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The Library Marketplace — Print On Demand (POD): An Important Step in the Change to a Digital Distribution Model for Books

by **Neil Jaffe** (President, San Val, Inc.) <njaffe@booksource.com>

Column Editor: **John Riley** (Sales Director, Eastern Book Company)

I would submit that the most efficient, and I stress the word efficient, method of distribution of a book to a reader is the following:

A reader will download books and other literature directly into their handheld electronic book reader via a wireless connection to the Internet site of a library or bookstore. After the download, users will be free to read their new material to the extent that the author and publisher of the book allow.

I am confident that you would be hard pressed to find anyone heavily invested in the current book manufacturing and distribution industries who believes the above will become the prevailing standard in the near future. But, you would be hard pressed to find any of them who would disagree with my claims on the “efficiency” of the above book distribution model. As history and its entrepreneurs have shown us in the previous century or two, those people who create the technologies to achieve the most efficient model win big market shares and revenues for their firms — just ask **Michael Dell** and **Jeff Bezos**.

So, executives in the book industry are faced with the tough challenge of positioning their companies as they face the evolution into a more efficient model. Tremendously smart and experienced individuals are making investments based on predictions about where the market is headed and how to maximize value to the industry and profits for their firms.

Though cloaked in the old-world model of print books (recently nicknamed p-books), POD book production represents a leap towards a more efficient model. POD book production is vaulting publishers into a digital warehouse mindset, while also providing tremendous value benefits to consumers and publishers. New players are emerging, current industry gorillas are making big investments, and business models are shifting, changing and evolving.

Some would argue that POD is unsuccessful because it does not yet represent a significant market share. I would counter that a waterfall begins with one drop of water, and I can see a trickle starting to head downstream.

The New B&T and LSI Relationship

Steven Zeitchik expressed a slightly different view on the topic of POD in his article “B&T and Lightning Come Together over POD” from *PW NewsLine*, the *Cahners* daily

email newsletter. **Zeitchik** was providing news on the just-inked relationship between **Baker & Taylor** and **Lightning Source, Inc. (LSI)**, two of the major players in the POD market. **Replica Books**, as you know, is a division of **Baker & Taylor**, and **LSI** is a division of **Ingram Book Company**.

The tone of the article was clearly an attempt by **Zeitchik** to reinforce the myth that all firms who are investing in digital book opportunities are struggling to stay alive and they are making partnership deals simply to stave off an eventual death. In the article, he states, “For all its potential benefits, the announcement is a tacit admission of the challenges inherent to the on-demand market.”

In my opinion, this new relationship is a tacit admission of the success inherent to the on-demand market. Simply put, two industry gorillas have discovered a POD model based on a combination of two important ingredients, one from **Replica Books’** original model, and one from **LSI’s** original model that is going to allow for more widespread use and demand of POD books.

Background on POD

To further understand the current relationship, let’s start with a history of the older, more shy and less spoiled sibling to the eBook, the Print On Demand or POD book. I define POD book production as the model of using digital print technology to perform ultra-short runs of books, even down to one copy at a time.

I hold in my hand a copy from June 1997 of a first **Replica Books Edition** of *Edith Wharton’s The Fruit of the Tree*. This was the title that **Richard Huttner** first used for developing his brainchild **Replica Books** into a division of **Baker & Taylor**. **Huttner** understood that **B&T** had all the information on which out-of-print titles were still being ordered by their customers, and he knew that this data would be the key to identifying which publishers had good potential POD titles.

After the division fell short of expectations, **Huttner** moved on to another career path and **Baker & Taylor** inserted marketing veteran **Susan Frost** into the role of publisher for **Replica Books**.

Frost agrees that the challenge to the original **Replica** model was the desire to purchase rights to publish the out-of-print titles. Publishers could not see the benefit of giving up the rights to their titles to **Replica**. **Replica**

switched its model over the last few years to allow for a non-rights ownership model where **Replica** simply serves as the printer and distributor of the books as a service to publishers. The new model, similar to that of **LSI**, is working well for **Replica** to acquire more titles. In contrast to **LSI’s** model, and one that is not often mentioned in articles about **Replica Books**, is that they have been selling to other wholesalers almost since day one. **Frost** states that **Midwest Library Service** and **Yankee Book Peddler** were among the first and largest customers of **Replica Books**, in addition, of course, to **B&T**.

At the same time in 1997, **Ingram Book Company** started its Lightning Print division to develop the same market of out-of-print and hard to find titles. The name was changed to **Lightning Source, Inc.** after they began offering eBook distribution services to publishers.

