



PUBWEST Ingram Key Note

INGRAM: Kent, thank you very much. I appreciate that. You have a good guy there. He's fairly relentless, and tracked me down and kept after me. And I am delighted to be here. And I'm going to talk about things that are going on, challenges that I see that publishers have in this industry going forward. And so that's part of what my presentation will be about. And then part of it will also be kind of an unabashed infomercial, so hope you'll indulge me with that. See if that works.

It was nine months ago or so I gave speech at the O'Reilly Tools of Change conference in New York. And the title of that speech was, It's an Either/And World. And it's something we came up with to really reflect that it's about physical and digital. It's not either/or, it's really about both. And I'm going to talk to you, spend a lot of time today talking about some of the changes that are taking place in our industry, and really have happened in the last few months in this either/and world. And a lot has happened, and I really believe that the concept of either/and is maybe more relevant today than it was even when I gave that speech nine months ago.

I did title today's speech, though, It's Not My Father's Ingram. And I really think, Kent, you have some responsibility about it. I had – in thinking about how things have changed, I was somehow in my mind that – many of you remember an Oldsmobile commercial talking about, you know, try out this Oldsmobile, it's not your father's Oldsmobile. And I thought, well, you know, that's really pretty relevant. That really is describing a lot of what's going on here today. And as much as it's not my father's Ingram, I would say, in a more generalized sense, that the publishing industry today is not our fathers' publishing industry. It's difficult to believe, but I certainly believe that the pace of change has gotten really faster than it was even nine months ago, and nine months ago, quite frankly, seems like an eternity. But it's really been a relatively short amount of time. So here goes.

Last year, the theme for this conference was the digital world, and this year we're talking about advancing the book. These titles are really reflective of developments that we've seen in the industry as a whole over the last couple of years. In 2007, we watched as all kinds of digital technologies began to emerge, and the question we asked ourselves was, you know, digital is here, now what? And I just – I listed – I mean, there are a couple of things that – there's so many

things that happened, but I just picked a couple of them, things like the introduction of the iPhone, the ePub format, as boring as that may sound, and a certain set of standards, and standards are really important. And the Kindle. In 2007, they came with a great deal of speculation about what it meant for the publishing industry. And, honestly, I think with a lot of competing technologies, and some uncertain uptake in a lot of respects from consumers, many participants in the publishing industry really adopted a wait-and-see attitude.

And so as we've gotten into 2008, we've seen more things. You've seen Sony's is really getting in it in a bigger way. We've seen Apple with its whole application store, and so many things. But a lot of the questions from 2007 are really still the right questions to be asking – things like, how do I take some of the ideas and the technologies and convert them into reality? How do I determine where to invest in order to drive the best outcomes for my company, my publishing company? How do I innovate, and how do I create the change?

And as we try to answer and give you some ideas about these questions and others, it may be helpful to take a step back and look more closely at certain things that have and haven't changed. And I even want to do that with regard to my father's Ingram. Because, while the Ingram that I think I live in today is not my father's Ingram, there are a lot of the qualities that were important to the traditional business that we still have, and still important part of our business, that are still incredibly important today, and I want to mention a couple. Things like efficient, reliable distribution. Speed. Selection and choice. Fulfillment across lots of different channels. And a trusted partner. These qualities, in my opinion, are just as important today as they were 40 years ago, if not maybe moreso.

Just some of what we're dealing with is that changes in the marketplace itself are adding layers of complexity to the management, distribution, and marketing of assets, whether they be physical or digital. And not just the publishing industry, but other industries are adapting to changing technologies, and as they adopt new methods of selling and delivering and promoting their products, what we're finding is the consumers' expectations are rising. And consumers are looking for some of the convenience and flexibility from the publishing industry that they're used to getting from other places. And I like to describe this is, we've gotten to a stage – and this is all of us, by the way, all of us as consumers – we want what we want, we want it when we want it, we want it where we want it, and we want it how we want it. And as we're starting to get it more places, we're starting to generalize that expectation across industries.

