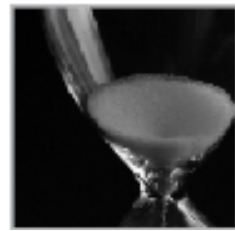


Analysis



Business Development Services



The Short-Run and On Demand Publishing Opportunity

Prepared for Konica Minolta



KONICA MINOLTA



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Key Highlights

- Printed books, calendars, magazines, photo albums, and other bound documents remain an important channel for content delivery.
- The growth of self-published books and photo books has been made possible by production digital printing methods.
- Digital printing opens up creative opportunities for in-line customisation, personalisation, and real-time marketing activities such as cross-selling or promotional material inclusion.
- With today's production digital printing methods, publishers can meet distribution channel requirements more effectively with shorter "just-in-time" runs.
- Finishing and binding have implications for a document's usage, purpose, and longevity. Thanks to technological advancements, many of today's service providers are bringing binding capabilities in-house.
- Developing a strategic plan requires engagement in two very critical marketing activities: Identifying the requirements of potential customers and promoting attractive solutions.

Executive Summary

Over the past fifteen years, publishing markets have been redefined by simultaneous trends related to electronic delivery of content. In the past five years, smartphones, e-book readers, and tablet computers have changed the way that many readers consume content. Traditional "bricks and mortar" bookstores—whether large retail sites or small independents—have encountered fierce competition from Internet retailers like Amazon.com. The landscape has changed, and agile print service providers have an opportunity to benefit from these developments by producing a range of bound documents, including books, calendars, magazines, and photo albums.

The landscape has changed, and agile print service providers have an opportunity to benefit.

- Production digital printing provides certain capabilities that long-run offset printing technologies cannot, including a "sell then print" strategy.
- On-demand publishing has become an accepted business model.
- Content distribution channels are in flux and have been early adopters of production digital print workflows. This is especially the case for books because of their ability to be used as a virtual document warehouse.
- Although e-books hurt long-run printing, they actually help short-run digital printing.
- Self-publishing tools have empowered authors to create, publish, and sell their own content easily and effectively.

Introduction

In the 1990s, monochrome copiers and production digital printers changed the way that many companies delivered product manuals. Although much of that business has moved to digital distribution via CDs, the use of digital printers for bound document production has continued. Advancements in short-run finishing as well as the addition of cost-effective colour have expanded the range of bound document applications that are open to production digital print. Additionally, attractive methods of electronic content delivery have proven not to be a barrier. These developments have forced publishers to reconsider what they do.

Printed books, calendars, magazines, photo albums, and other bound documents remain an important channel for content delivery.

Today's publishers understand that content is king. Their job is to deliver that content in the forms that the market demands. In some cases, demand may be best served by long-run production of many hard-copy books, calendars, or magazines using offset printing presses. Offset is very cost-effective for popular items and bestsellers.

Increasingly, though, hard copy versions are not required at all. Readers are increasingly consuming content via e-book readers, tablet computers, or even their smartphones.¹ At the same time, however, the market's appetite for hard copy hasn't gone away. Not everyone enjoys the e-reading experience,² and others lack the tech-savviness for reading on a mobile device. As we have learned from other multi-channel applications (e.g., transaction documents and direct marketing), print continues to play an important role because of its permanence, ease-of-use, and familiarity. Printed books, calendars, magazines, photo albums, and other bound documents remain an important channel for content delivery.

¹ According to a 2015 Pew Research Center study, many consumers have become accustomed to reading on mobile devices; 12% of cell phone owners use them for reading. With an installed base of 175 million cell phones, this equates to 21 million people and 7% of e-book purchases.

² An American University survey of over 300 university students in Germany, Japan, Slovakia, and the United States found that the vast majority preferred print, especially for serious reading. Students were given a choice of hard copy, cell phone, tablet, e-reader, and laptop and asked which media enabled them to concentrate best. 92% cited a preference for hard copy.