Unlike **Replica Books**, **LSI** immediately pursued a non-ownership rights model for title development and clearly won the first-mover market share advantage. **LSI** currently has 100,000 titles and **Replica** has 14,000 titles. **LSI** has proven that publishers are more willing to allow for printing rights, while still maintaining full ownership of publishing rights. Publishers even use **LSI’s** printing services for their own stock, instead of working with existing book manufacturers that are used to print runs of 2,500 or more of a book.

[Yes, I too thought that **LSI’s** 100,000 titles sounded high, but when you consider eBooks in addition to print on demand, that is a bit easier to swallow. **LSI** states they are now adding 400 titles to their digital warehouse every week.]

The Future of POD Book Distribution

After winning the title base race, **LSI** found that its sister company, **Ingram**, could not be the sole source of distribution for those titles. The **Replica** model of selling as a publisher/distributor to wholesalers was what **LSI** really needed to effectively service all of the potential customers, especially libraries. The executives at **LSI** have learned that many libraries and booksellers are happy with a num-

ber of other bookjobbers besides **Ingram**. And, as most people would expect, bookjobbers are not fond of buying books from other wholesalers.

LSI understood they have a strong and growing list of back-in-print titles that are well suited for the academic and library markets. They realized that in order to sell more, they would have to partner with those companies that are selling lots of books to libraries, and they started first with **B&T**. When I asked **LSI** which wholesalers they sell to, they responded "Ingram, **B&T** and **Bertrams**, etc." Funny how they don't yet mention the rest of the major vendors of books to academic and public libraries. I'm confident that the book vendors who advertise in **ATG** will be receiving sales calls from **LSI** now that **LSI** has established a method of selling their POD titles through wholesalers. And, if they didn't already plan these sales calls, I'm expecting a big commission based on those sales -- wink, wink.

The **LSI** model based on non-ownership of rights to their POD titles, in hindsight, appears to be the right model. And **Replica's** model of serving as a publisher/distributor to other wholesalers is showing its positive aspects. From my perspective, the POD book distribution waterfall is gaining more drops.

Why POD?

Some would argue that the POD book distribution model is stuck in the p-book world and it will be bypassed by the sexier eBook technology under development. I do agree that POD book production is a stepping stone to the ultimate "efficient" model, but it is a huge stepping stone, one that will take many years to cross.

At the **Book Tech 2002** conference in New York in February, where the book production industry gets together to learn about the latest in technology, book materials and services, **RIT's Frank Romano** predicted in his keynote address that by 2015, 48% of all books will be digitally printed on-demand.

The digital printing of books is locked to the development of eBook technology. Creating a digital library of book titles is an astounding challenge for publishers. Learning the skills based on POD production will give them the building blocks for eventual eBook conversion. And, most importantly, the POD production model eliminates many of the inefficiencies of today's book production model.

Looking at the Numbers

Publishers have an "economic order quantity" (EOQ) for printing a title. Standard methods of book production involve large EOQs, typically greater than 2,500. Simply speaking, the EOQ is based on the price of the book, the cost of manufacturing the book

and the quantity expected to sell. A simple way to reduce the cost per book is to forecast more sales and print a larger quantity, thus spreading out the fixed costs over more units.

A major goal of POD is to reduce the EOQ for publishers, in order to reduce their inventory "holding cost." The production process happens many months prior to a book's release date, and it is possible that a title will sit on the publisher's shelves for many more months, or possibly years. All of the paper, board, cover material, inks and laminates have been sitting in a finished form until the book gets to the eventual consumer or library patron. The publishers have their money tied up in inventory that just sits on a shelf. Most publishers will keep copies on their shelves for as long as there is enough demand for the title to cover the "holding cost" of inventory. If a reprint of 2,500 or more is not demanded, then there is a strong likelihood that the publisher will make that book out-of-print, thus making it a challenge to find for those who still wish to buy that book.

Also important to the current publishing financial model is the concept of returns. On the trade book side, publishers take on the tremendous burden of not knowing whether their sales will be final or not. A recent industry study showed that the book industry has an approximate 35% returns rate, one of the highest returns percentages of any industry. Publishers are forced to make more copies than they need for fear of missing the sales window of opportunity.

In theory, all of this means that POD is an inevitable model that can create efficiency for the standard book production model. Publishers will print books when they are needed. The time and money spent manufacturing the book will not be on a publisher's balance sheet while finished books sit on warehouse shelves. Smaller EOQs are possible, so out-of-print status becomes a thing of the past. And, if you are only making what you need, when you need it, returns also becomes a thing of the past.

