



KENNEALLY: Well, it's June, and that means it's time for the Book Industry Study Group to release its trends report, and 2009 is no different at all. And we have with us today on *Beyond the Book* the two co-authors of that study. We'll be looking at some of the high points of it.

Welcome to *Beyond the Book*. My name is Chris Kenneally. I am Director of Author Relations for the non-profit Copyright Clearance Center, and very happy to have you with us for another edition of *Beyond the Book*. And today, we're really going beyond the book to take a look at some of the numbers behind book sales, and what that may mean to the publishing industry for authors and publishers alike.

On the call with me today is Michael Healy, who is Executive Director of the Book Industry Study Group in New York. Welcome, Michael.

HEALY: Thank you, Chris.

KENNEALLY: Michael, it's great to have you back with us. So we did this last year, and I'm looking forward to hearing how things have changed in the industry since that time.

We also have on the call today Leigh Watson Healey, who is Chief Analyst at Outsell, and who directed the research involved in putting this book together. Leigh, welcome to *Beyond the Book*.

HEALEY: Thank you. It's nice to be here, Chris.

KENNEALLY: Well, let's get started, if we can, Michael, with you. And I think for those who may or may not be familiar with BISG, why don't you briefly tell us about the organization's mission and where all of this data gathering really fits in with what you're trying to do?

HEALY: Well, Chris, the Book Industry Study Group is a little over 30 years old now. And indeed, for all the time the Book Industry Study Group has been in existence, we've been publishing an annual statistical survey of the U.S. book industry called *Book Industry Trends*. So the book we're here to discuss today is as old as the organization itself.

And BISG's mission is the same today as it was more than 30 years ago, when this non-profit organization was founded, and that is to help the U.S. book industry to become a more empowered and efficient industry.



And going back to the early days of the organization, one of the key responsibilities we were given by our founders was to establish an independent research capability for the book industry. And in those early days, we interpreted that to mean the preparation of statistics about the size and the shape of this industry, and we're still doing that 30 years on, as well as other, more focused research studies.

So, *Trends*, that publication we're here to talk about today, continues to be one of the key publications of our organization, and we hope a key source of information for the whole book trade.

KENNEALLY: Well, I bet if we looked back at that first edition of *Trends*, we would hardly recognize the industry that it was describing, and we probably wouldn't even recognize the trends report itself, so much has changed in that intervening time.

And yet, what you're trying to do is to provide some kind of uniform perspectives on the industry, correct? There's a set of standards, and that's the real focus here.

HEALY: Yes, that's exactly right. But as you're implying, Chris, the industry has changed in size and shape and in scope an enormous amount in those 30 years. So one of the challenges we face every year when we're trying to update and improve this resource that we publish, is to keep a consistent data set from year to year. And we obviously want to update the publication to reflect changes and developments in the industry, such as the development of eBooks, or the opening up of new channels for sale like the Internet, and so on.

So we try and keep as much consistency year to year as we possibly can, while reflecting the huge amount of change and development that we're seeing in this industry of ours.

KENNEALLY: Right. And as you say, there's the outbound aspect of the industry that's changed a great deal, but then, there's the inbound piece, the data collecting piece. You're able to collect, I would assume, far more data than you ever would have in the past, and in ways that can be analyzed in far greater detail than ever in the past.

HEALY: That's true. There are so many more sources of data for us to use than there were in those early days. But in recent years, particularly, we've been very keen at the Book Industry Study Group to use data provided firsthand by publishers through surveys that we provide. And in the 2009 edition, which is due to be published very shortly, the survey, as a means of data collection, as an instrument of data collection, if you like, is very much at the center of the publication for the first time.



KENNEALLY: Can you tell us a bit more about that? I understand there's a sense of trying to collect a single data set and all of that. Explain that, if you could.

HEALY: Well, indeed, the publishing industry, as most of your listeners will readily understand, is a very large and diverse industry. And back in 2004, 2005, we introduced for the first time what we regard, and still regard as a very important innovation, which was an attempt to measure the size of the smaller and medium size publishers, which other statistical sources traditionally had overlooked.