So today's Ingram is not my father's Ingram, but a lot of the needs that exist in the marketplace are the same, and it's just that the complexity of dealing with them has increased exponentially. And let's look at some of these. You'll see that they're the same bullet points. If you talk about efficient, reliable distribution, the need, the basic need is the same as ever. But the methods of distribution are evolving

really rapidly, and with the delivery to increasing variety of customers across global markets and all kinds of different formats.

Speed, well, I mean, it's only increased. Customers want what they want when they want it, and it's just that – even now, you can get overnight delivery for physical products, even things that are hard to find or potentially out of print, you can get them overnight. And certainly instant delivery for electronics and audio products is now the rule. And I can use an example from our own Ingram Digital, which we have a tagline which is, purchase, download, study. And I use the example of when I was an undergraduate and it was the night before an exam, and maybe I hadn't spent as much time with the textbook as I needed to, if I didn't have it, well, I was kind of screwed. Today's student could decide at midnight, oh my God, I really need to get the textbook, and they can just download it in the middle of the night. So that's an advantage that they have. But that just doesn't happen by accident.

By the same token, let's look at selection and choice. I really firmly believe that the long tail creates opportunities for revenues from content that was essentially valueless in an old economy. And it was valueless because people couldn't find it. Consumers want to be able to locate, purchase, and quickly receive content that is highly relevant for them, and they don't have much patience to wait. And they want it faster, and from numerous solutions. There's an interesting example from Qwest Communications, not our industry, but about five or six years ago they ran a commercial that promised a time when every movie ever made would be available on demand instantly. That seemed like a fit of fancy at the time. But now you've got Netflix, with 10,000 titles that are available online today. You've got Apple TV, and things are just growing and growing. And that service is becoming absolute reality.

We talk about fulfillment across multiple channels. There were multiple channels in my father's Ingram, but some of the differences – I mean, we still deliver to retailers and e-tailers, but it's not just back to that retailer or to that e-tailer, it's oftentimes, and many times, directly to consumers on behalf of those retailers. We're doing more for publisher direct sites, and a variety of other sites. And there's so many different formats, both physical – not different formats physically, but different formats electronically. And then you throw in international. And just to give you an example, in our digital operation, in our institutional sales area, we just completed a several million dollar deal with the academic library system of the country of Taiwan. Eighty-eight libraries are going to get a substantial amount of new collection development work from us.

And I just came back – I'm sure many of you were in Frankfurt for the Frankfurt Book Fair, and it was incredibly gratifying to – the meetings I was having with a lot of major publishers from countries around the world and wholesalers, is that almost every one of them wanted to work with Lightning Source. Made me feel

pretty good. But anyway, Thomas Friedman talks about a flatter, hotter world. I would also say it's getting a whole lot smaller all the time.

But – and the final piece, too – and then this may even be more important now – I mean, the whole idea of a trusted partner, it's clearly as important today, maybe even moreso, than it was then, given the level of complexities. And I believe publishers are looking for and need partners that can help them make decisions about where to invest their resources – you know, which technologies; and looking also for partners who have made investments themselves that they can take advantage of.

So, in any event, I mentioned earlier that we've seen a lot of changes in the last nine months or so, and I want to spend a little bit more time on that, and give just a few examples that are, I think, illustrative. Industry figures coming out from August from the AAP and IDPF showed that print sales were down almost 1.5% in 2008, while e-book sales were up roughly 50%. And I know from Ingram Digital's own experience, our e-book sales are up over 100%. Now, it's not the same base as the physical business, but it's starting to – it's bigger than a breadbasket now, put it that way. It's starting to be real. We announced it at Frankfurt that Penguin had decided to partner with Ingram Digital to begin delivering e-books in the ePub format. It's a worldwide deal. It's not just a US deal. It's for the entire world. Amazon does not really release figures yet on Kindle sales, but they have said that the Kindle sales in 2008 represent fully 10% of the sale of books available in that format, and they're currently about just under, I think, 200,000 books available in that format. And some other places that we've snooped around a bit, a group called TechCrunch, which is a generally fairly reliable technology blog, thinks that Amazon's Kindle sales will be in the neighborhood of about 250,000 units in 2008. And what gets really interesting is that those numbers are forecasted to be about a half a million units in 2009, and two million in 2010. It's coming.

