**EBD #/ BARC # 12.9**

**2020-2021**

**TO:** ALA Executive Board/ BARC

**RE:** ALA Publishing: Recent Results and Opportunities Going Forward

**ACTION REQUESTED/INFORMATION/REPORT:**

This report provides an overview of ALA Publishing’s FY20 estimated year-end results and FY21 opportunities, challenges, and strategies.

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**DRAFT OF MOTION:** None requested

**DATE:** October 8, 2020

**BACKGROUND:** Financial results, opportunities, challenges, and strategies in the ALA Publishing department and its six business units looking forward to FY21 based on a look back at FY20.

**AVAILABILITY:** No restrictions

### **ATTACHMENTS:** None

**FY21 opportunity areas for ALA Publishing**

Maximizing revenue while minimizing related expenses is integral to ALA Publishing’s mission, and is routinely baked into our budgets, work, and individual staff goals. We have never felt this more urgently, and we are optimistic about the upcoming transformations at ALA, seeing new potential for Publishing’s work and contributions. Building on past successes and recent innovations, we look forward to participating in change while confronting the immediate challenges facing us in FY21. Specifically, opportunities will arise from:

* An ALA-wide focus on elevating internal ALA brands as a shared responsibility
* The climate and imperative of collaboration
* Vision behind the draft Pivot Strategy that brings clarity and urgency to strategy and goals, in addition to the forthcoming charrette-driven playbook for the association
* The systematic prioritizing of EDI in all aspects of work across ALA
* New FY21-23 business plans by unit (reviewed by the ALA Publishing Committee at Midwinter 2020)
* Workflows now well adapted to remote work, with added digital processes and related cost savings
* Creative, committed staff engaging with customers, subscribers, registrants, authors, presenters, vendors, and other stakeholders to adapt content and channels to immediate needs in a changed and changing environment
* Greater call for digital products and elearning
* Marketing messaging that builds on the goodwill generated by free content, special pricing, and other support provided since March 2020
* Foundation laid for more customized content and bulk sales, key to increasing net revenue
* A radical rethink of product fulfilment, starting at the point of discovery (ecommerce platform), and including the potential of print-on-demand
* The new *Booklist* advisory board as a model for engagement
* A tiered approach to book publishing that identifies priorities based on potential sales and immediate need for content, a revised acquisitions plan, and the launch of a collaboration with a trade publisher
* Textbooks—revised and new—that respond to changing LIS curricula and needs
* The global launch of the 3R project for RDA: Resource Description and Access
* Licensing models, especially for ALA Graphics
* Potential new business opportunity offering design, production, and print services to other non-profits
* Time refocused from internal issues such as the office move, the sudden shift to remote work requiring adjusted workflows, and outsourced accounting

**General conditions and business environment for FY21**

Staff and other stakeholders did some remarkably creative problem-solving to help compensate for FY20’s sudden drop in business, and FY21 has started off on track with projections overall. Pivoting quickly is easier in some units than others—creating a new elearning event takes less lead time and fewer resources than a new book, for example. The business climate remains uncertain; factors that may negatively impact sales include library closures, reduced budgets, losses in the trade publishing and vendor industries (advertising-related), changes in academic programs, and the overall job market for library workers. The 23 days of furlough in FY21 combined with expense reductions will lead to judicious trimming, such as some combined magazine issues, fewer books published, smaller and fewer print product catalogs, and less in-person conference participation and travel even if pandemic restrictions are lifted. One *Booklist* position was eliminated and freelance contracts were significantly reduced or canceled in 2019. Four other ALA Publishing positions were eliminated or frozen for FY21 with work redistributed, including the Editions/ Neal-Schuman Publisher, *American Libraries* AL Direct Editor, ALA Graphics Coordinator, and eLearning Solutions Administrative Assistant.

**ALA Publishing FY20 revenue and expense estimates**

The estimated FY20 results are based on information manually compiled from the dispersed systems that track different areas of sales (e.g., magazine advertising tracking software, fulfilment records, subscription software). The estimated revenue shortfallagainst the FY20 budget is $1,450,570 (13.2%). The estimated expense savings, including overhead budgeted but not paid, but not including furlough savings, attrition, or royalty on RDA due to international co-publishers is $1,062,427. Some non-fixed expenses travel with sales, such as royalties and cost-of-sales, but due to fixed costs and timing lags, there is never an exact correlation between revenue and expense reductions. Two items that may add to a net deficit for FY20 are the remaining Neal-Schuman acquisition goodwill (Finance & Accounting and ALA Publishing have made a joint recommendation to make larger payments over three years to write this down and eliminate ongoing related expenses and staff time), and an increased inventory reduction permitted to solve an inherited accumulation that creates ongoing storage and operational expenses. Chargebacks in the past have made Print Services copying/printing costs revenue-neutral, but with no chargebacks since March and no Annual Conference activity, plus new leases for machines for the new ALA offices, ALA Publishing had significant unrecovered expense. In FY21, ALA is addressing this area as an association-wide investment/ cost center.

[Of note: Not captured in any specific unit report because the revenue is spread across multiple divisions, $1.5 million was booked for digital award seals licensing in FY20. The Licensing & Permissions Manager responsible for pursuing and capturing this revenue is an ALA Publishing staff member, with the position supported by ALSC, YALSA, and ODLOS. A large one-time payment for digital seals used without permission or payment was negotiated over many months and bumped the total up from the previous top number of around $1 million. Several of the most prolific seals-licensing publishers are struggling in the current climate and are likely to do smaller print runs or to drop seals on titles that are not bestsellers, reducing potential FY21 revenue.]

