

E-Readers Equal E-rosion?

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A REVOLUTION often starts out with shouting that is too distant to hear, from a group of people too small to be considered significant, and pitted against a status quo too entrenched in tradition to be regarded as vulnerable. But, once the revolution begins to swell, all of the factors that made consideration of such a ludicrous proposition illegitimate are viewed in a different light.

In the world of book publishing, the revolution is represented by the e-reader. Most longtime observers of printing and book publishing scoff at the idea of a wholesale movement away from the printed word. Many of these prognosticators view the e-reader as a complementary technology, which further satiates our thirst for freedom of choice in the way we receive and digest information.

Strictly from a neutral viewpoint, the e-book came into its own during 2010—and in a big way. The high-priced Amazon Kindle and some lesser-known models emerged into the public consciousness in 2009, with technical glitches, title limitations and a niche market share of about 3 percent for consumer book sales.

One year later, a less expensive Kindle is rubbing elbows with the Sony Reader, Barnes & Noble Nook, Kobo and countless others. The market share of consumer book sales has swollen to roughly 9 percent, according to the Association of American Publishers (AAP), from \$89.8 million in January-August sales in 2009 to \$263 million for the same period in 2010.

One of the biggest questions heading into 2011: Has the e-reader market peaked, having now been embraced by the most ardent bibliophiles, or is there reason to believe more market share can be cannibalized? Further, whither the future of the educational sector and its

possible adoption of e-readers in lieu of textbooks?

On the latter count, obstacles abound for the e-reader. Standardized electronic formats would need to be developed and accepted on a state and/or national level. An economical and highly durable version of the e-reader would need to be developed in order to justify a wholesale change from the printed text. Lastly, a generation of educators would need to embrace such a fundamental change in the educational process.

Not Taking Over Yet

“The book model isn’t going to change in the near future, until there’s a versatile, fairly sturdy and affordable four-color e-reader that doesn’t need software upgrades on a regular basis,” observes Peter Tobin, vice president at North Chelmsford, MA-based Courier Corp. The perception for e-readers is great, given the mind share they have garnered within the consumer sector, and Tobin notes that publishers are closely monitoring trends.

As for 2010, Courier enjoyed solid performances from the higher education (higher ed) sector, fueled by heavy demand in custom as well as traditional college textbooks, organic growth and strong reprints. The elementary-high school (el-hi) space,

from a fiscal standpoint, wasn’t much better off than it was in 2009, but pent-up demand led to modest growth. Organic growth and deeper penetration with existing clientele helped power the trade market into modest gains for Courier, with nice individual performances for crafts, business and cookbooks.

The 2010 campaign was also marked by aggressive platform augmentation at Courier. It invested in two new HP T300 inkjet digital web presses, which were tested and



Two HP T300 inkjet digital web presses helped Courier reduce inventory costs, warehouse space and keep fewer books in inventory.

adapted for the book market, for its headquarters location. The result, according to Tobin, is the best of both worlds: offset-quality printing to go with the economical advantage of short-run capabilities. The T300s were about 18 months in the making for Courier and, to Tobin, the acquisition made good economic sense for both the printer and its publisher clients. And, since Courier also has a publishing arm, the benefits were crystal clear.

“A lot of publishers we’ve talked to say they have major initiatives going forward to reduce inventory costs, warehouse space and to carry fewer books that sit in a block for years at a time,” he says. “They want to find ways to cost-effectively manufacture smaller quantities, and this is a solution for that.”

Market growth and the emergence of high-speed inkjet printing have enabled Courier to add a sixth manufacturing facility, Courier Digital Solutions, to its sta-

ble. This winter, the company also plans to install its fourth four-color manroland Lithoman heatset web press in its Kendallville, IN, plant.

With the uncertainty of midterm political elections over and an improving economy, Courier is bullish on a successful 2011. Tobin believes the investments in digital inkjet and conventional hardware will enable the printer to mine deeper with existing clients and provide opportunities to expand market share.

“We’ll have the opportunity to say ‘yes’ a lot more in 2011 than we have in the past,” he notes. “Publishers want to assign a program of titles for us to manage throughout their lives. Maybe we’re producing 300 or 500 preproduction copies of a book for them to use for seeding the market. Once the title becomes accepted, we can produce 20,000 in an offset run, then go back to producing it digitally in the twilight years.”

Education’s Niche

Another printer that addresses the educational market—both el-hi and higher education—is Malloy Inc., of Ann Arbor, MI. Higher ed yielded high-single-digit growth, notes Malloy President Bill Upton, with el-hi in the low-single range. Trade, which represents the largest share of his company’s business, kept a steady pace in 2010, and Upton saw a trend toward more frequent printings of lower-count runs.

“Publishers are being more cautious of how they handle their inventories,” he points out. “In the past six months, we’ve had a surge of customers that are small publishers or self-publishers. The trade market seems to be more diffused.”

Upton believes e-books are making publishers wary of inventory levels, as performers such as Amazon appear to be garnering share from the traditional brick-and-mortar outlets. Similarly, the major publishing houses are being even more particular in taking on new authors, which is helping to fuel the self-publishing arena, according to Upton.