The other thing that's coming is lots of other new devices. It's not – as much as Amazon would probably wish it to only be the Kindle, there are going to be other devices that are out in the marketplace. Audible announced sales up 34% from the previous year, and lo and behold, they were snapped up by Amazon. Apple, earlier this year, introduced the iPhone app store. And within the first two months, over 100 million applications were downloaded. A hundred million. And I'm glad to say, 300,000 of them were eReader, which is the only e-book reader on the iPhone, and Ingram Digital supplies over 50,000 titles to eReader. So we're participating right along in that.

Another example of change – and we were talking about this at dinner last night – in July of 2008, the *Atlantic* magazine published a front page story that asked, Is Google Making Us Stupid, and instead of the U it had the two Os from Google in it. And it was an examination of really how the Internet's changing the way that we read and absorb information. You know, increasingly we're looking at short snippets and – as opposed to longer formats. And that's going to have some long-

term implications on the business, and it really has implications for other things – things like critical thinking, and how do we deal with complex ideas, because we live in a world that is complex, and it doesn't really often fit in little snippets, regardless of how our politicians like to format those.

Another one is, Chris Anderson, who many of you know was the author of the book *The Long Tail*, got into a debate with a Harvard professor about whether the tail was long and flat or long and fat. I personally thought it was a stupid issue, because, I mean, from what I understand, the Harvard professor was talking about, well, you know, publishers, of course you want to publish for the mass market and want to publish bestsellers. I kind of said, well, duh, but that's just not the reality of the way the world works. Most books are not *Harry Potter*. I mean, despite our own desires, we wish they were. But I happen to believe that the tail is going to get longer, and it's going to get fatter. And it's because technology is going to help make – it already has made those titles more accessible.

And then, if you talk about one other thing that's real-time, almost, is the end of last month, Google announced, or it was announced that Google was settling their long-standing lawsuit with the AAP and the Authors' Guild, which really opens the door for – well, potentially opens the door for much more copyrighted content to be posted online. And I would tell you that we at Ingram are still absorbing what that means. I can't tell you all what that means, other than I do believe we're going to have to make some adjustments. There'll probably be some opportunities in certain areas and some threats in areas. We just have to make adjustments, have to make changes.

And so, anyway, I mean, it kind of leads to the next point, which is, change is everywhere in our midst. And often, I find that change is connected with innovation. And there are a lot of challenges to innovation, and I'll talk a little about some of my own personal ones. But nine months ago, I discussed at the Tools of Change conference some of the challenges of innovation. I mean, innovation is difficult because it means change, and change is oftentimes disruptive. And it's been my own personal experience that people will fight change. And in fact, they'll fight change even when there isn't really a good reason why they should be fighting it. But it's oftentimes disruptive innovations that more often than not lead to the greater opportunities for those that adapt.

Clay Christensen, who's another Harvard professor and the developer of this whole disruptive innovation theory, and wrote a book called *The Innovator's Dilemma*, identifies a couple of examples in our own industry which many of you familiar with. I mean, desktop publishing is really largely replaced traditional publishing processes. Digital printers are, in many cases, replacing offset printing for a lot of task.