And we published a separate report back in those days, called *Under the Radar*, which attempted to quantify the contribution of publishers in the United States whose businesses were earning less than \$50 million a year.

And then, back in – going back to 2006, we finally rolled those statistics of the smaller and midsize publishers into *Book Industry Trends* for the first time, so in that edition, we had the first comprehensive picture of publishers of all sizes, and we've continued that practice, that methodology ever since.

But until fairly recently, the survey was the principal data gathering instrument for the small and midsize publishers, but not for the large publishers. But here in the 2009 edition, a survey is at the heart of the data collection and the data provided by publishers of all sizes, in fact.

KENNEALLY: Well, I know that, Michael, we talked last year about that important step you were describing where you incorporated the smaller and midsize publishers into all of this, and that's clearly a reflection of the way the business has been changing, too. I mean, we have relationships here at Copyright Clearance Center with a number of independent book publishing associations – IBPA, SPAN, PubWest, the Center for Independent Publishing, and so forth.

And I like to joke with people that – you know, just as you can no longer make a B movie anymore, you are making an independent film, so it's true that you don't really speak of small publishers any longer, you speak of independent publishers. And that really does cover a broad group of people, and it makes all the difference in the world, I think, that *Trends* is able to bring their data in, because it's really reflective the whole picture as we have it today, since the contribution of these independents is really growing. Roughly speaking, how much of a portion of book sales, total book sales, do the independents represent?

HEALY: Well, it's been traditionally a third or more, and that continues to be the case. This is a sector of the industry that is remarkably vibrant right now, and has been for quite some time. And we feel that vindicates our methodology to ensure that we include publishers of this size in our work.



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And when we come on and talk about the numbers in a little bit more detail with Leigh, you'll hear a little bit more exactly what these kinds of publishers contribute to the overall picture.

KENNEALLY: Right. Well, then, let's do bring in Leigh Watson Healey, as we mentioned, Chief Analyst with Outsell, Inc. Leigh, welcome again to *Beyond the Book*.

And I wonder, first of all, if you could tell us a bit about Outsell, for those who may not be familiar, and perhaps some of your own background. What brought you to this project?

HEALEY: Thanks, happy to. Outsell has been studying, and covering, and writing about the publishing information and education industries for over a decade now. We're a research and advisory firm that focuses entirely on the publishing industry. And our team of analysts and consultants are intent on providing independent, fact-based analysis about the markets that publishers serve, operational benchmarks, best practices, and to try to provide analytics that will help publishers thrive and grow in today's environment.

And just myself, Chris, I've been with the company from nearly the beginning, and I've spent my entire career in either libraries or publishing. So I'm a long-timer.

KENNEALLY: Really. Well, what you mentioned about Outsell is this, really, kind of a depth of knowledge that's important. And you also, I believe, introduced some new kinds of methodology to this first time effort with BISG. Tell us briefly about that.

HEALEY: Well, as Michael indicated, the intent of the methodology this year was to provide a fully integrated view of small and medium size publishers and large publisher sales. And so the methodology, as Michael said, was very focused on the survey of publishers as the core, gathering data directly from publishers, and then bringing in other research streams to validate and analyze and add additional insight beyond what the numbers say themselves.

So that involved conducting interviews with publishers across sectors, and publishers of different sizes, inviting publishing leaders to talk to us about the challenges they face and the market dynamics that are driving some of the changes and variances that you see in the numbers this year.

KENNEALLY: Right. I was going to say, my look, the sort of sneak preview that you were able to give me before we did our program, indicates what you're – where you're driving all that towards. So it's not simply number crunching, and there's a



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fair amount of that, obviously, but an attempt to get at sale performance to understand, too, not only where we've been, so we're looking in the rear view mirror, but we're also staring straight out through the windshield at the road ahead of us here with this report.

HEALEY: That's right, Chris.