The European Book Market

Background

According to the Federation of European Publishers (FEP), which builds on data from 28 national associations of publishers, total sales revenues within the European book market were approximately €22.3 billion in 2013³. In rank order, the largest publishing markets in Europe are Germany, the United Kingdom, France, Spain, and Italy. These publishers issued about 560,000 titles in 2013 and held a total of more than 14.5 million titles in stock (of which more than 2 million were in digital format).⁴ Employment has held relatively steady over the past several years, with approximately 130,000 people employed full time in book publishing.

Book Market Categories

The professional publishing market can be divided into the following broad categories:

- **Trade:** Fiction and non-fiction books for adults
- **Youth:** Fiction and non-fiction books for children and young adults
- **School:** Books for elementary and secondary education
- **Higher Education:** Textbooks for college and university students
- **Religion:** Religious texts of all types
- **Professional/Scholarly:** This broad segment includes law, medicine, business, and other technical or scientific categories

Two categories of books typically are untracked in studies of the professional publishing markets—self-published books and photo books. Growth in these markets has been made possible by production digital printing methods and facilitated by high-quality digital cameras. Both of these areas are growing at significant rates, speaking to the impact of self-publishing tools as well as the rich content provided by digital photography.

The distribution channels for published content are numerous and varied, and they are certainly not limited to bookstores. Although physical retail sites including chain and independent bookstores are important, books, calendars, and magazines are also found in mass retail stores among a range of other goods. Large supermarkets, office supply retailers, and department stores frequently have sections dedicated to books, magazines, and greeting cards. Museums, gift shops, and specialty stores also sell such items.

There are institutional sales to libraries and schools, sales that occur direct-to-consumer, corporate and government sales, wholesalers, book clubs and fairs, and export sales. All of these channels for bound documents compete with sales through online retailers such as Amazon.

The growth of self-published books and photo books has been made possible by production digital printing methods.

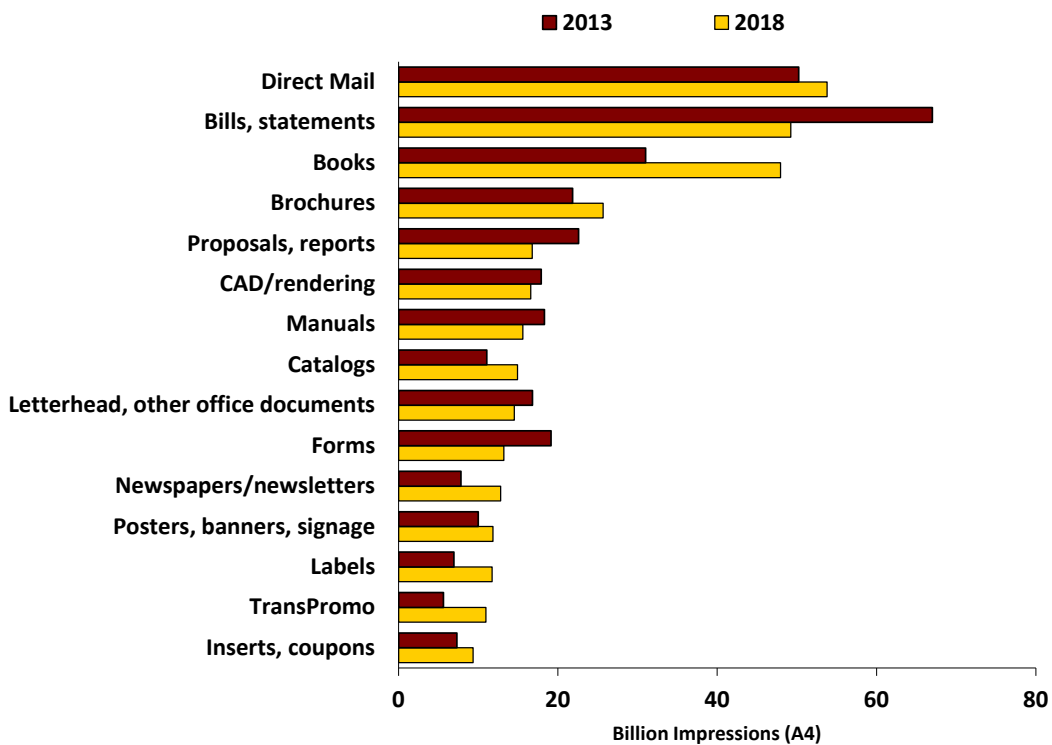
³ This is the most recent data available. The revenue figure is down from €23.5 billion in 2010. Employment has also dropped by about 5,000.

