Book Supply Chain Check-up

Interview with Brian O'Leary, Book Industry Study Group

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KENNEALLY: When the Book Industry Study Group met in April for its first in-person annual meeting since 2019, keynote speaker and Hachette Book Group CEO Michael Pietsch summarized the current era for publishers as the best of times and the worst of times.

Welcome to Velocity of Content. I'm Christopher Kenneally for CCC.

The last two years were indeed the best of times for publishers, as sales climbed skyward during the pandemic. Unit sales for print books rose 19% over 2020 and 2021 from their pre-COVID levels in 2019, an exceptional turnover in an industry that typically saw only 2% or 3% growth each year.

Yet it was also the worst of times for the book supply chain – so bad, in fact, that when dozens of containers filled with books rolled off a cargo ship and into the Atlantic Ocean in January, the news made international headlines and became comic fodder for hosts on late-night TV shows. Dwindling paper supplies, skilled labor shortages, limited printing capacity, and heightened awareness of environmental impact have all contributed to the supply chain nightmare for publishers.

BISG executive director Brian O'Leary joins me now to tell us how the industry is planning to shut down the horror show. Welcome back to the program, Brian.

O'LEARY: Thank you, Chris. It's always good to be here.

KENNEALLY: Well, we're looking forward to chatting with you. Much of this we picked up from the keynote speech at the BISG meeting in New York last month. And in that speech by Michael Pietsch, he spoke about sell-through ratios, the number of books that are sold relative to total availability. Those ratios have fallen over the pandemic. What moves are publishers making to influence this shift?

O'LEARY: Well, I think the thing that's driving sell-through more than just about anything else is the growth of online purchasing. So generally, it's thought that more than half of all books, physical and digital, have been bought online probably since 2014, perhaps a year earlier than that. And in 2020, the shift was actually for physical books – so more than half of all physical books bought in the United States were purchased online. That is

generally a more efficient channel when it comes to things like returns and sell-through, so you're seeing the numbers overall come down. That's beneficial not only for publishers who see more books sold relative to those printed – also good for the environment, because we're not finding ourselves with excess inventory or as much excess inventory at the end of the process.

KENNEALLY: Well, there has been great support for improving sustainability across the book industry supply chain. So do the kinds of innovations that ease supply chain issues, such as print-on-demand and use of local printers – they contribute as well to making publishing more environmentally friendly.

O'LEARY: They do. We're doing a series of brown-bag lunches. And in February, we talked about sourcing and sourcing alternatives and the tradeoffs between, for example, traditional offset runs, which might be for 3,000 to 10,000 copies or more, and on-demand printing – particularly on-demand printing where you're creating a book closer to its destination, so that rather than print it in a central location in the United States and then ship it both all around the United States or even outside the United States, that you find the best location to produce it, send a digital file or have already shared a digital file, and get that closer to the ultimate destination. That not only reduces the paper consumption, because you're printing when a book is actually ordered, but you're also reducing the cost of fuel and essentially the carbon footprint for a book that's delivered closer to its final destination.

KENNEALLY: BISG is a broad coalition of publishing constituencies, Brian, although authors have not played much of a role before. Will that be changing? Will authors also change BISG?

O'LEARY: I think they will. I think one of the things Michael Pietsch talked about in his remarks – his talk was titled "Never Let a Good Crisis Go to Waste," and he had several call to actions, including author partnerships. It is new to us. We've been working over the last, I'd say, five years to expand the engagement of agents, particularly in our rights committee efforts.

Agents are typically not members of BISG. That's partly a function of their interest. And we've strengthened our rights offerings to help draw them in. But it's also a function of time. Many agents are working in individual or small firms, and those are typically the folks who have the most difficulty dedicating time to the kinds of collaborative efforts that BISG sponsors as part of its committee structure. I think that challenge would also exist for authors. But we can work with the associations that represent authors – for example, AALA as agents, Authors Guild as an organization, and in some cases, AAP has also tried to reach out to the author community and make sure that we include them in the

conversations that we're having. Then that will give us a better understanding both of the fully broad view of the publishing industry supply chain, and I think in a comparatively small industry, as book publishing is relative to others in the United States, it will emphasize the value of partner relationships that grow across the business.

KENNEALLY: Well, as you say, publishing is a small industry. So have you had conversations with authors? What have they told you about their concerns as they relate to the supply chain?

O'LEARY: Most recently, we've been talking with authors about issues of using metadata to identify works, particularly diverse works, as well as to identify works written by authors with diverse backgrounds, whether that's a person of color, a person that might be LGBTQ, or other personally identified characteristics. And one of the things that comes out of that conversation is that there's more than one school of thought. It's not universally thought of as a good thing. And that authors also want to be able to control their identity. That makes absolute sense, I think, to anyone involved with book publishing.

They also don't want to see identification used as a weapon against them – you know, that we don't want to be able to, for example, easily exclude books by people of color. That would be a terrible outcome if we were able to go forward. So we're trying to sort through those issues in concert with authors and in concert with the author community.

The organization that's done the best work in that area is BookNet Canada, our sister organization in some ways in the Canadian market, although we do different things. They've done a great job over the last year and a half convening their author community to kind of highlight the issues, the concerns, and the opportunities that might exist in identifying works by people of color and other identities.

KENNEALLY: Well, there you're talking about using technology to encourage inclusion. Certainly, achieving diversity – part of the combination of diversity, equity, and inclusion in the workplace and in book lists – is a prominent goal for publishing today. It's also one of the four core objectives of the Book Industry Study Group. What can an organization like yours do to drive change further in this area?