KENNEALLY: Well, great. Well, then, I think what we ought to do is get right down to the numbers, then, and ask you, Leigh, to walk us through some of the highlights there. For the audience, some sort of survey size here, how many – I'd stipulate how many publishers, and how those numbers are changing for the survey.

HEALEY: The universe of publishers that we surveyed is derived directly from Belker (sp?), as the official ISBN registrar. So as previous *Trends* has relied on surveying the small and medium publishers from the Belker universe, we incorporated the Belker universe to survey publishers of all sizes. And that universe is well over 100,000 publishers at this point.

KENNEALLY: And that, again, is virtually all – sorry. There's an increase there that's occurred year-over-year, is that right?

HEALEY: There is. If we look at the universe of active publishers from the Belker database in 2008, it appears the number of active publishers increased about 27% in 2008 over the prior year. So, lots of growth occurring, Chris.

KENNEALLY: That's right. Well, at least, lots of new players there, and –

HEALEY: That's right.

KENNEALLY: And most of that, as Michael was alluding to, is all happening in that category of the under \$50 million a year in sales, so of course, again, that too covers a lot of sins.

But it's an indication, too, how the industry may be changing as we move forward, because it's – it appears that the barriers to entry may be falling, or at least, getting lower. If growth like that is occurring, Leigh, people can get into the business fairly easily, I think we could surmise.

HEALEY: Absolutely. And the Belker database does include self-publishing entities, and print on demand. It really reflects the very broad universe of organizations and entities and companies that are enabled to publish, and are publishing.



KENNEALLY: Right. These days, lots of different people go by the name publisher, then.

So, for 2008, total dollar figure for book sales in the United States?

HEALEY: For 2008, the book publishing industry is a \$40.3 billion industry, consisting, as I said, of the over 100,000 publishers that create and publish books.

KENNEALLY: OK. And so, \$40 billion, and Michael told us that it breaks down roughly two thirds to the large players, and one third to the smaller players – the numbers I see here, about \$12.7 billion for those publishers just under \$50 million in sales, and then the bulk of that remaining \$27.6 billion covered by the larger players.

In the categories you follow, and there are about half a dozen or so of those, let's talk about some leaders and some laggards, and maybe we can get into what we might be seeing there, particularly for the future.

So who won, who lost, if you will?

HEALEY: (laughter) Well, if we look overall at the book industry – and 2008 was a very extraordinary and challenging year. Book industry growth slowed in 2008, and grew 1% over the previous year. But as you note, Chris, it's important to understand what's happening in the different categories that *Trends* covers, because we do see the book publishing industry behaving somewhat like a portfolio, with different segments showing different results, some performing better or worse, depending on the specific market dynamics and consumer behaviors that are affecting them.

So if we look at 2008 growth leaders and underperformers, on the lagging side, those that underperformed the industry were religious publishing, which experienced a 10% decline in net sales in '08, reaching about \$2.3 billion in sales. Tough year for that sector.

In addition, both adult trade and juvenile trade also declined somewhat, with adult trade revenues dropping 2.3%, and juvenile trade down 1.3%. So that's the side of the equation where there was some struggling to achieve the book industry benchmark growth of 1%.

KENNEALLY: Right. There were some gloomy faces there. But the thing about trade, and Copyright Clearance Center, while we work with trade publishers, our emphasis is on the non-fiction side, and that brings us into some other categories that you're about to talk about.



But trade, particularly fiction, is impacted year to year, whether or not there's a *Harry Potter*, or a Stephanie Meyer book, or that sort of thing, right? It's very sensitive to the big book phenomenon.

HEALEY: Well, that's true, Chris. Certainly, adult trade and juvenile trade were affected by the economy, and purchasing patterns by readers. And at the same time, they are and were affected by the blockbuster effect, or the ability to achieve success from a tremendous hit like *Harry Potter* was, or like the *Twilight* series is proving to be.

KENNEALLY: Right. But yet, there's a much brighter pictures on the other side of things, and tell us which categories there did well.