⁴ It is interesting to note that since 2010, the number of titles held in stock has doubled. Though some of that increase is related to digital format e-books, it is also true that publishers have adopted print-on-demand strategies that now assure that older titles can stay in print.

Digital Printing and its Impact on Publishing

Print is driven by applications, and digital production printing is no exception. Demand for specific applications changes over time for a number of reasons, including growth or decline in usage, electronic replacement, and shorter runs. In studying the production digital print market in Western Europe, InfoTrends explored 28 application segments and measured digitally printed application volume changes. By 2018, the top three production digital print applications in Western Europe will be direct mail, bills/statements (including TransPromo), and books. Combined volumes for these applications are expected to reach nearly 151 billion impressions. Book printing is expected to account for 13% of production digital print volume by 2018.

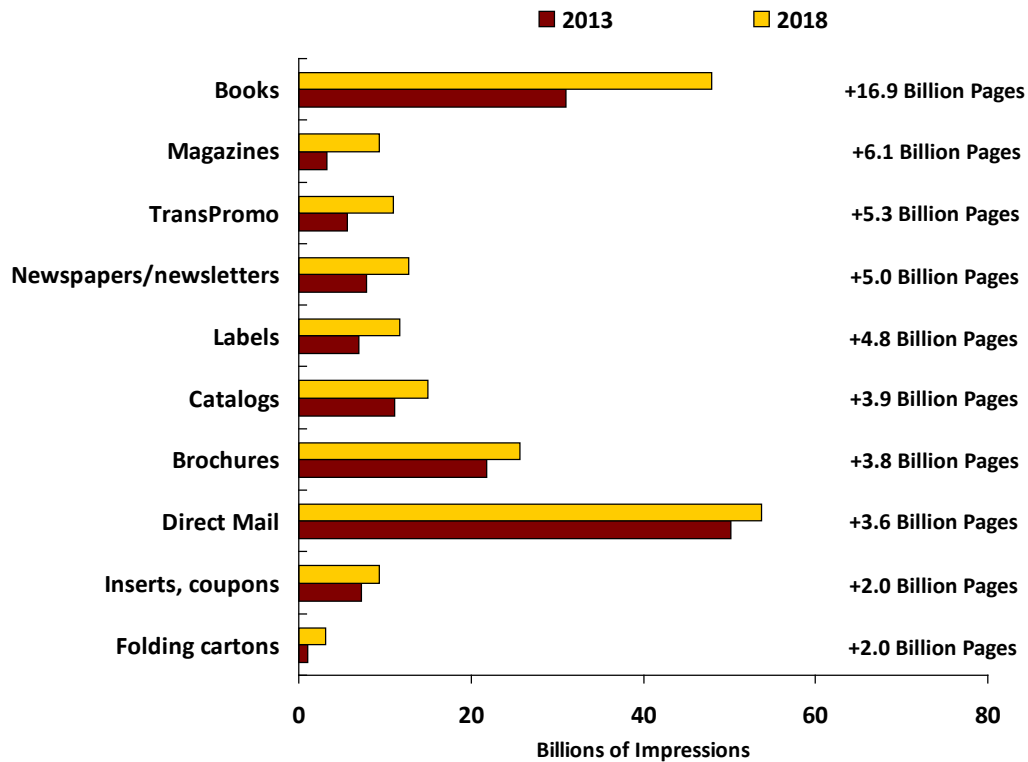
Figure 1: Top Applications by Digital Print Volume, 2013 vs. 2018 (W.E.)



Source: *Western European Digital Production Printing Application Forecast: 2013-2018*, InfoTrends

In terms of pure pages, the book market is expected to show the biggest gain. Its page volume is expected to experience a growth rate of 9.1% over the forecast period, and will represent nearly 48 billion pages by 2018.