I can also talk to you for a minute about – I said my own personal experience. There's a price that innovators pay, even if it's your own company. And one of my

experiences was with Lightning Source. And Lightning had three very distinct phases to it. The first phase was when it was just starting, and everybody was going, oh, isn't this a cute little idea John's got, isn't it nice? And then we invested a lot of money in it, and made it industrial-strength, and then it quickly became, all right, John, this was your stupid idea. What are you going to do to make it work? And then when it was clear that it was going to work, all of a sudden it became our great success. And I have no doubt that many of you sitting here either have or may know someone started their – you know, digital may have started in your organization as somebody's cute idea, and then if there was enough buy-in in the organization, maybe it became his or her problem. And just rest assured that if he or she or you figure out how to solve it, then it will go down in the company's history as our great success. So I'm just preparing you for that.

And so the idea of disruption – I mean, a technology can be dis – it doesn't really have to be fully realized or ideal to be disruptive. It just needs to meet enough of the needs for a consumer population that has been either underserved or not served very well by existing methods or products. And as I look at the changing landscape in our own marketplace, and the increasing demands of customers, there really is ample opportunity for disruption. And the really obvious candidate is downloadable content. Just as downloadable content has been massively disruptive for music publishers, and more recently for movie studios, downloadable content is making headway in traditional publishing, and it promises to create a certain amount of disruption.

Now, the good news is that this technology is maturing, and standards are settling in, and business models are evolving. And this greatly improves the odds that your business can celebrate a digital success, if not in 2008, then certainly in 2009. And if you stop – I mean, there are a lot of really exciting things that are going on. I mean, if a relatively obscure governor from Alaska is suddenly catapulted into the national stage, the one biography in existence can be printed in massive quantities literally overnight to meet that demand. And I'm proud to say that we did that at Lightning, where when Sarah Palin was announced as Republican nominee for Vice President, I was among the people that said, who? And I think the thousand or 1500 copies that physically existed at the time were quickly snapped up by all the journalists in Washington. There probably twice that number just of journalists in Washington alone. And this was on the Friday of Labor Day weekend. We were able to get the file, and Lightning Source produced 50,000 copies of that over the weekend to meet demand until the offset printing run could be put in place. So that's real.

Hundreds of thousands of audio books can be streamed directly to consumers and played on iPods, which – probably about 90% of that can be integrated into all new cars. eBooks can be purchased, download, read. And all of these processes are really can be efficiently managed with the help of cutting, bleeding-edge digital repositories.

So, (inaudible) this is an interesting one. Which roads lead to profits? Because maybe not all of them will. And I do believe there are a lot of potential revenue opportunities out there that are available to you. But it is – it's oftentimes not clear how much investment each one is worth. I mean, all of us remember things like CD-ROMs, and a lot of the bigger publishers made investments in that that didn't really work out. Until very recently, the promise of eBooks seemed like it might never really materialize. And when Stephen King wrote *Riding the Bullet*, if you remember that novelette, and it kind of just launched this whole frenzy about eBooks, it was right in the time when we were looking at a major upgrade to Lightning, making – it was right at the beginning of John's Problem stage of the company. And part of the reason it was John's problem was that we were faced with, do we make this just a print-on-demand platform, or do we try to also incorporate what we see as part of the future, which is digital download? And I just didn't think that we could just not participate in the digital download part, and so that made us invest a lot more money in it. And I guess all I can say is thank God for print on demand, because if it hadn't existed, I guarantee you I wouldn't be here today. And so in any event, it's – there's a lot of uncertainty that goes out there.

And building an infrastructure to handle a rapidly expanding number of digital assets could require – would require siphoning resources from other areas. And I think it – when I think about publishers, I think the cost of your core business, which I believe – I call it the midwifing of great content. It's like helping produce and birth great content. I think that's really remained largely unchanged. Your cost structures haven't – it still kind of happens the same way. So how are you going to afford all this other stuff, all these other investments on top of that?

So digital products and integrated processes can make serving global markets easier, but it also – it's not easy to set those up, and then there are limitations about your own internal IT bandwidth, and access to resources. So there are lots of things that – there's lots of opportunity, but it's not always clear exactly how to access it directly.