O'LEARY: We've got three core strategies that we use, and you saw some of those on display at our annual meeting, the first of which is to convene, to bring people together to talk about issues. A lot of things happen either in individual organizations, and they could be best practices, but they also could be just limited by the nature of being a single entity or a single organization, but they also occur sometimes in silos, so publishers working through

the AAP or booksellers through the ABA. We have an opportunity to look across the entire supply chain and share what it is that we're trying to do globally.

That identity example that I gave you a moment ago – it's an equally important thing to authors as it is to booksellers, because many booksellers want to be able to feature works by specific groups. They have trouble doing that except by hand, kind of going through the books, reading them, becoming familiar with the authors. And that's not the best solution, because it's not author-controlled. So convening is a big piece of that.

The second is to amplify the work of others that's particularly helpful. We spend a lot of time looking at what other organizations and companies are doing, and we try to feature that in a variety of ways – through our committees, in our public communications, through our webinar series. We do nearly three dozen events a year, mostly online at this point, and that's a really good way with the 60 committee meetings to get the word out more broadly.

And the last piece is to solve problems that affect two or more parts of the supply chain. That's a little bit harder to find the right solution for diversity, equity, and inclusion. But when you think through that author identity example, it's something that we don't want, for example, booksellers necessarily implementing a solution that works to the detriment of the interests of authors. So having those conversations on an ongoing basis actually gets us closer to an effective solution.

KENNEALLY: Everyone loves their local libraries, Brian, but there is a growing tension between the appreciation for libraries and the business models that help them place published content on their shelves. So what plans do you have at BISG to look at this pointed dilemma?

O'LEARY: It's been an issue probably since as long as there's been digital content and maybe before that, but certainly the last 15 years from 2007 to now. And I don't think it's gotten easier over the last five years. During the pandemic, we saw probably a shift from consumption of physical content to consumption of digital content at the library level. Many libraries were closed for a period of time. People were a little bit less likely to borrow physical content, because there was a lot of uncertainty about the pandemic at the beginning.

We initially participated in a working group that ALA sponsored on business models. I don't think that that quite got to the solution that we would like. But I think the core thing that we need to do is start to put real data on the table that helps identify what the role of libraries is in the ecosystem for publishing as a whole and also what's the financial impact of library lending on book discovery and purchase. Because I think part of the assumption

is that a book offered by a library, particularly in digital format, is a lost sale or that it runs the risk of a lost sale. I think if we can find data on what the likelihood of that being true is, as well as what the financial impact would be for publishers, you could see actually a net positive for libraries, in which case the calculus for how libraries and publishers work together and what the business model is they use to support that would change. I think there's a lot of assumptions right now that we need to help the industry develop data and kind of shine a light on what's actually happening. That could be either for or against the argument for libraries. But I think we're starting with the assumption that better data is going to get us better business models.

KENNEALLY: And the language – the systems and practices that the publishing industry supply chain uses to communicate – some of them were developed back in the 1980s and the 1990s. They're still in use today. So does that make much sense given how much else has changed for the industry?

O'LEARY: It makes sense in that they work. I mean, they currently work reasonably well, and you don't want to break that piece. We're focused both on efficiency, but also transparency and developing new business models, and I think that technology has changed enough so that there are many new business models that may well be supported by different approaches to both planning and sharing information.

I'm thinking in particular that the models in the 1980s and '90s were largely EDI-based, so point to point, so a single publisher to a single retailer, a given manufacturer to a distributor. Those models are still largely in place, but the information now flows after the fact in many different ways, creating both contradictory information as well as uncertainty about what the latest version is. We're thinking about whether or not a single repository or multiple repositories of record for given publishers might be a better way to share some of that information.

Sales reporting is largely not two-way, so there are increasingly complex business models that are described in metadata, but then the sales reporting is very old-school, largely through spreadsheets and the like, requiring publishers to do a lot of work to tie it back to the business models that they sold the books on. We think we can do better than that, too.

KENNEALLY: Has the pandemic highlighted all these points for people? Did all the work done to survive and even thrive over the last two years – is it going to have a lasting impact, do you think?

O'LEARY: I hope so. One thing that we showed, and Michael Pietsch in his talk drew this out, is that we can create and sell books without necessarily coming to a central location – or a

central location all the time. We have systems in place to be able to do that. I think what it also showed is that we are highly dependent on some choke point suppliers.

Amazon at one point withdrew from selling books – or distributing books, more appropriately – in the US market, because it needed to preserve its distribution capacity for COVID essentials and other supplies. That really threw a shock through the entire supply chain for the book business in the US. We rely heavily on that particular vendor. Ingram continued to work as a core piece of the distribution puzzle throughout the pandemic, but that comes at a price, too. A number of their staff had to come into work at a time when everybody was working from home. So those kinds of shock-to-the-system reminders that we're heavily dependent on an existing model has promoted an interest in figuring out – perhaps if the next threat is not a COVID pandemic, but rather something else, we want to have, essentially, something that gives us greater flexibility across the supply chain should the current approach not work, even if only for a short period of time.

KENNEALLY: To sum it up, then, Brian, the industry may be going back to the office, but they're not going back to the way they used to do business.

O'LEARY: I think that's true, and I think everybody recognizes the value of that. They may have different approaches and ideas in mind for the solutions. Our job is not so much to pick the solution, but to work with people to bring them together, as I said a few minutes ago, to help surface the best ideas and grow consensus around what's possible, and also to try and keep people from putting containers of books at the top of ships crossing the Pacific Ocean.

KENNEALLY: Never a good idea, especially in a hurricane. Brian O'Leary, Book Industry Study Group executive director, thanks for joining me.

O'LEARY: Oh, it's always good to be here. Thank you for having me, Chris.

KENNEALLY: That's all for now. Our producer is Jeremy Brieske of Burst Marketing. I'm Christopher Kenneally for Velocity of Content from CCC.

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