Figure 2: Fastest-Growing Applications by Absolute Digital Print Volume Gain (W.E.)



Source: *Western European Digital Production Printing Application Forecast: 2013-2018*, InfoTrends

Over the next several years, production digital printing will continue to displace a growing portion of analogue offset printing of books, magazines, and other bound documents. The rationale is simple—more effective technology will be a driver for rapid growth. These days, only an expert can tell whether a document has been printed on an offset machine or a digital device. Nevertheless, economics is the main driver. Estimating the demand—and thus the print run—for a book (or any other bound document) has been a guessing game since Gutenberg's day. This means that the industry's supply chain is exceedingly wasteful. Books sent to retail locations can be returned to the publisher if not sold. This is a significant drag on the publisher's profits if it has done a poor job at estimating demand. The use of production digital print methods gives publishers of all types a much more efficient means of meeting demand.

Book industry organisations do not break out printed book revenue between those that are printed using offset versus those that are digitally printed, but they do track print versus e-book. In its *Entertainment and Media Outlook for 2014-2018*, PricewaterhouseCoopers (PwC) predicts a small increase in total global book revenue, with the growth driver being e-books. The picture within the print side of the equation is one of slow decline, but it is clear that within print overall, digital printing methods are gaining a greater share of the print pie due to the inherent advantages of quick turnaround and just-in-time manufacturing. This means that digital print is growing, but at the expense of offset.

Publishers Are Embracing Digital Print

In the face of uncertainty, publishers are embracing digital print for a range of reasons, but shorter print runs represent a big one. Shorter runs diminish the amount of unsold inventory, reduce storage costs, allow reprinting in smaller batches, and offer the opportunity to print specialty items for niche markets, including self-published content.

Digital printing offers a flexible solution to provide what publishers need, when they need it, where they need it, and in the quantity required. Publishers understand the value proposition, and everything links to the bottom line. Digital printing technology offers publishers:

Digital printing offers a flexible solution to provide what publishers need, when they need it, where they need it, and in the quantity required.

- **Risk reduction:** Demand is difficult to forecast, but production digital print technologies enable economic production in small quantities. Publishers can monitor the demand and order only what is required to eliminate warehousing and return costs.
- **Cycle time for on demand:** A number of highly sophisticated on-demand printers are able to turn orders around within 24 hours. Publishers can quickly react to market demands for printed content.
- **Specialty topics and fresh content:** Everyone has a story to tell. Digital printing eliminates the minimum quantity requirements and enables the printing of self-published and niche content in very low quantities. Furthermore, every page that is digitally printed can be unique. Digital printing opens up creative opportunities for in-line customisation, personalisation, and real-time marketing activities such as cross-selling or promotional material inclusion.
- **Bottom-line business results:** By following the demand curve more closely and minimising warehousing and return costs, publishers can have greater inventory turnover and improved profitability.
- **“Sell then print”:** Digital printing enables a new type of business model that turns the old one on its head. For centuries, publishers guessed at the number of copies they’d need and then were forced to reprint if they’d misjudged demand. This was the “print then sell” model. Digital printing gives today’s publishers much more flexibility. In the case of self-published work and out-of-print content, they have the luxury of not printing until they have an order in hand.

All of this is made possible by the fact that a digital printer can act as a document warehouse. This opens up opportunities that are simply not possible with long-run traditional print methods like offset. It also sets up a scenario in which short-run and on-demand printing benefit from the advent of e-books and other e-delivery mechanisms. This positive impact comes from publishers’ changing strategy in which printed items are no longer the primary method of distribution. As their content shifted away from print only, they had to flexibly format their titles to enable electronic and print delivery. Having this content in both forms is a basic requirement for e-content and digital print. It’s a side benefit of the technological evolution that puts digital print in a good market position.

The changing publishing market has also given individual authors control that they never had before. Blogs and social media are marketing tools that have the potential to reach new audiences. Online services (e.g., Blurb, Lulu) enable authors to promote and sell their content without having to manage the process of taking credit card orders and shipping. This is a very exciting time for content creators, whether they are writing a novel, creating a piece of non-fiction, submitting a piece of poetry, or promoting their digital photography business.