So as you take a moment – as we take a moment to consider all these variables and try to arrive at the right answer for your business, I'd like to expand a bit more on the changing marketplace and what that may mean. As I noted before, customer expectations are changing. Technology always continues to drive changes in the marketplace, and it's doing it really at a relentless pace. And there's some questions – there are a lot of questions that come up, and here's another set of them. Retailers are ramping up their e-commerce operations, and the question for you is, what digital products are you bringing to the table for this? Social networking sites and technologies like Twitter that some of you may have heard of have taking word of mouth to a whole new level. I mean, the question is, is social networking a part of your marketing strategy yet? I would say it needs to be.

Libraries all around the world are looking for ways to grow without growing their footprint. Are you ready to serve their e-content needs? One way or another, I think you need to think about that. And do you know that about 17% of Americans 45 and older have some sort of visual impairment? I've joined the club. And by 2010, all baby boomers will have reached that glorious milestone of 45. A question is, how quickly can you make your titles available in large print? And by some industry accounts, 93% of all ISBNs sell fewer than 1000 units and account for around 13% of all sales. Question – do you have what it takes to make the most of these long tail opportunities? All important questions.

So, if you've answered no to some – or most of these questions, know that you're not alone. Because the truth is, everyone in the publishing business is facing these very same challenges. However, I think if we take a close look at the key forces shaping the publishing industry today, one thing is clear – it's not an either/or world. It really is – it's an either/and world. Nine months ago we might have described it another way, by saying that it was really a P&E model, a print and E model. But what we're really seeing is that, despite the adoption of some standards, it's increasing a print plus E plus E plus E plus E plus E model. I mean, there's no one E. There's lots of little Es. And that creates complexity.

So, you're sitting there going, OK, what do I do? This either/and concept's out there, and the question is, where might you want to participate? My thought is, why not all of them? Don't you want to sell more? I think most of you do. And I think that the opportunity is there to sell more in different formats. I mean, the physical book market is still very much with us, despite a growing demand for books in alternative formats. New technologies enable you to experiment with business models that include things like offset print runs and print on demand. I mentioned the Sarah Palin example between Lightning and offset, and we've done some other ones that have been noteworthy. I mean, Scott McClellan wrote a book that was really published shortly after the BEA, and the offset run was going to be late, and the publisher came to us, and we made 7000 jacketed copies to meet demand for a couple days until the offset run got there. And recently, George Soros, the financier who wrote – I don't know what the title is; I call it I Told You So, about the financial collapse. (laughter) And all of a sudden that book went from not being very relevant to all of a sudden a lot of people wanted to read it. And the publisher came to us and said, can you make a few thousand copies until we can organize an offset run? And we did that.

I would tell you that an even more relevant place to think about using print on demand – and I told you this was part infomercial, but – is that infamous last print run. I mean, how many of you struggle with, do I do another print run? Do I not? I'm not sure, should I should or should I not? And more times than not, in my experience in talking to publishers, it turns out to be a mistake. And one of the things you can consider doing is, if the book is appropriate for print on demand, is you could put it in print on demand, and that makes it incredibly available into the

marketplace, and you can hopefully cut down on some of the mistakes that you make.

Digital formats allow you to market and sell products in many more ways than one. We've said that, from item sales to individual chapters and subscriptions across multiple devices. And last night at dinner, I told – I asked Mike Hopkins if I could mention this – but he said that what he's doing in graphic arts is he's really adopting a very flexible stance, where he wants to be available to move in any direction at any time. And that could mean offset printing, either domestically or internationally, digital printing, and then all these different E-formats. And I thought, well, that sounds about right for me. That sounds – what publishers ought to be thinking about doing.

