



# Beyond the Book®



- Q: Welcome to Beyond the Book. My name is Chris Kenneally. I'm Director of Author Relations for the non-profit Copyright Clearance Center. In New York today at the Publishing Business Conference and Expo, joined by Stephen Kerr, who's the President of Business Marketing Consultants. Welcome, Stephen.
- A: Nice to talk to you today, Chris.
- Q: It's good to have you, and your card tells us that you're an investment banker to the communicating arts. That's quite a challenge, I would imagine, these days. Give us a glimpse into your world. What is the business like buying and selling publishing houses.
- A: Well, it's actually never been better. And when the economy goes down, our business actually goes up. Because the consolidations are ripe at the this time. When the economy is booming, our business really driven by value of the publishing companies and what people want to get for them. At this time, people's expectations are more realistic than they've been ever before. So, we're as busy as we could ever hope to be.
- Q: What about the credit markets? Is the credit crunch having an impact on people in terms trying to look for the money to buy it in the first place?
- A: Yes. We have – we've seen that actually a couple of our deals have been postponed because the buying party could not get the financing in the market. However, there's still a lot of money, billions of dollars out there in companies that had raised their money years before last year, the year before and before. So many times an acquiring company is already sitting \$100 million. So they don't really need to go looking for the money.
- Q: And presumably this is a global market. Any particular areas in the world that are hotter than others right now? And for what kinds of publishing niches are we talking about?
- A: Well, my company pretty much operates in every publishing niche, both professional, scholastic and school publishing. And the trade market, consumer publishing. So we are most busy in the professional market. But, I don't think that that's necessarily a barrier to deals. So we're seeing that both consumer, professional and school market is – has got a lot of activity right now.
- Q: There's some recession proof factor built into the scholastic side of things. People still are in schools. And in fact, what I heard one time, it's surprising, but it's



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counterintuitive, that enrollment in certain kinds of education programs goes up in recession, because there are more people who are looking to reskill, redefine themselves as professionals. So it's an opportunity there.

A: Well, that's true. And particularly the community colleges are gaining massive influx of people who are looking to reeducate. And that is an area. But high school, elementary, junior high spending is down. When you're run by governmental tax dollars, those municipalities are challenged by the amount of money they have to spend on their schools. And therefore they're not putting in the extra money they need for things like videos and audio programs and software and all the other supplementals besides having to buy just textbooks.

Q: So as you look out to the market for the next 12 to 18 months, hard to predict the economy at large. But you're upbeat about your own place in it right now?

A: Yeah. Investment bankers make money when the market's going up, as well as it's going down. So no matter which way the market goes, we always do well.

Q: We wish you well in that. And we're here in the media room, and we can hear that there's quite a lot of business activity here, which is heartening to see. The conference has just opened, but a fair number of attendees. Today's keynote was standing room only, frankly. So that's all a good sign, a heartening sign.

You asked a question during the session, though, that caught my ear and sort of why I've dragged you into this. And that is about the role of the author as we move forward. The keynote looked at everything from copyright and licensing, revenue streams from advertising, and subscription, and all that. And it wondered about every aspect of the business. But it left off the author and you brought it up. What were you concerned about, and what are some questions and some thoughts that you have about the role of the author today?

A: Well, it's interesting. The reason I even asked the question was something my wife had brought up the other day. We were talking about the internet and how authors can help themselves sell books. And I was thinking that the publishers have often treated the authors like they're children. Don't worry, we'll take care of it. Everything's going to be all right. And the authors are sort of the forgotten asset in all of this digital publishing.

And so the publishing houses say, don't worry, we'll take care of that. We'll set up the websites. We'll do the marketing. You just write the books. And I really think that that's a wrongheaded move. I think that they have to absolutely involve the



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author in the complete marketing of their book. Not the you write the book, hand us over the manuscript, and we're just going to take care of everything, thank you very much. And we're going to give you your 7% royalty.

That's fine for J. K. Rowlings. But for 98% of the authors out there, they need to actually be the biggest force behind their own books. And they need to have a website. And they need to know how to do search engine optimization. And they need to build a constituency. And they need to do public speaking. They need to get out there. They need to be the front lines.

The publisher is a facilitator. The publisher gets the book made printed, manufactured, shipped, money collected, all those things. And that's fine. But I think that the authors needs to be on the front lines of promotion.

Q: So what I hear you saying is that it's really more of a partnership than a employee, employer relationship that you would like to see for authors and publishers moving forward.

A: It should be a partnership. But it's been more of a paternal relationship between the publisher and their children, which is the authors. And a publishers actually have a very paternal relationship with their authors. Sort of we'll take care of you, don't worry about it, type attitude.

Q: And I wonder, though, whether publishers might be concerned about giving their authors too much power. With the internet today, you can create books, you can distribute books, you can find audiences, you can do many of the activities yourself that it took a publisher and an office full of workers and editors to do. Do you think that there's some concern that publishers might be giving, at the end, too much power to their authors?

A: That's a good question. The answer is that they better start giving publishers – publishers better start giving authors more responsibility in getting them involved in the entire process. Or else the author will leave them. If the author starts to think that the publisher is irrelevant, then they won't be able to hold on to them anyways. So then, what is their role? There is no relationship at all at that point. That author is out there feeling that they don't need the publisher anymore. So the publisher needs to make it a partnership between themselves and the authors.

Q: So if it's not a partnership, they might actually lose them at the end of the day.

A: Yes, sir.



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**Q:** Let me ask you, do you have any favorites in the business? You mentioned scholarly publishing, textbooks are doing reasonably well, all things considered. Any other tips for us so we can run out and invest in a particular kind of publishing house? Trade is having a tough time, but maybe business to business. If you would share some thoughts on that.

**A:** Honestly, all publishing is in trouble. Trade has their own issues as far as the bookstores being decimated, and there really being nothing left. But Barnes & Nobles is really the last bookstore in America. So, then you have the school market. Schools are having issues with school funding, all the way up to the college level. And then the professional markets are really getting hit hard with piracy and all kinds of copyright infringement issues.

The professional publishers have always made the most money. They'll continue to make the most money. And then to step down, if I look at three levels, classes of publishers, the professional publishers are going to make anywhere from 12% to 20% net profit. A school publishing house is going to make anywhere from 10% to like 15% net profit. And a scholastic – or I mean a consumer publisher is going to make zero profit, to maybe 10%.

So, if you ask me what kind of company I'd want to back, the horse, it would always be the professional class publishers. Because they've always made the most money.

**Q:** And for authors that might be a good tip, as well. If you are going to consider what sort of a book to work on, if you were going to work on something that was going to sell better than say a trade book, you might choose that.

**A:** Well, anything – there's information basically goes from need to know to want to know. Need to know information, have to know, must know information is the most valuable. If you have to take a test for your license to do your profession, then you need to know. It's not a choice whether you're going to learn this information or not. You need to get your law degree re-upped every year. You have to do continuing education, that is need to know. You will always pay the most dear to get that information.

Then there's the reading for pleasure. And that is want to know. I would like to have. And that is always going to be considered the commodity end of the publishing industry.



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Q: Well, some great tips here. We can call our brokers right away. We've been chatting with Stephen J. Kerr, who is the President of Business Marketing Consultants. He's speaking to us today in the media room at the Publishing Business Conference and Expo in New York City.

Thank you very much for joining Beyond the Book, Stephen.

A: Thank you, Chris.

Q: And to all in the audience, thank you for listening. We'll be back with more from Publishing Business Conference and Expo. Take care.

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