The Publishing Benefits of Production Digital Print

Selling the benefits of production digital print to publishers is very easy. Here are some of the most compelling advantages:

- **A solution to the publisher's dilemma:** For as long as printing has existed, publishers have wondered how many copies they should print. Because it is most effective for longer runs, offset printing has historically tempted publishers to print more copies than they can sell. Unsold copies often languished in warehouses. With today's production digital printing methods, publishers can meet distribution channel requirements more effectively with shorter "just-in-time" runs. This method of printing books as needed supports the publisher's need to warehouse books in digital formats while also solving warehousing and distribution issues, and solving the publisher's dilemma.
- **Meeting demand:** The publisher's supply chain can be filled to meet demand. Items can even be printed as they are ordered. This "sell then print" model eliminates the requirement for standing inventory and allows publishers to rethink their warehousing strategy.
- **Content never goes out of print:** These titles provide revenue without requiring any inventory. This puts the "long tail" theory into practice: The sales life cycle can be graphed as a curve in which the bulk of the sales occur at publication and then "tail off" over time until demand is so low that reprinting an edition of hundreds of copies is no longer feasible. Production digital print makes it possible to extend this tail.
- **Proofing, testing, and niche titles:** Production printing provides increased possibilities for providing proof copies as well as short runs for testing an audience. In addition, opportunities abound for niche titles that can succeed profitably without the risk of a long print run that requires storage of inventory.
- **What you want, when you want it:** End-users receive content in the form they prefer.
- **Accuracy:** Errors can be updated, and additions can be made to the latest edition on the fly.

The Digital Production Benefits

Printers and publishers describe their production digital printing techniques with terms such as “on demand,” “just in time,” or “print to order.” Regardless of the term used, there are basically two kinds of production digital printing techniques: short-run and on demand.

Short-Run

Short runs are typically considered to be between 30 and 2,000 copies. Although digital printing techniques are very effective in this range, offset printing can also be used. Offset lithography becomes more cost-effective for longer runs. The total page count of the print run also makes a difference. The volume difference between 100 copies of a 200-page book versus the same number of copies of a 400-page book is significant. This factor can impact a print service provider’s decision about which technology to use, but the cross-over point tends to be around 500 copies. Recent InfoTrends research indicates that the average first run of a book is around 5,000 copies. Smaller publishers with niche titles such as scholarly journals will typically print well under 5,000 copies, and this is why university, technical, and self-publishers have been important markets for production digital printing.

On Demand

Filling orders as they come in requires the ability to cost-effectively print, bind, and distribute a single copy at a time. This type of “on demand” or “just-in-time” printing is not limited to single copies. It can also be used to fulfil orders from a distribution channel and to have copies for events such as book signings, conferences, or trade shows. Production digital printing can become very effective with on demand techniques. Offset lithography cannot compete in this environment. Although on demand printing was viewed as leading-edge only a few years ago, it is now well-accepted by publishers of all types. In addition to making it possible to fulfil orders in a much more effective manner, on demand printing enables publishers to gain revenue from their “backlists” of previously published content that has gone out of print.

The Importance of Finishing

Background

Without binding, a document is just a stack of pages. Finishing and binding have implications for a document's usage, purpose, and longevity. In the past, print service providers often outsourced their bindery work. With automation advances in binding techniques, more print service providers are bringing their binding work in-house. In addition, many binderies have added production digital print services. Today's short runs and quick turnaround times make it harder to outsource the bindery work

In addition, some of the most important advantages of digital print are occasionally overlooked. Although advantages like economic short runs, quick turnaround, just-in-time manufacturing, and the ability to personalise documents are well-known and broadly acknowledged, others (particularly those related to feeding and finishing) are lesser-known. For example, consider capabilities such as electronic collation, automatic duplexing, the ability to mix multiple paper stocks in a document, having one operator run multiple machines, and access to a range of finishing capabilities in-line. These capabilities are a big part of what makes digital print attractive both in theory and in practice.

