

Publishing Industry Supply Chain Challenges and Opportunities webinar
Tuesday, October 5, 2021
Questions for the Panel

The Publishing Industry Supply Chain Challenges and Opportunities webinar took place on Tuesday, October 5, 2021, and featured panelists including Tyrrell Mahoney of Chronicle Books, Bill Smith of The MIT Press, Kelly Gallagher of Ingram Content Group, and Matt Baehr of the Book Manufacturers' Institute. Jim Milliot, Senior Vice President and Editorial Director of Publishers Weekly moderated the discussion.

Below is a summary of the questions that were received prior to and during the webinar, along with answers the panelists shared live or after the session. Answers have been lightly edited for clarity.

General Supply Chain Questions

Can you estimate how long this "global supply chain" situation will last? I.E., how long are we going to be living in this reality?

- Bill: I can't confidently; but taking a conservative approach to prepare I would expect a ripple effect well into next year. Traffic jams develop slowly, but by the time they come to a screeching halt, it takes some time for traffic flow to be reestablished.

Bill, do you see more publishers acquiring other companies to help keep products and suppliers "in-house"?

- Bill: To be clear, The MIT Press is a client of Penguin Random House Publishing Services – along with roughly fifty other publishers, we use PRHPS as our sales & distribution service provider. MITP aside, I do anticipate publisher/company acquisitions to continue at pace. PRH's purchase of Simon & Schuster is a case in point. But that's not news and has been going on for over a decade (and even further back with Hachette's acquisitions of Perseus, and the Penguin-Random House and Harcourt-Houghton Mifflin mergers). For economies of scale, it makes sense to share sales, distribution, and operational overhead while maintaining editorial integrity within each individual publishing group.

Have there been spikes in eBook sales as a result of the pandemic?

- Matt: All book sales are up, but print is still higher than eBook.

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General Supply Chain Questions (continued)

As we head into the last quarter of this year, many libraries who run on a calendar year fiscal year are seeing the impact of the supply chain issue yet also have to meet fiscal year deadlines. How can libraries best plan ahead within their fiscal year deadlines?

- Bill: Much of academic library collection budgets are now skewed toward digital at this point – and there is no issue with supply chain on the digital side. Digital allows for single or multi-user patron access – and we saw many libraries move from single user to access to unlimited access when the pandemic hit and remote usage spiked. Digital delivery can also be cycled however an individual library would like (on-sale date, monthly, quarterly) and likewise with invoicing (we will invoice for the entire list if the library needs to spend the budget – and even for multi-year spend in some instances).

Paper and Printing

Kelly, can you elaborate on dynamic sourcing?

- Kelly: Sure - the concept behind this approach is to gain buy-in from publisher customers that will allow us to switch to alternate / comparable paper sources when certain paper supplies run tight.

Chronicle produces beautifully printed books with special treatments and effects, are you seeing the printing challenges hindering what the packages are, or were planned to be?

- Tyrrell: Yes and no. If we have a tight timeline, we may not source a special type of paper for a book. But if we have built that time into the schedule, I don't expect additional delays. The slowdown on our games has been harder to anticipate/manage without many other options for materials.

Matt, you mentioned one publisher who is moving work from overseas to the US. Do you find other publishers considering this or are they just decreasing the overseas work?

- Matt: We are hearing folks moving work back to the US.

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Paper and Printing (continued)

Are book printers ramping up capacity in any way? Or is labor and/or paper capacity issues preventing investment in new capacity?

- Matt: Yes, capacity is affected by labor primarily.

Why are printers and paper producers closing or shrinking?

- Matt: Margins shrinking while continued costs rising.

Are there sustainable options for paper, bamboo or something?

- Kelly: Early days there but yes, I've heard that paper manufacturers are pushing more heavily into alternate sources given the new challenges, but we have not seen anything coming in the near term.

As a public library, we have noticed an increase in defective materials within our orders. Smudging, binding concerns, and large sections of pages out of order or sections of other titles bound within books. Is this directly related to publishing issues and trying to rush printing of materials?

- Bill: I would be curious to see if that's consistent within a given publisher. We haven't heard of these complaints. It sounds like this could be the consequence of publishers shopping for the cheapest or alternative options for printing / binding. We work with the same network of service providers and, because our books tend to be intricate, highly designed and illustrated, the quality of the job is paramount.