Will all of this happen right away? No, of course not. But, the numbers sure add up in favor for increases in POD.

Where are we now?

The technology involved with POD, like all other technology, is improving at a dramatic rate. Huge developments can still be expected to reduce costs and improve quality. Color interior pages and on-site book printing machines are eventual and expected outcomes of the POD model.

For the past 10 years, many printing equipment manufacturers like **Xerox**, **Canon**, **IBM**, **Oce**, **Xiikon** and many others have developed digital printing equipment that dramatically reduces the setup time for manufacturing books. Most books today are originally developed into a final digital master version. In traditional printing, this file is then made into plates, put onto high-speed

printing presses and then the sheets are fed into high-speed binding equipment. Once a book gets into a digital format, either by original creation or by conversion through scanning or re-keying, the book is ready for POD. There is no need for timely and expensive setup. The trade-off is that each book printed costs more per book. However, as the technology develops further, speed of printing will increase and costs per book will decrease.

My firm, **San Val, Inc.**, has an interesting niche position in the POD process. As a Library Binder who is used to binding one book at a time, we are well suited for converting loose sheets of digitally printed material into a long-lasting hardcover volume. Few traditional bookbinders are positioned for this type of work and are slowly gaining the skills and equipment necessary for ultra-short run hardcover binding. The same holds true for the rest of traditional book printing industry when discussing paperback and other binding types. Making the transition between high-speed large quantity book production to ultra-short run book production involves shifting, changing and evolving among the firms in the book manufacturing process.

One Book at a Time?

Two players are still hanging on to the concept of a "site based" machine that will print and bind one book at a time. **Instabook**, a foreign firm with offices in Florida, has installed its first systems in bookstores in Canada for producing one book at a time. Their President, **Victor Celorio**, is aggressively seeking partners to expand his concept to the U.S. Quality of book and breadth of title selection are the tremendous challenges **Instabook** and their **Instabook Maker** faces.

I have had the privilege of visiting the technology lab for **Marsh Technologies** in St. Louis. **Jeff Marsh**, formerly partnered with **Harvey Ross** of the firm **On Demand Machine Corp.**, is still developing the concept of a system to manufacture one book at a time. **Marsh** seems to have overcome the quality hurdle by producing a nice quality "trade paperback" format with laminated covers. The back end technology is truly innovative for integrating the digital books with the machine. However, support among industry players continues to be the challenge for **Marsh's** concept. Without support from major publishers or retailers, the concept will still be many years away from true market penetration.

Where Are We Headed?

Lightning Source, Inc. and **Replica Books** will continue to strengthen their title bases and their market presence. Book manufacturers will continue to offer more and better POD services to keep their publishers from fleeing to POD-only manufacturers. Publishers will aggressively seek additional opportunities to get more and more of their titles

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Oregon Trails — Readers, Authors, and Collectors

Column Editor: **Thomas Leonhardt** <twleonhardt@earthlink.net>

It really doesn't matter what the actual number is but four seems about the right number of things to constitute a collection. If you find that you have four or more souvenir key chains, hotel soaps, match books, paper weights, fountain pens... you get the idea. Get rid of at least one of them and save no others unless you really decide to be a collector of that item. Sometimes, we find out too late and sometimes, when we do find out, we don't care because we like our collection. I love the collection that I began quite unconsciously and didn't even know I had, even after thirty years or more, depending on how I want to count.

I have been living in Eugene, Oregon since January and in just four months, I have been able, on separate occasions, to hear **William Kennedy** and **Barry Lopez**. **Kennedy** talked about his *Albany* novels, especially the latest one (he promises that it is not the last), *Roscoe*, and **Barry Lopez**, embarrassed at the standing ovation he received, talked about how he decided to dedicate his career to writing about the environment. Before he spoke, he was preceded by several of his writer friends (**Scott Russell Sanders**, **Annick Smith**, **John Daniel**, **Ann Zwinger**, **William Kittredge**, and **Terry Tempest Williams**) who read passages by **Lopez** and by each of them.

Kennedy talked for at least 90 minutes. I had arrived early and had a good, comfortable seat. I could have sat there, easily, for another 90 minutes. He speaks easily and entertainingly about his life and his writings and clearly enjoys the contact with his readers. **Larry McMurtry** shares that ease in front of an audience.