I want to use – I can use Ingram to talk about a few more examples of this either/and world, and kind of how it's playing out. We are finding, at Ingram, that throughout our content group of companies, that they are reinforcing each other's business model. And it's really largely attributable to the fact that the lines between print, POD, and E are becoming more blurred. One of the things that's undeniable is, we may start a conversation with a publisher talking about traditional opportunities, but it quickly morphs into digital conversations, into print on demand conversations, and it's really why I'm trying to bring all of the things that we're doing at Ingram more closely together. Because I don't care where you poke into our organization. It could be in the traditional side, it could be in the print on demand side, it be in the digital side. What I want to do is I want to help you maximize your opportunities, because, obviously, that will help you sell more.

So the way I really think about it – I mean, there are other examples, but a publisher working with Ingram is going to find, I think, other opportunities to generate new revenues, cut costs, and increase marketing and distribution reach. We like to say one source, countless possibilities. I think another way of saying it is that one plus one plus one can be greater than three. And we really believe that.

And publishers are already leveraging this. Lightning Source prints over 1.5 million books each month, and that's close to 40,000 a day. And the average run length is less than two units. Two units. It's really kind of interesting, and people ask me, why did you do that? Why did you start with one unit? I said, it was really quite simple, is that we started Lightning to help augment what was happening in the traditional book wholesaling business, and Ingram Book Company may send 30, 40 books at a time to a publisher, but it's not 30 or 40 of the same books, it's 30 or 40 different books. And it just never made any sense to me to think that you would have to print – make 10 of something or five of something to yield one. So I made – and I'm glad I did – I made these guys figure out how to do it from one. So now we can go from one to thousands, and that's a whole lot different proposition than trying to move from thousands to one.

So, in any event – and I really firmly believe that, outside of Google, that Ingram manages the largest commercial digital repository in the world. And we're adding hundreds of thousands of titles to that repository every year.

So, anyway, it is a very dynamic marketplace. And as I said before, it's my belief that this either/and world is full of opportunities for publishers, but navigating it's not easy. You've got rising consumer control, and that's created challenges in rights management as well as sales and marketing. We should never underestimate the consumer's ability to duplicate and share digital content. I've got teenagers, I know. But just even look at what BitTorrent is doing to DVDs today. I mean, it's not just staying in the music industry, it's moving into other places. On the other hand, the question is, can you afford to ignore the effects of Web 2.0 and content promotion and distribution? I don't really think you can. Audience are becoming more fragmented, and there's more demand for localized content. All of that is expanding. The question is, do you have the right tools in place to be able to efficiently meet that demand. Even the iTunes model is making waves in the publishing industry. Is it because digital age consumers and retailers alike are looking for flexible pricing model. It's happening. And as I said before, as the digital marketplace evolves, the bulk of publishing sales will no longer come from a few retailers, I think, but instead be distributed across even more established and more and more emerging players.

So as I take a breath for a moment, and as I was reviewing this, I kind of put a note in here. I said, are you worn out yet? Because I was kind of worn out just with thinking about it, and it's a lot to consider. And what I would say next is that, again, it's my belief, in this world, there is a really important place for intermediaries, and that publishers need partners that are capable of doing a lot of things. And things like creating a set of common trading terms, offering trusted and secure content hosting, enforcing usage rules, ensuring that secure content distribution happens, repurposing content. You have to have the latest technology, and that means a lot of investment to be able to do that.

So why are intermediaries necessary? I believe they are so that publishers can remain focused on their core business, while also ensuring that you remain competitive by fully leveraging opportunities made available by the emergence of a digital marketplace. So ultimately, these intermediaries or partners must be able to really act as a consultant on all matters digital, and be able to meet specific needs of publishers, whether you're small publisher, whether you're large publisher, and also have enough horsepower behind them to be able to customize solutions and pricing options based on your unique requirements. And that's not – this is a nontrivial exercise, by the way.

So – (inaudible) that, yeah. So what about your vision? I mean, the right partner, I believe, can help you chart the best path for your business. And to help you make that decision, I'd like to offer a few more questions that you might want to ask yourself as well as your prospective partners. Where do you want to be in 12

months? That's an important question. Where should you start, if you haven't started already? And which technology and business models are appropriate for your business? It's important to get a good idea of what you think you need to do.