Types of Binding

There are four basic types of binding:

- **Stitching:** Centre stapling (also known as saddle-stitching) is a common technique that is suitable for booklets, calendars, and magazines. Nevertheless, this technique becomes less desirable as the page count rises.
- **Mechanical:** A mechanical bind uses wire or plastic coils to bind a stack of pre-punched pages. Mechanical binds have the advantage of allowing the document to open flat, which is a valued feature for conference handouts, cookbooks, and operating manuals.
- **Soft Cover:** Soft cover or "perfect" bindings, used for a wide range of paperback books, are the most common binding type and is also typical for some larger magazines. The spine of the document typically has glue applied to it, which holds the book block together and adheres the cover to the pages.
- **Hardcover:** Hardcover or "case bound" bindings are often used for first printings of many trade and educational titles. These books may also have dust jackets. Case binding is also a popular choice for photo books due to its protective nature, aesthetic appeal, and other "luxury" attributes.

Stitching, mechanical, and soft cover binding can all be accomplished in-line with many digital print processes. One key production advantage of digital printers is that they can insert front, back, or wrap-around covers and then bind them into a finished document. These processes may also occur off-line, but even then it is possible to automate the process by transferring job set-up data to the binding equipment. This technique is known as “near line” or “automated off-line” finishing. There have been significant advancements to these in-line finishing techniques, making books on demand an even greater opportunity for digital print providers.

Figure 3: Binding methods of Stitching (upper left), Mechanical (upper right), Soft Cover (lower left), and Hardcover (lower right)



Hardcover bindings are not typically used for on-demand printing, but they may be used for short-run books depending on the quantity and the publisher's preferences. Since many digital print service providers do not have the tools to handle hardcover binding, this capability is often outsourced. One key exception is the hardcover binding used for some low-page-count photo books. These books appear to have a hardcover binding, but they generally use a simple clamping method to hold the pages inside a hardcover shell. Specialised hardcover binding equipment for photo books is now available for those sites that wish to provide a more professional-looking and permanent hardcover binding.

How to Get Started: Planning for Success

As with any business area, serving the needs of a variety of publishers requires a strong strategic marketing plan. This plan is a blueprint of the actions that your business chooses to take based on your understanding of key market trends. Good marketing plans include a clear set of quantifiable objectives, as well as some strategies, tactics, and milestones that support those objectives.

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Developing a strategic plan requires engagement in two very critical marketing activities:

- **Identifying potential customers and their requirements.** The first step in developing a strategic marketing plan is evaluating an organisation's current state. Thoroughly understanding current customers is imperative to a company's success. What barriers hinder the success of your potential customers? What can your organisation do to help them overcome these barriers?
- **Promoting attractive solutions.** A business must be effectively positioned in the eyes of its prospective purchasers. Many publishers are seeking answers to their ongoing decisions about how many documents to print. Providing them with the flexibility to order in smaller quantities helps them manage demand and prevent warehousing. Providing true on demand order capabilities also enables them to monetise their content in new ways.