HEALEY: Yes. On the growth side of the equation, the college and LHI (sp?) segment – and by LHI, we mean the segment of publishing that focuses on K to 12 schools – those two segments continued to perform well, followed very closely by professional and scholarly publishing. And so, as growth leaders, all four of those segments outpaced growth of the book industry overall.

College and LHI in 2008 grew 4.5%, quite a healthy rate. And professional publishing followed closely, with 4% growth, and scholarly at 3.9% growth.

KENNEALLY: Well, any thoughts on what accounts for all of that? Is there a kind of a counter-cyclical story going on there, or just what's behind the growth in those areas, do you think?

HEALEY: Well, in each of these areas, each of those sectors has been somewhat insulated from economic conditions, based on the fact that – well, in professional publishing, for example, the content is really must-have for professionals to do their work. Similar story for scholars who are working to create future research. While college and school publishing, LHI publishing, have been somewhat buffered, because institution budgets have not caught up yet with the economic conditions.

So there are a variety of things going on, and I'm happy to talk further to each sector. The important thing to pay attention to with these four sectors, however, is that although we look forward to each of them continuing to outpace overall industry growth, we believe that college, LHI, professional and scholarly will all start to see slower growth over the next couple of years.

KENNEALLY: All right. Well, then, let's do dive a little further. When I was referring to counter-cyclical, I was thinking about – and it's probably some of the numbers, it



was still early. I mean, the downturn in the economy in 2008 fell probably more to the end of the year than the beginning of the year, and so you have to take that into account, too.

But certainly, I learned early on that when the economy hits a speed bump, a lot of people go back to school to retrain, to get some new skills, to update their current skills. And so, that provides some kind of a boost to the college textbook market, for example.

HEALEY: Absolutely, Chris. There's no question that even though the college publishing market is going to be under a bit more pressure, the tight economy really creates opportunities as well, with people going back to school, laid off workers looking to retool and retrain, if you will. And also, college publishing is supported by continuing higher enrollments due simply to demographics.

KENNEALLY: Right. And yet, of course, there is pressure, as you mentioned, and a kind of a lagging effect for the business on the cutting of budgets for public education of one kind or another. And even – you know, we've got a situation where California, facing a fairly serious financial crisis, is talking about eliminating textbooks in university systems, and so forth, and how the industry is going to respond to that, and the shift it's going to require of them is really going to have an impact on these numbers in the years to come.

HEALEY: That's true, Chris. There will continue to be a benefit from textbook adoptions. But clearly, the move, for example, on the part of California, is going to require – and already is generating a response from education publishers, to create digital content that can readily replace printed textbooks.

So the pressure on – from the economic contraction on institutions, and on enterprise budgets, it will affect these sectors. But we're starting to see response from publishers already to be mobilizing and preparing to provide what's needed in the new environment.

KENNEALLY: Right. Now, you alluded to some projections for growth, and clearly, these are just that – projections, and your visibility is limited.

But if you could give us some numbers on that again? The college area is supposed to do the best of all. But go through those, if you would.

HEALEY: Sure. As we look ahead through 2010, we're expecting to see the college sector grow 3.5%. And again, that's going to be ahead of industry growth over the two year period, which we believe will be 2.1%. So, college will continue performing relatively strongly.



And LHI will follow, we believe, at 3% growth over the two year period, with professional at 2.4%. We believe scholarly will be –

KENNEALLY: And we can't –

HEALEY: – impacted a bit more, and in particular, the university presses within scholarly are experiencing some challenges. So that sector will be dropping back to about 1.6% growth.

KENNEALLY: Right. But a lot of that in the scholarly and in the professional, as you mentioned earlier, is must-have content, and I think that's a really interesting point you made there.

Well, in the time left to us here, we've been speaking just now with Leigh Watson Healey, who's Chief Analyst for Outsell, Inc., and earlier in the program with Michael Healey, who's Executive Director for the Book Industry Study Group.

And Michael, I want to bring you back here, and talk about some conclusions that we can make from all of this. Again, it's a hefty volume, a must-have if you're in the industry. And it will be out in the coming weeks from the Book Industry Study Group, BISG.org.

