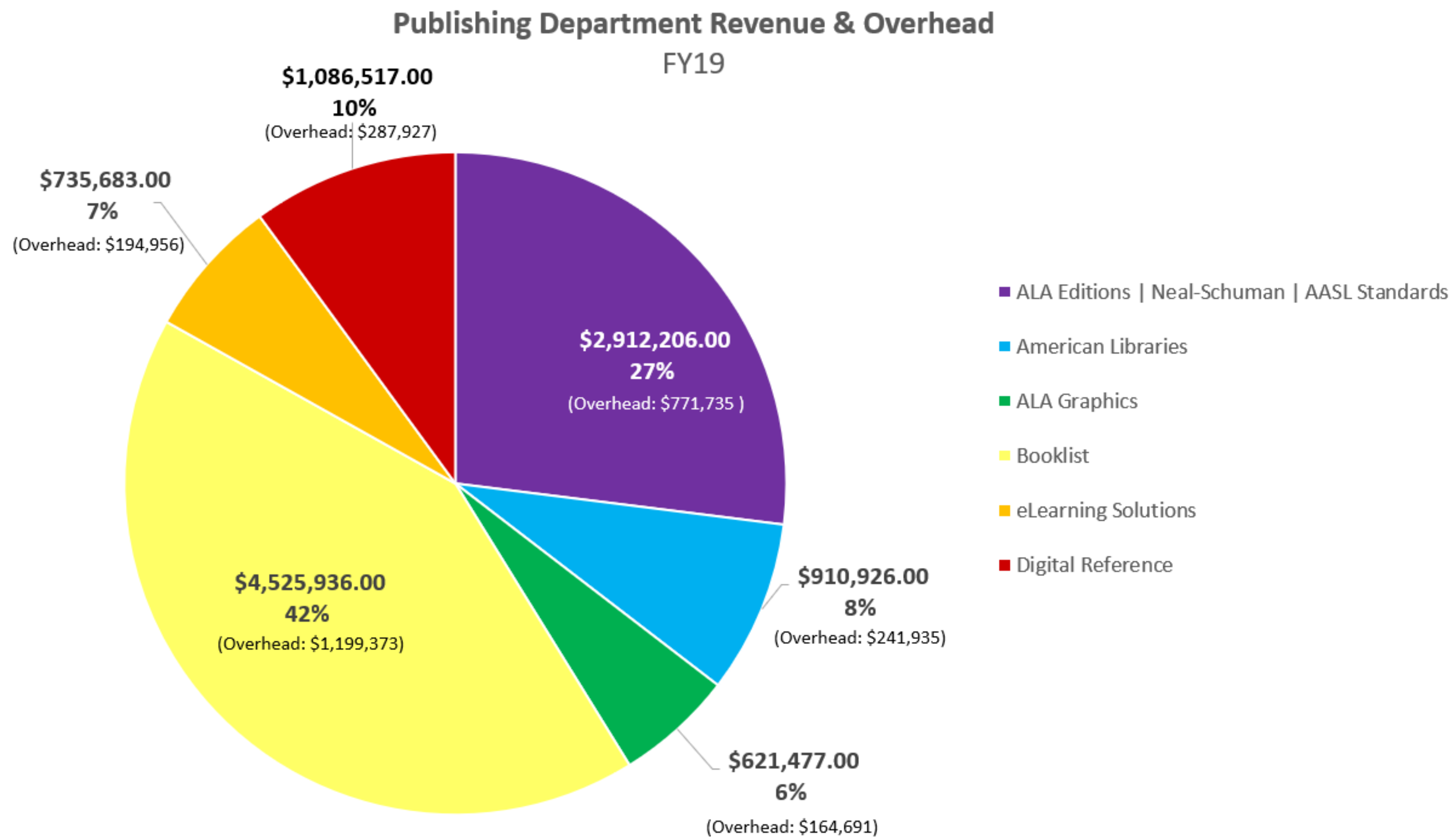
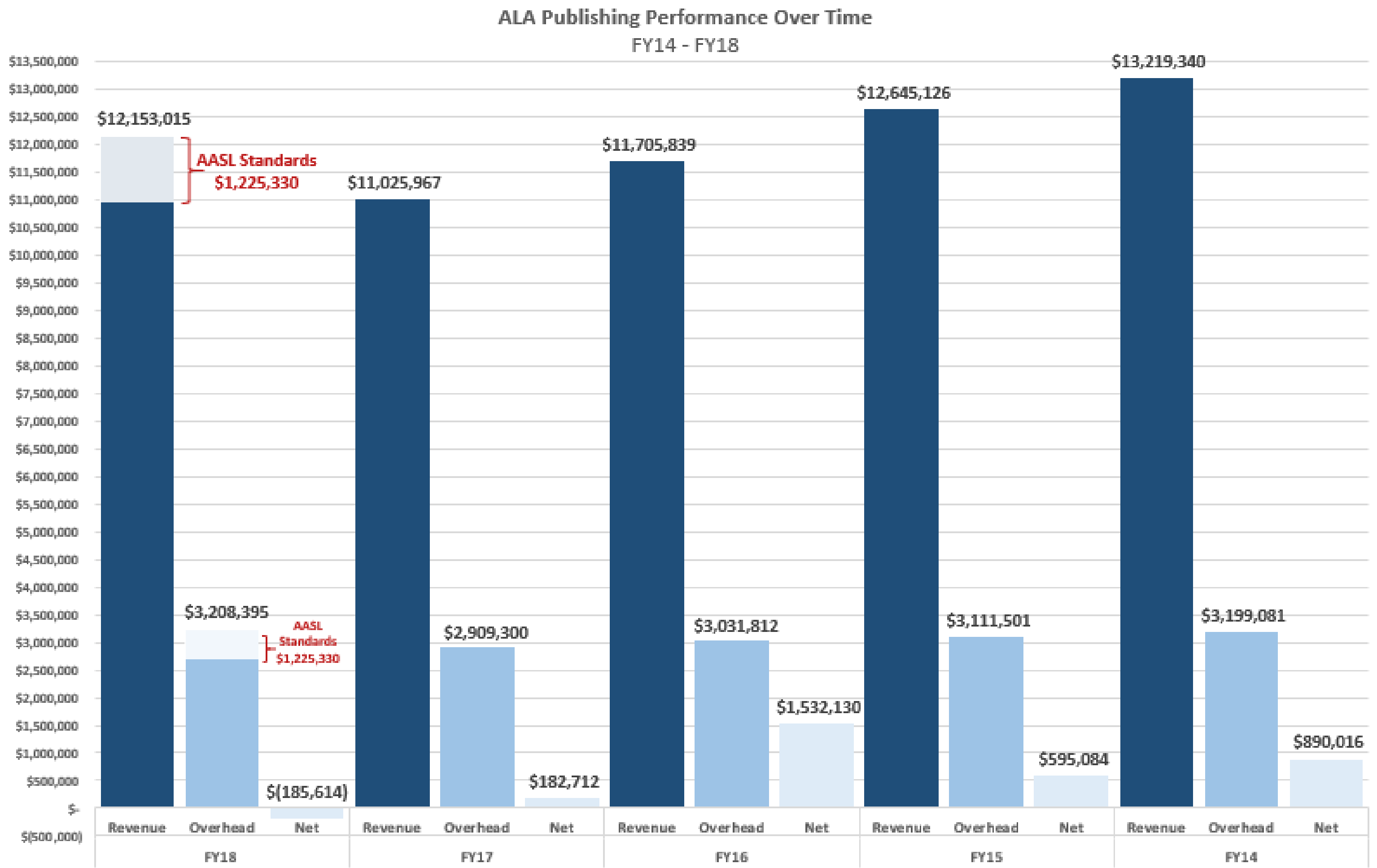
ALA Publishing report on FY19 (second close) and best opportunities for FY20 and beyond

