors, and printers are feeling the effects. Although print isn't going away, e-books are here to stay. Publishers need partners with technology and service offerings that will help content move seamlessly between traditional book printing, on-demand digital printing, and electronic distribution.

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About the Author



Barb Pellow

Group Director

barb_pellow@infotrends.com

+1 781-616-2161

A digital printing and publishing pioneer as well as marketing expert, Barbara Pellow helps companies develop multi-media strategies. She assists companies in creating strategies to launch new products, building strategic marketing plans, and educating their sales force on delivering value.

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