**Detail by ALA Publishing unit, FY20 into FY21**

***Booklist’s*** projected 8% FY20 shortfall was mostly in advertising, with a 4% loss in licensing and subscriptions. As a service to libraries during the pandemic, *Booklist*’s online access controls were removed, and the site was freely available March-September. Website traffic dramatically increased during this period, while *Booklist* also saw greater than usual print subscription declines. Marketing to new users who accessed the site during this period will attempt to capture future subscriptions. Staff worked closely with publishers (the main advertising base, and an industry hit hard by the pandemic) to minimize losses by finding new ways to reach a wider range of audiences through innovative digital products and channels, and offered an increased number of sponsored webinars as part of advertising packages. The team will build on this and will continue experimenting with other book- and author-related virtual events such as book buzzes. Through intensified and proactive collaboration, *Booklist* is developing its role as a more central ALA-wide resource. The recently formed [new advisory board](https://www.booklistonline.com/staff) is an exciting development, comprised of national leaders in readers’ advisory and collection development, as well as content and business experts who represent the diverse audiences that Booklist and ALA serve. With a focus on equity and inclusivity, the advisory board will help to seek out and prioritize contributions from underrepresented voices and will work collaboratively with dedicated Booklist staff to guide business and editorial aspects of the publications. FY21 has started on track with the Sept. allocation.

**ALA Editions/ ALA Neal-Schuman** was 10% ahead of revenue budget pre-pandemic, and we projected a strong year. Sales started falling sharply in March, especially organizational sales, and we estimate a 17% shortfall for FY20. Factors included high returns from distributors; a delay in RDA-related books tied to a delay in the updated standard itself; delays in delivery that affected early adoption of three important new and revised textbooks; the Department of Defense submitting a one-time $102,000 book order in September rather than July; and slower sales from our UK/ international partners. Going forward, the team’s strategies include fewer new titles (57 were published in FY20) with a greater focus on net rather than top-line revenue for each, using a tiered system in each functional area to determine priority. With input from Miguel Figueroa, former director of the Center for the Future of Libraries, the editors are building a new strategic acquisitions plan. The director of editing, design, and production is requiring lower bids for printing, cutting costs on each book published. Marketing is shifting to more digital and fewer mailed print catalogs, digital instead of physical review copies, and more robust marketing strategies to influence textbook course adoptions. We plan to start investigating how best to repurpose content for international audiences. The first book in a collaboration with a major trade publisher is due in spring 2021. September sales have kicked FY21 off with an estimated $111,000 above allocation, thanks especially to the Department of Defense order and to textbooks.

**Digital Reference (RDA: Resource Description & Access):** A 7% decline in subscription sales was significantly offset by introductory elearning events accounted for in the eLearning Solutions unit. Although short of goal, the estimated subscription revenue is slightly above FY19’s revenue, and expenses were reduced. The full launch of the 3R project, including translations, is due in FY21, and with a new marketing/sales manager now fully up to speed, we look to improved renewal rates, increased subscriptions, and well targeted global outreach. RDA Fund costs in FY21 will be reduced by the lack of international travel currently possible. RDA’s revenue impact is extended by associated books and elearning accounted for in other ALA Publishing units.

**ALA Publishing eLearning Solutions:** eLearning has been in demand overall, likely due to urgent needs to learn new skills during this period of upheaval, and to people having more time to focus on remote learning. This bodes well for the future pivot strategy for ALA that includes a strong focus on continuing education as a discrete revenue-generating channel. The collaboration with RDA for introductory courses helped the unit beat its FY20 revenue goal, in addition to successful negotiations with bulk purchasers and custom content. An experiment with ALA Membership offering some webinars free to members shows promise. FY21 will see a continued and increased focus on custom content and on bulk purchases that include offerings on behalf of ALA-wide elearning, as well as experimenting with offering events in multiple time zones. This area of work has high net revenue potential.

***American Libraries:*** The FY20 features and coverage in the magazine focused on large enterprise packages on topics such as democracy and voting, and the Census. There was a concerted effort to help further EDI goals with editorial content and to collaborate with ALA units such as PLA, ODLOS, PPO, and others to find sources and improve articles. After the pandemic began, there was a quick shift to online stories and webinars about libraries’ new, evolving needs. On the revenue side, digital advertising performed above expectations, specifically ads on AmericanLibraries.org, partly due to a push in custom content advertising and an increase in website ads, including a new billboard ad product. The external advertising revenue shortfall was partly offset by inhouse advertising exceeding the budgeted goal by $45,000. Print display ads held steady until Annual Conference was canceled, affecting what is typically the most profitable issue each year. Fewer sponsored emails were purchased (their focus often being onsite events or LIS programs). The ALA job board JobLIST actuals were 32% below budget, a direct result of the drop in jobs and therefore job postings. FY21 strategies to trim expenses and maintain revenue include the recent shift to one issue of AL Direct per week instead of two, more custom content for advertisers, increased podcast sponsorship, and a new business plan for ALA JobLIST that includes growing services and engaging ALA partners more actively in marketing.

**ALA Graphics**’sales were hit hard with a 48% shortfall in FY20; institutional sales have been particularly affected, including for sales tied to events such as Library Card Sign-Up Month. The unit is continuing to negotiate and experiment with licensing opportunities to reduce operating costs and increase margins as well as reach. For FY21, there will be three rather than four catalogs, each shorter and with fewer new products. Efforts to increase bulk sales are ongoing, the most recent success being an $11,000 order from the Department of Defense. ALA Graphics continues to support ALA’s events such as National Library Week, Library Card Sign-Up Month, and Banned Books Week, as well as awards and initiatives such as the AASL National Standards.

**Production Services and Print Services** are investigating the potential of setting up a business to offer services to other non-profit organizations—graphic design, production, editing, and small run printing, with a hope of launching in the first half of FY21.