Despite disappointing FY19 results, indicators and early results point to a solid FY20 lining up across ALA Publishing and we're optimistic about meeting goals.

ALA Publishing	FY19 actuals, 2nd close	FY19 full-year budget	$ and % variance actual/budget	FY19 full-year projection as of March 2019
Total Revenues	$10,792,803	$11,493,944	-$701,141/ -6%	$10,932,696
Total Expenses	$10,849,511	$11,568,899	$719,388/ 6%	$11,404,479
Overhead	$2,860,093	$3,045,893	-$185,800/-6%	$2,883,521
Net Revenue	-$56,708	-$74,955	$18,247/ 24%	-$471,783

The following shows the percentage of revenue by business unit to provide context around where we need to direct the most energy to turn this around in FY20.




ALA Publishing Performance Over Time
FY14 - FY18
$13,500,000
$13,000,000
$12,500,000
$12,000,000
$11,500,000
$11,000,000
$10,500,000
$10,000,000
$9,500,000
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$1,500,000
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$500,000
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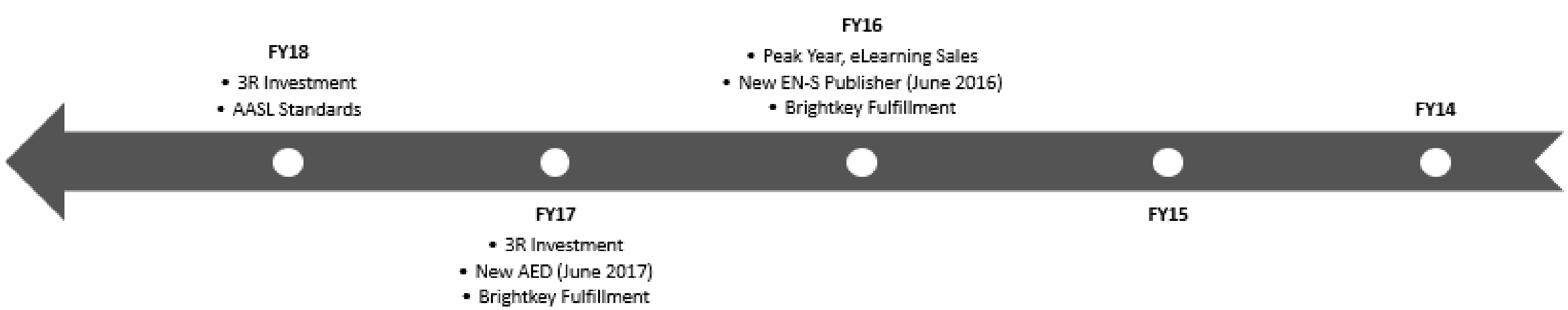
$(500,000)
$12,153,015
AASL Standards
$1,225,330
$11,025,967
$11,705,839
$12,645,126
$13,219,340
$3,208,395
AASL Standards $1,225,330
$2,909,300
$3,031,812
$3,111,501
$3,199,081
$1,532,130
$595,084
$890,016
$182,712
$(185,614)
Revenue
Overhead
Net
FY18
FY17
FY16
FY15
FY14


FY18
• 3R Investment
• AASL Standards
FY16
• Peak Year, eLearning Sales
• New EN-S Publisher (June 2016)
• Brightkey Fulfillment
FY14
FY17
• 3R Investment
• New AED (June 2017)
• Brightkey Fulfillment
FY15

What might make a material difference to ALA Publishing's prospects? We have no lack of strong content, especially given increased collaboration with units across ALA. To make a consistent and measurable difference in department-wide revenue prospects, we do need more reliable and granular data with expertise in analyzing and applying it so the content reaches the right prospects at the right times. Bulk, multiple, and package orders offer a more stable base for growth than individual orders and help reduce operating costs, maximizing net revenue prospects. More granular data would help us increase the number and frequency of these orders. We collaborate across the department, sharing leads, models, and incentives. In FY20, we're subscribing to GovSpend, a program that offers access to business intelligence that can help us better understand the competitive landscape and provide concrete leads for ALA Editions/ Neal-Schuman, Booklist, ALA Graphics, and to a lesser degree, eLearning Solutions. We strongly support prioritizing the ALA Chief Data Officer position to further these efforts.

ALA Editions/Neal-Schuman/AASL

FY19 challenges: The 9% shortfall in ALA Editions/ Neal-Schuman had the most significant impact on overall department results and was due mostly to 6 major projects delayed, including 2 textbooks and RDA 3R-related books, and to some newer titles under-performing against projections. Those included the experiment with new pamphlet-sized publications for public library patrons and a series of workbook-style leadership planners by a popular author.

FY20 positive indicators/opportunities:

- Publication of the 6 major delayed projects in FY20, including 3 textbooks, and a $28,000 order in September from a branch of the military not a recent customer.
- The first new book supporting the AASL Standards sold 1,850 copies/ $72,000 in 5 months, an encouraging indicator for the upcoming FY20 titles. The AASL national conference is likely to spark renewed interest in the standards. AASL Standards made a good recovery towards the end of FY19, partly thanks to a donation designated for purchase and dissemination.
- The addition of Salesforce software in FY20 provides an important new tool for organizing outreach to the largest current and prospective customers, especially in the academic textbook market.
- The ALA Editions/Neal-Schuman staff team is well trained and will ensure that the transition to a new Publisher does not disrupt the business unduly when the current incumbent, Chris Murphy, retires in January 2020.