Then, in terms of picking the right partner, once you have your vision in place, it's time to start looking at partner, and looking at some of the qualities that I think would be important there – things like, do they understand the book industry? And then, if they have demonstrated success and credibility. Are they forward-thinking and innovative? Because it's – you know, if you lock in with somebody, one of the questions is going to be, are they going to continue to evolve with the changes in the marketplace? How about, can they help you efficiently manage your digital assets? Pretty important. Do they have the required infrastructure in place to help you distribute your content to digital channels? Are they equipped to help you distribute content to your key physical channels? Will they be able to ensure that your content can be delivered on multiple platforms in a safe and streamlined manner? Very important. Do they have the expertise and resources in place to offer you a choice of solutions and services bundled according to your size and needs? And one I kind of penciled in this morning I thought was important – are they solid financially? Not a trivial question in today's world.

So my – as you search for answers that are right for your company, you're going to be confronted with a lot of choices. There are a lot of people that are out there wanting to be intermediaries in one way or another. I think there a few – I'll leave you with a few last questions to ponder, such as, how many partners can do all these roles? How many partners do you have the bandwidth to manage and deal with? My guess is that – or my belief, it's not my guess – my belief is that finding the answers to these questions is really not as difficult as you think. I said upfront that this is not my father's Ingram. The technologies and the problems that need to be solved today have increased in complexity so much. But what has remained the same is the values that made Ingram successful. We still have them, and we exercise them every day. The Ingram of today has kept those values that has made us successful over 40 years, and added state-of-the-art technology and innovation. I wish – all of you should go out and search around the marketplace, but I hope you'll come and speak to us about how we can help you leverage the technology investments that we've made to grow your business. My guess is that if you do your homework and choose wisely in this either/and world that we live in, that you could be selling more, and truly helping to advance the book in whatever formats exist today, and for that matter, whatever formats come in the future. Thank you, and I'd be glad to answer a few questions. (applause)

MCGIRT: Dan McGirt from Trove Books in Atlanta. You mentioned that Ingram, you're still kind of assessing the impact of the Google settlement, or proposed settlement, but I wondered if you would be willing to think out loud a little bit about that, about kind of some of the implications that you're looking at.

INGRAM: Well, I think one of the things that's pretty clear is, there's no doubt any more that Google plans to monetize content. So we can kind of put that question aside. Exactly how it unfolds is up in the air. I mean, they've got a tentative agreement. As I understand it, it's got to be approved by the courts, and it's got pieces in it like the creation of a digital registry and whatnot. So it is a fluid situation. I guess the good news for those of you sitting in the audience is that Google plans to share some of the revenue with authors and with publishers. So that's good. Exactly the format of how that turns out, and what it means for intermediaries, I'm – it's a little too early to tell. If you would ask me to guess right now, we may have a huge opportunity in the print on demand side, to the degree that someone may want a physical copy along with digital. And it may mean some certain less opportunities in the digital side. But it's purely speculation, because it's a work in progress.

M: Any other questions?

INGRAM: It's a very important question, though.

NANCY: Hi, I'm Nancy. I'm with Mighty Pen Editing, and I had a question about eBooks. There's a lot of debate online right now – I read a lot of the publishing blogs – about whether or not eBooks pay, and whether you should – or whether free eBooks pay, specifically, and whether that's a good form of advertising. What's Ingram's stand on that?

INGRAM: Well, it's – I guess I would say that eBooks is a very broad category, and academic and educational people might have a little different response from trade publishers. My sense is, trade publishers still think about the e-world as – maybe in terms of widgets, and how that they can use the E to leverage the P. And if you were on the educational side, it is moving towards E very fast. So there's not a monolithic answer to that question. It's really more of a market-specific one. And it's part of what creates the complexity, is that different markets will move at different paces, and in different players within different markets.