But the conclusions here, one of them – I like this, just because it's easy to keep in mind. Flat is the new up. Do either want of you want to expand on that? Flat is the new up.

HEALY: Well, I think that was a phrase coined by Leigh, and I think it's a very, very good one. I heard it first from Leigh when she spoke at our *Making Information Pay* conference, back in May.

But what's been interesting to me about reviewing, via *Trends '09*, what was really quite a turbulent year for the book industry here in the United States is, the difficulties we now face in projecting going forward. A number of the executives that Leigh and her colleagues spoke to spoke very deliberately about one, until now, hidden impact of the recession in our industry, which is the effect it has on one's confidence about projecting one's business in the future.

And we're all hopeful that the worst of the bad news is behind us, as an industry. But it is quite a challenge, I think, estimating the size of the industry going forward.

When businesses have been affected in a way that – and to a degree that most publishing executives, no matter how long their experience, have ever experienced



before, so it's a very challenging environment, and I'm sure Leigh would agree with that.

KENNEALLY: Yes, and Leigh, I would say, apart from just the difficulty of projecting – because nobody really knows the larger economy picture month to month, let alone year to year. But you've also got an industry here that, regardless of how the economy would be doing, is going to make some changes anyhow.

HEALEY: Absolutely. I think that's one of the – well, really, encouraging takeaways from our engagement with publishers throughout the process of creating *Trends* this year. Most publishing leaders that we've talked to are hopeful, and expecting that growth will return sometime next year, even though it's hard to see that yet.

But importantly, we see publishing leaders act to take advantage of the downturn, if I could put it that way – taking advantage of the situation to become stronger. And we're encouraged to hear people talking about emerging from the downturn poised for growth, ready to take advantage of growth when it returns, and making the sometimes hard changes now, or hard decisions, to ensure that their houses are in very fine shape to be ready for that.

KENNEALLY: Can you offer some specifics, some things you might have picked up in the conversations and in the reporting? What are publishers saying they're doing to be putting themselves in that position?

HEALEY: Well, certainly, one thing that we hear a lot is, again, well, a question of whether this year will be the tipping point to digital. And whether it's the tipping point or not, it certainly appears to be the tipping point for decision making, to derive aggressively to digital, to get organizations and processes in shape to move from print to digital, and to be able to work with agility in both worlds, and ready to push the button, if you will, when – say another California initiative comes along, and the shift to digital has to occur immediately.

KENNEALLY: Well, that seems to be one of the lessons of the digital revolution – an overworked phrase if there ever was one. But that is that nimbleness is at the core of all of this. The digital world doesn't give you a lot of time to react. I mean, we could ask almost any industry, almost any government, whether it's the United States government, or the Iranian government, whether it's book publishing, or whether it's the automobile makers – we're all at a point where decision making is almost split second, really.

HEALEY: It – that's very true, Chris. And what we hear a lot more, and certainly are encouraged to see, is publishers working to become much more agile, to be very intent about listening to their customers and their markets, to bringing that feedback



into the publishing operation and organization, so that changes can be made more quickly. And in effect, the publishers become more agile companies, as a result.

KENNEALLY: Well, if they're listening to *Beyond the Book*, and we certainly hope they are, I hope they heard what you both had to say today, and I'm sure they'll be looking carefully at the new edition of *Trends*, coming from the Book Industry Study Group.

We've been speaking with Michael Healy, the Executive Director of the BISG – Michael, thank you for joining us again this year.

HEALY: It's a pleasure. Thanks for asking me.

KENNEALLY: And Leigh Watson Healey, who is the Chief Analyst for Outsell, Inc., and the co-author or co-researcher for this very large project. Leigh, thank you for being with us.

HEALEY: Thank you, Chris.

KENNEALLY: It's been a pleasure speaking with you both, and we look forward to having everyone back for another episode soon of *Beyond the Book*.

This is Chris Kenneally. Have a great day.

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