Booklist

FY19 challenges: The 2% revenue shortfall was due to advertising and subscription shortfalls, but the unit came within 1% of net revenue budget despite a year of major transition. The magazine industry in general faces ongoing challenges in all revenue streams. Creative multiplatform campaigns around themes (Middle Grade Mania and Graphic Novels) helped sustain FY19 sales in the face of unpredictable advertising and licensing, especially as advertisers move from print to other lower-cost products. Print circulation faced pressure in FY19 and will again in FY20; research and test subscription models are underway to help mitigate this and work on rebuilding circulation.

FY20 positive indicators/opportunities:

- The new editor/publisher George Kendall is working on a dynamic combination of organizational, operational, and publication-related changes that look set to position Booklist well for growth.
- A renewed focus on better understanding how subscribers use and interact with Booklist will underpin FY20 changes; we'll get a better sense by midyear of payoffs and prospects. Experiments in live, face-to-face and other events are in development.

RDA: Resource Description and Access (Digital Reference)

FY19 challenges: The launch of the new 3R project was delayed by late delivery of content (a global effort not under ALA control), which had a -9% impact on FY19 subscription revenue and some cost-offsets (translations and policy statements), as well as related print products in ALA Editions.

FY20 positive indicators/opportunities:

- FY20 will be the turnaround year with the completion and launch of 3R, bringing increased US and international opportunities and activity.

- Positive signs for the upcoming launch have included steady monthly revenue growth, an ongoing rise in the number of active users, and high attendance at both online introductory (paid) webinars and face-to-face preconference events educating users on the upcoming changes.
- Boosting the number of users and the revenue-per-user rate are top priorities with the FY20 launch.
- The LIS pricing model was changed in FY18 in response to LIS program requests but did not result in the promised increase in number of subscriptions. The number of subscribers joining consortia to reduce their subscription costs has increased. To address these issues, a price increase and a reduction to the consortia discount will be implemented in FY20.

ALA Publishing eLearning Solutions

FY19 challenges: Online registrations were 13% below budget. Individual registrations are no longer enough to reach goals. In an effort to boost registration, we are focusing on models that accounted for more than $250,000 of FY19 registration revenue: increased internal collaboration and partnerships; bundled sales; and a focus on setting up “debit account” type arrangements with organizations and institutions.

FY20 positive indicators/opportunities:

- The percentage of revenue coming in from bundled sales and debit-account arrangements makes clear that we need to build on those.
- A deal was closed in FY19 to provide customized online training for four northeastern states, a model to try and replicate.
- Unit manager Dan Freeman is taking the lead in FY20 on how ALA can more collectively address standardizing how we work, how we can take advantage of moving into a new physical and better equipped space, and how we can address increased internal and external competition, more easily accessed free content, an industry-wide decline in eLearning sales, and less money for professional development. We believe that without this intensified effort for ALA eLearning overall, growing eLearning revenue will continue to be elusive after its very strong start.

ALA Graphics

FY19 challenges: The revenue shortfall of 13% was due to 1200 fewer orders. The discontinuation of YALSA’s Teen Read Week cut approximately $14,000 of projected revenue. The Toy Story 2019 Library Card Sign-Up products sold at double the rate of the (also successful) Incredibles in 2018. Overall, the biggest factor in declines has been poster sales due—from what our surveys indicate—to new libraries built with more glass than walls; competitors offering lower pricing that we cannot match; changes in fandom in the digital age; and decreases in library/school budgets.

FY20 positive indicators/opportunities:

- There was a slight increase in revenue per order in FY19.
- Informational posters with content that speaks to specific concerns have performed well.
- Royalty revenue doubled in FY19 to more than $15,000 thanks to a licensing collaboration with Out of Print Clothing, providing a model to build on (contracts permitting).
- More than $15,000 will be cut from catalog costs thanks to a redesign.
- Implementing a new way of delivering to residential addresses will reduce shipping expenses, and shipping recovery should increase when we make planned adjustments in the shipping table and reduce discounts on bundled items.

American Libraries

FY19 results: A very strong year with strong digital ad sales compensating for print ad challenges. Premium ad offerings that helped enhance print sales in FY19 included bellybands, polybags, and posters. The subscription equivalent required was 25% or $107,437 less than budgeted.

FY20 positive indicators/opportunities:

- A strong start to FY20 included a package advertising sale of $70,000 (up from c. $40,000 in FY19), thanks to convincing, competitive readership metrics and 3 years’ relationship-building by the ad sales rep.
- Better integrated work with new leadership in CMO, Membership, and Conference Services.