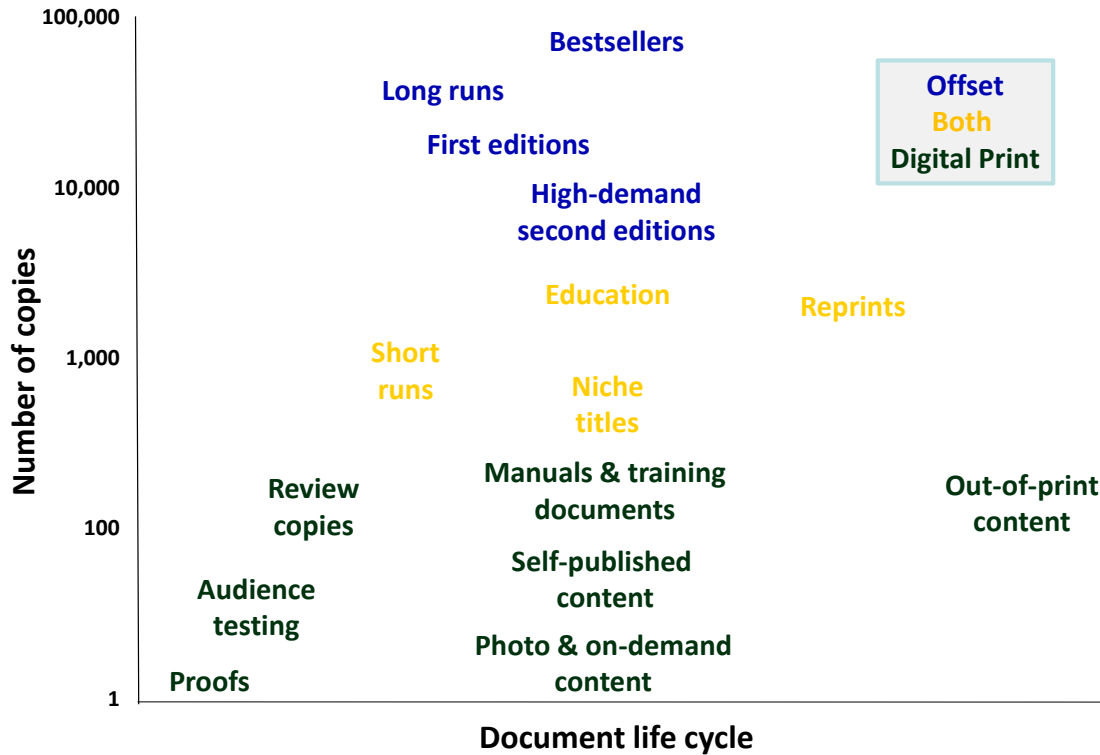
For those not currently involved in selling digital print services to publishers, the first question to consider is what you bring to the table. Prepress and printing may be part of your existing offerings, but other capabilities (e.g., page scanning or e-book conversion) might not be.

As you assess your current production capabilities, you should also consider which technologies might be suitable for you in the future. Explore the additional investments that might be required to fulfil target applications in those subsections. For instance, those interested in book production will need to research formats, substrates, speed, and colour. You might also need additional production staff or training requirements. You must invest in your sales staff either by growing or training existing reps in these new markets so that they can understand their clients' needs (speaking to their concerns using proper terminology) so that they can successfully sell into these sectors.

It is of paramount importance to know your customers and understand their needs. Smaller print service providers tend to have smaller publishers or business enterprises as their customers. There may also be schools, local government, or individuals with publishing requirements. In addition to books, related items such as posters, promotional items, bookmarks, and point-of-purchase display graphics may be required.

As illustrated in the Figure below, you should focus on the types of publishing applications that highlight the strengths of production digital printing. The green descriptions represent digital print opportunities, yellow shows the areas where both technologies typically apply, and blue is for applications where offset is the norm. At the same time, however, there are no hard and fast boundaries. Offset is occasionally used for shorter runs and digital processes can be leveraged for longer runs.

Figure 4: Publishing Applications by Volume



To plan for success in today's market, InfoTrends offers the following recommendations:

- Identify your most important target markets.
- Partner as necessary in areas where you lack expertise.
- Build on your understanding of prepress to leverage your workflow strengths.
- Add necessary finishing infrastructure.
- Don't let the retail "brick & mortar" distribution model limit your thinking about channel opportunities for publishing clients.

InfoTrends' Opinion

The publishing market has changed, and this evolution presents an opportunity for print service providers who can meet the needs of publishers seeking a modern mix of short-run, on demand, and electronic delivery of content. The key is delivering the benefits of production digital printing to publishers. Solutions to supply chain problems, added content flexibility, and new revenue opportunities will be welcomed with open arms by publishers of all types and sizes. It's not just traditional book, calendar, and magazine publishers who benefit from today's publishing revolution—photo book sellers, self-publishers, non-profit associations, and corporations can reap the rewards too.

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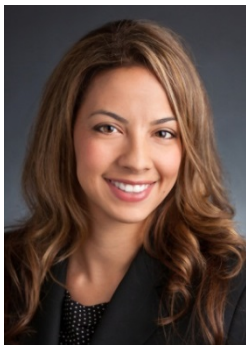
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[Comments or Questions?](#)