Lopez has lived in Eugene for 34 years and was being honored in his hometown as the 2002 recipient of the **Orion Society's John Hay Award**. **Lopez** got to choose this year's topic ("Literary and Artistic Responses to Terrorism") that was discussed by himself and his writer friends for two days before bringing a panel discussion and the readings

to the public, something that is not always done but something that **Lopez** thought was important. I didn't stay for the panel discussion because I got there late (hard to find parking anywhere near the **University of Oregon**) and was sitting on a concrete floor. Two hours was enough and yet it wasn't. I was entranced as I listened to those writers read from their works and from **Lopez's** and comment along the way. I wanted to be one of them, not necessarily up on stage with them but a writer of equal stature, part of a small community who get together, mainly in the West (Oregon, Utah, Montana) to talk about the land they love and anything else that comes to mind.

But I am not one of them, except at heart. As I reflected on that hard truth, I realized that I had a vast collection of writers in my past (and many more, I hope, in my future), those whom I have admired and even loved since boyhood (**Howard Pyle** and **Howard Pease** come to mind right away along with **Robert Louis Stevenson**, **Rudyard Kipling**, and **John R. Tunis**) and those I have been able to meet, usually at a distance as a listener.

After I heard **Larry McMurtry** speak, I had him sign some of his books (he is also a good businessman and an antiquarian bookseller of some distinction). Others I heard speak include **Joe Gores** (mysteries), **Amy Tan**, **Steve Allen**, **Lawrence Clark Powell** (one of my heroes), **Alice Kahn**, **Katherine Paterson**, **Isaac Bashevis Singer**, **Jimmy Carter**, **Stephen Jay Gould**, **Daniel Boorstin**, **Don Tapscott**, and **John Kenneth Galbraith**. I didn't get to actually meet any of these with the exception of **Don Tapscott** and **Joe Gores** but I can't recall that a one of them was boring. And every one of them was speaking with some kind of library, library association, or library friends connection.

Lopez and **Kennedy**, on the other hand, were sponsored by the **Oregon Humanities Center**, another worthy cause.

My first literary love in high school was **John Steinbeck**. I graduated in 1961 so he was still alive but it never occurred to me to write him and tell him how much I enjoyed his books, even the non-fiction titles I read — *A Russian Journal*, *Bombs Away*, and *The Log From the Sea of Cortez*. I liked **Hemingway**, too, and remember his suicide as one of the two big events the summer after I graduated. The other was the erection of the **Berlin Wall**, begun the week after I left **Karlsruhe** (and **Karlsruhe American High School**) for the States and college.

I complained, many years after that, to my wife, that I had never written to **Steinbeck**. She told me that instead of regretting what I had not done, I should write living authors whose works I particularly enjoyed. Well, **Bernard Malamud** was dead and I had not read any **Saul Bellow** in a good while and no **John Updike**, either. Those were writers I discovered while in the Army, those and **Nelson Algren**. I also read **Thomas Wolfe** then, a fellow North Carolinian, but don't know now how I got through those huge tomes but I did and even copied long passages from them, poetry in prose I called them. I still have a sentimental feeling for him.

And **James Agee's** letters to **Father Flye** were comforting to me during those Army years and led me to read **Agee's** other books later on to my pleasure. And I mustn't forget *From Here to Eternity*. I wasn't a lifer but my father was and I could identify with **James Jones's Prewitt**, a fighter, a bugler, and an Army man. I later enjoyed reading about the fellowship that he shared with **William Styron** and **Willie Morris**. If you are going to drink whiskey, you couldn't pick a better bunch to drink with.

I finally wrote to two writers, novelists in the main but good writers of non-fiction, too, criticism and photography for **Wright Morris** and *American Indians and the Colorado River* for **Frank Waters**. They each wrote back, short notes with thanks and, from **Wright Morris**, a suggestion for further reading.

I never got to meet **Frank Waters** but actually developed a relationship of sorts with **Wright Morris**. If you have never read any of his novels or seen any of his photographs, you are missing something

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available in a POD format. And all of this development will further our exploration and development of the eBook world.

As much as we all know that the "efficiency" of the eBook model is a probable and eventual outcome in the distant future, there is still one major hurdle in my opinion -- screen quality. The highest ended screens for any computer or handheld device have a dpi

(dots per inch) resolution of 100 to 125. Most ink-jet printers in the market these days offers 600 dpi. A high quality printed book will have a dpi of 1,200 or more. Certainly, there is a huge resolution gap between looking at a printed sheet of text and an eBook screen of any size.

Until this gap gets smaller, the p-book still has a strong future. And, the POD model will help all of us make the transition to the "efficient" eBook model. 🐾