EBD # 12.6
2018-2019

TO: ALA Executive Board

RE: ALA Publishing

ACTION REQUESTED/INFORMATION/REPORT:

This September 2018-August 2019 report highlights ALA Publishing's FY19 results, offering some specifics by business unit. The specifics include key indicators, highlights, opportunities, and challenges as we look to long-term growth. Note: There is no specific ALA Publishing presentation scheduled at the October 2019 meeting.

ACTION REQUESTED BY: Mary Mackay, AED Publishing

CONTACT PERSON: Mary Mackay, 312-280-1532, mmackay@ala.org

DRAFT OF MOTION: None requested

DATE: October 7, 2019

BACKGROUND: Progress and challenges in the ALA Publishing department and its six business units in FY19, and how we are positioned for FY20 and beyond—including perceived opportunities and challenges.

AVAILABILITY: No restrictions

ATTACHMENTS: None

ALA PUBLISHING SEPTEMBER 2018-AUGUST 2019

The unit managers' mid-year projections were close for the department as whole, ending the year with a 6% revenue and overhead shortfall, but 24% ahead in net revenue at -$56,708. Several factors in the shortfall are identified in the unit reports below. Prospects for FY20 were projected as strong in prospect, especially for ALA Editions/ Neal-Schuman, and this is confirmed by early September results. ALA Publishing business units are in the final year of 2018-20 strategic plans (approved by the ALA Publishing Committee in June 2017), updating annual measures as we identify new opportunities or necessary course corrections. The plans focus on strategic experiments in new products and marketing as well as tight control of operations. We continue to see results and potential in better leveraging ALA content as we build on existing collaborations and identify new ones. It's important to note that throughout the industry, publishing growth is generally non-linear, with peaks supported by occasional standout products, opportunities, and timing, often followed by flatter years that represent the ongoing business.

We are starting a new business planning cycle for FY21-23, focused for each unit on one over-arching goal related to the 5-year plan and net revenue. These new plans will offer clear long-term goals, and will incorporate ALA's strategic directions, especially EDI, wherever appropriate. Context for the plans will be provided by national statistics on key indicators such as print advertising, professional book publishing, and association publishing trends. The plans will be built around an external, customer-based focus.

Increasing average order size and securing more bulk, bundled, and package sales as we work with decision-makers at higher levels and in larger entities is critical to growth. One key tool we're adding in this regard for FY20 is a subscription to GovSpend, a platform that identifies where government money is being spent, which organizations are buying what products, when, and from whom. This business intelligence will 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.

As the unit managers address paths to increasing revenue, we share the general ALA challenge regarding how data on our members, customers, and prospects are gathered, shared, analyzed, and best used. ALA Publishing has strong content and the ALA brand behind us. We need better, more granular data and expertise in analyzing and applying it to be more confident that we are getting information to the right prospects at the right times. After two years in this role, I increasingly believe that the Chief Data Officer position for ALA is extremely important in making a measurable difference to our future department-wide prospects.

DETAIL BY UNIT, as of FY19 second close

- **American Libraries:** Thanks to strong digital ad sales (66% of the total), gross advertising revenue was 6% better than budget, a payoff of intensified efforts to build advertiser relationships and increase package sales. Digital gains that balanced some challenges in print advertising included exceptional email marketing results; repeat business from webinar advertisers pleased with metrics; the first sale of custom content products; and the strengthening listenership of the podcast now in its third year. Initial response to a new digital product that was introduced at Annual Conference, Daily Scoop (an e-newsletter distributing onsite editorial coverage) indicates that we will see increased advertiser interest and revenue going forward. Premium ad offerings that helped enhance print sales in FY19 included bellybands, polybags, and posters. The subscription equivalent subsidy required from the General Administration line was $107,437 or 25% less than budgeted.

- **Booklist:** The Booklist team held steady in a year of transition, ending FY19 with a 2% shortfall in total revenue and a 1% shortfall in net revenue. In FY19, creative multiplatform campaigns around themes (Middle Grade Mania and Graphic Novels) helped sustain sales in the face of unpredictable advertising and licensing, especially as advertisers move from print to other lower-cost products. Experiments in live, face-to-face and other events are still in development. The new editor/publisher George Kendall is working on a dynamic combination of organizational, operational, and publication-related changes that are set to position Booklist well for potential growth. 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. A renewed focus on better understanding how subscribers use and interact with Booklist will underpin changes in FY20.

- **ALA Editions/Neal-Schuman:** The 9% revenue shortfall (offset by expense savings) in FY19 was due mostly to six major projects delayed, including two 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 continues to look very strong in prospect, with the first month ahead of budget and including a $28,000 order from a branch of the military that has not ordered from us in recent years. The first new book supporting the AASL Standards sold 1,850 copies for $72,000 in just 5 months in FY19, a positive sign for the additional upcoming titles. The addition of Salesforce software in FY20 offers a significant new tool for organizing outreach to the largest current and prospective customers, especially in the academic textbook market—a renewed area of focus given new editions of 3 extremely successful textbooks due to be published in FY20. The unit is also implementing software that will automate many of the metadata functions previously performed manually, likely to significantly reduce time spent while getting higher-level exposure for our titles on some distributor platforms.

- **AASL Standards:** The Standards made a good recovery towards the end of the year, partly thanks to a donation secured by AASL and Development designated specifically for purchase and dissemination. Although revenue overall was lower than the original budget, net revenue was strengthened by savings in production to end the year above budget. Several related new projects in collaboration with AASL have recently been released or will be in FY20, likely to help maintain and renew interest in the standards. The AASL national conference in November 2019 presents an important opportunity. The key ongoing collaboration with AASL is valuable and greatly appreciated.

- **ALA Publishing eLearning Solutions.** Online registrations ended the year 13% below budget. Strategies to boost registrations include increased internal collaboration and partnerships, bundled sales, and a focus on setting up “debit account” type arrangements with organizations and institutions. (More than $250,000 in revenue was generated from these approaches.) A deal was closed in FY19 to provide online training for four northeastern states, a model ripe for replication. eLearning Solutions collaborated with InfoPeople to provide a sold-out pre-conference at ALA Annual in June. Dan Freeman, the unit manager, is taking the lead in FY20 on how ALA overall 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 available for professional development.

- **RDA: Resource Description and Access.** 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 will be the turnaround year with the completion and launch, which will bring 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. Addressing how to boost the number of users and the revenue-per-user rate are top priorities with the FY20 launch, and critical to its success. A course correction is also underway in the LIS pricing model which 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 2% price increase and a reduction to the consortial discount will be implemented in FY20.

- **ALA Graphics.** The revenue shortfall of 13% was due to 1200 fewer orders overall, despite a slight increase in revenue per order. The discontinuation of Teen Read Week by YALSA cut approximately $14,000 of projected revenue. Royalty revenue doubled in FY19 to more than $15,000 thanks to a Graphics Star Wars/READ licensing collaboration with Out of Print Clothing, providing a solid model to build on (contracts permitting). The biggest factor in declines has been poster sales (-$550,000 since 2009) due—from what our research indicates—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. Informational posters with content that speaks to specific concerns such as “fake news” have performed well, however. On the expense side, more than $15,000 will be cut from catalog costs thanks to a redesign. We project lower shipping expenses by implementing a new way of delivering to residential addresses, and increased shipping recovery by making adjustments in the shipping table and reducing discounts on bundled items. Per an ALA management decision, a long-time Inventory Reserve Adjustment lag was addressed, creating an unbudgeted $28,000 expense for destroying and writing off obsolete inventory in FY19. This one-time hit accounts for almost half of the FY19 net revenue shortfall.