In order to grow business, Malloy capitalized on much of the work

(Continued on page 28)

TOP 5 Book Printers*

Rank	Company	Segment Sales (millions)	Total Sales (millions)
1	Quad/Graphics Sussex, WI	\$382	\$4,775
2	Courier Corp. North Chelmsford, MA	\$249	\$249
3	arvato AG New York	\$226	\$272
4	Taylor Publishing Dallas	\$112	\$112
5	Walsworth Publishing Marceline, MO	\$98	\$115

*Sales figures are based on above printers’ self-reported total and market segment breakdowns. RR Donnelley would have appeared on this list, but does not provide a breakdown of its segment sales.

it had been doing by enhancing its scheduling system to provide guaranteed and expedited deliveries. That guarantee provides clients with free product if the promised delivery date is not met.

“It can be valuable to publishers—when they’re in a jam—to know they’re empowered to come back to the printer to say, ‘this has to happen in three days,’” Upton says. “We’re also doing more fulfillment. We refer to these as Title Support Services that enable publishers to manage inventory better and improve their cash flow.”

E-books will actually play a role in Malloy’s success going forward. The company is beta testing an e-book conversion solution with a third-party provider, pulling archived titles out for formatting and conversion into electronic form. On the traditional front, Upton is hoping to see state educational budgets allow for more textbook purchasing/adoptions.

Upton also reports that Malloy plans to replace a casing-in line for hardcover books to coincide with its digital short-run offerings. Malloy can produce case-bound runs with as few as 100 copies; 24 for softcover.

Despite the economy, consumers are still snapping up printed books, notes Brian Freschi, president of retail inserts, books, directories and Canada operations for Quad/Graphics of Sussex, WI. He points to AAP data that say traditional sales in 2010 are up compared to the previous year, and Freschi confirms that has been Quad/Graphics’ experience, as well. He expected the final numbers for the second half of 2010 to be buffered by continuing strength in best-selling trade titles, along with a

strong showing by educational book products. Quad/Graphics also competes in the religious, reference and B-to-B markets.

Digital printing has helped buoy the back list/out-of-print title arena for Quad. Freschi cites Bowker data that illustrates the explosive growth in titles printed since 2008. “Consumers love choice, so we expect the growth of digital printing to continue at double-digit rates because it allows publishers to economically produce books on-demand,” he says.

Digital Has Its Place

In this vein, Quad/Graphics has bolstered its digital book production platform with a major expansion of new presses and integrated binding lines in several locations to provide the trade and educational segments with what it considers offset-quality reproduction. The new gear is ramping up production through the first quarter of 2011.

Freschi contends that Quad/Graphics has not experienced any erosion due to the growth of e-readers. Digital content delivery has actually provided new premedia opportunities for the printer. And, while e-books now account for 9 percent of consumer book sales, Freschi sees a complementary relationship with ink-on-paper sales. Moreover, he views this development as a positive sign for literacy.

“The impact of digital readers may, in the longer term, reduce the rate of growth in traditional book markets. But the impact, so far, has been modest,” he states. “Reference products may be more impacted over time. We expect that consumers will value content in both paper and electronic books. Our challenge is to offer publishers the ability to simultaneously de-

liver printed and electronic books to consumers on a timely and cost-effective basis.”

How successful 2011 can be, as most assert, is contingent upon healthy economies in North America. “While growth will be slow, the trend is positive,” Freschi adds. “Quad/Graphics has new technologies, expanded digital offerings and more value-added services coming on line in 2011. We are excited about the future of print, our company and the industry.”

The 2010 campaign has been nothing short of successful for North America’s largest printer, Chicago-based RR Donnelley. The trade segment enjoyed growth in both hardcover and paperbacks, with many *New York Times* best-seller titles churning through RR Donnelley’s presses.

The educational segment was buoyed by volume increases from the Texas reading and Florida math adoptions, and RR Donnelley—despite tight budgets that have shelved some orders, both short- and long-term—benefitted from its comprehensive selection of learning materials (i.e., flashcards, kitting/fulfillment and manipulatives). Increased enrollments and publisher demands for highly customized solutions for printed textbooks, graphics management and packaging enabled the Windy City-based printer to reap gains in the college segment, as well.

“In the changing world of print manufacturing, we provide on-demand production to publishers from all segments, in quantities from ones to millions,” notes Ed Lane, president, book and directory, for RR Donnelley. “We support publishers that want customized textbooks, advance reader copies or smaller quantities to support in-

ventory management.”

Lane adds that clients wishing to strike a balance between cycle time and cost continued to source products through RR Donnelley’s integrated U.S./China manufacturing platform.

Distribution Services

“We continue to grow our book fulfillment and distribution services, as all publishers, regardless of size and category, evaluate whether they need to control and manage distribution in-house or through an outsource partner,” Lane says. “We see the use of digital print, combined with inventory management techniques, as key to reducing publication costs.”

In the equipment department, RR Donnelley fortified its digital press platform with the addition of 20 ProteusJet inkjet presses across its network of facilities. The home-spun ProteusJet furnishes multi-color printing at resolutions up to 1,200 dpi at 800 fpm. Its Harrisonburg, VA, plant alone will have five new ProteusJet presses by year’s end. In addition, RR Donnelley has developed a high-speed, 60” inkjet version, which the company plans to roll out in the first half of 2011.

As for 2011, Lane believes the economy will drive purchasing behaviors on both the consumer and educational fronts. “Overall, promotional book coverage will effectively improve book sales,” he predicts. “The el-hi segment will be dependent on funding from the states, while many analysts expect that the college segment will be stable. We are ready to meet the customization and variable quantity needs by utilizing our digital print platform.”

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