And I guess all – I would maybe finish answering that question by saying, it's the moment for experimentation, that you ought to try different things, because it's unclear exactly what will work and not work. So it's really a good time to be experimenting.

M: Any other questions this morning? No? You're going to make me run?

INGRAM: Get your exercise.

DAFFRON: Hi, I'm Susan Daffron from Logical Expressions, and I thought it was interesting that you were talking about intermediaries, because there's actually – like she was saying, I read a lot about what's happening online and Web 2.0. And there's actually a small group of consultants that are now actually specializing in

doing print on demand, and becoming essentially Lightning Source consultants to get – because it lowers the cost of entry for a lot of sort of fledgling publishers. So that enables the long tail. And actually, not incidentally, I've written a book on how to do that. So it's like that information is starting to disseminate out – filter out beyond the publishing industry into other areas where – like business owners who want to promote their expertise, they can produce a book, and it's much easier than it used to be, and much more affordable. So that's actually happening more than even Lightning Source might even know about. (laughter)

INGRAM: I'm delighted. That's great. Because – I mean, for years – I know what a missionary feels like, (laughter) out in the jungle, trying to save them one at a time. And it was hard work for a long time. I mean, it really, really was. And I'm particularly pleased that it's becoming more accepted, and publishers' expectations – more and more publishers know that the quality, print on demand, is – can be really quite exceptional now. It's not what they thought about for – 10 years ago. So the key thing for us is if – Ingram Book Company's got over 30,000 retail and institutional accounts around the world, and they are ordering from us electronically – I mean, almost 100% of our orders come in electronically, and so seven by 24 you've got these account pinging us, do you have, do you have, do you have, and Lightning – all of the Lightning titles are shown as having 100 in stock at Ingram Book Company. Now, the truth of the matter is, they have zero. But we can make them. We can make these books in quantity in a matter of hours, so that, in essence, an order comes in for a book that doesn't exist, it gets stripped off, sent down the street, made at Lightning, back up the street at Ingram Book Company in a few hours, at which point it triggers the picking process to start, and what was sitting there physically on the shelf is merged with what we've just brought in from down the street. And the consumer doesn't know, doesn't care, and doesn't need to know.

And so it – you know, I'm really proud of what our folks have been able to create in terms of a process. And it's also – probably the most important thing I'll say about it is, we tried for years to figure out how to express infinity, because with Lightning you can have whatever quantity you want, right? But we couldn't get retailers and libraries to change their systems. So I think one day, in just kind of a fit of exasperation, I said, well, just put in 100. And it's turned out to be a pretty good number, (laughter) because it's not so much that people think it's a total mistake, and yet it's an actual number.

And what we've found is – the most remarkable thing to me is if you would take 100 – if you would just pick – we've got over 800,000 titles in the Lightning program now. If you would just take 100 of those, just pick them randomly, throw darts at a wall or something, you would find, over a six-month period of time, if you looked at the sales on those 100 titles, what you would find is a pattern similar to this – probably 30%, 40%, maybe even 50% of those titles would have sold nothing. Nothing. And a lot of them are deep backlist, so that's not too surprising. But there would be another 10% or 20% that would have sold one or two or three,

and that was what we used to stock in our warehouse, and pat ourselves on the back and say, boy, aren't we doing such a great job, we're meeting customer demand, da-da-da-da-da. Well, until started seeing that there was another 20-30% of these titles that were selling 10, 20, 30, 40, 50. I was going, what? It really shocked me. And what it really said was that there's demand. There's demand out there for some of your titles that you have no idea about. No idea. And if you make it easy for people to find it, you're going to be surprised at what you sell. And that is really – that is one of the things that we've learned in this process, that has been quite gratifying.

M: Thank you so much, John, for coming and speaking to all of us. Please give him a warm hand.

So we've ran overtime, so please head to your sessions, everyone. Thank you.

INGRAM: Sorry about that.

(multiple conversations; inaudible)

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