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Print on Demand (POD)

How many POD printers offer recycled content paper? Any offer 100% recycled content in POD?

- Kelly: I am not aware of any. The cost of recycled paper is still a block for many publishers regarding POD. From a sustainability perspective most POD gains a positive carbon footprint from using sustainably grown trees and eliminating the waste of producing large offset runs which in many cases contribute to >25% waste.

What do you consider "ultra-short run"?

- Kelly: For Ingram Lightning Source it can mean quantities down to 2 units. Most will order ultra-short run in case quantities.

Do paper shortages affect POD capacity?

- Kelly: At this point - no and we do not anticipate it being a problem - although certainly a point of vigilance This is largely a function of limiting paper selections.

Do you foresee publishers needing help with setting up titles into POD?

- Kelly: Not necessarily. In fact, more and more publishers are setting up titles in POD at time of release concurrent with offset.

Kelly, wouldn't POD be hit by these same labor and capacity issues? How much more can POD take on?

- Kelly: Certainly, labor challenges are universal. In that our print runs are short to a unit of one, it allows us to change over titles on the fly and provide a wider diversity of titles for sale - serving a greater number of customers.

How many titles as a percentage are ending up on back order?

- Bill: For us, a small percentage of our titles have actually missed the On Sale Date. The bigger worry is in reordering when a book actually succeeds. Reprints are at the end of the line (behind larger print run new releases). We already have books in need of reprints that won't be back in before the holiday. POD is an option for reprints under 1,000 copies and we have taken advantage of that for many of our small run academic monographs.

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Shipping and Fulfillment

What is the time arc you are using for planning?

- Bill: You don't specify "planning" what? Our list planning is in development 18 months in advance of the season, and we determine on-sale dates (OSD) a year in advance of publication. These can be moved when necessary – and, as we spoke of during the call, we've proactively moved out pub dates as a result of anticipated delays. At the moment, we're reviewing S22 OSDs in anticipation of the supply chain issues continuing and to ensure we have a buffer should deliveries be delayed.

Several people have mentioned direct-to-consumer but how are issues with the post office and other shippers going to impact that kind of fulfillment, especially this holiday season?

- Kelly: There will be points of failure, so we need to hedge our bets and if we only have one source of supply, the risk of failure is 100% out of stock. Consumer direct fulfillment, websites, selling and delivering to as many opportunities as possible, you need to play the odds to deal with carrier issues. Maximize your opportunities to minimize your risk of failure.

We've been told that a big reprint won't be coming in for Christmas because the books are too heavy and large and they were bumped off the shipment at the Chinese port in favor of other titles—lighter, more units per box. Has anyone else been seeing this? And is there any possibility of paying additional charges to make sure the expensive gift books actually get on the ships?

- Tyrrell: I haven't heard about delays due to weight. I imagine it has more to do with space availability in containers. You can try to source a container at a high price (i.e., 20k vs. normal 7-8k). But if they aren't on the water, it is unlikely to make holiday delivery.

Tyrrell, who are you using for a forwarder? I've been seeing 12+ week turn for ocean freight from Asia.

- Tyrrell: Our broker is Tandem/CH Powell. We have been working with them for over 15 years.



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Costs and Pricing

Curious whether publishers are starting to increase retails to absorb these increased costs. We're holding steady for now but are starting to look at increases. Bill or Tyrell, can you speak to how increasing costs are affecting your business? Will cover prices increase?

- Bill: I mention above that we have been able to move many of our lower print titles to POD. These would have printed offset previously, but the POD model allows greater efficiency with little or no unit cost increase. Again, this goes back to the strength of your vendor relationships – and we have been using our POD vendor for some time to help alleviate the bottleneck at our offset printers and to help ensure we get our books in a timely manner. On top of all this we have a pricing structure in place with our main vendors that has remained as stable as possible in this market. We've been able to keep the print and bind costs stable for the time being despite increases in materials.

Our pricing has always been pretty fluid and responsive. We revisit it throughout a book project's lifecycle up until it's printed on the book. But we wouldn't raise prices after the book's publication. That said, the overall unit cost of the printed book is always a driving factor in the pricing and P&L. Also, if costs remain high, we'll have to consider price increases when we plan future reprints. As university presses go, our prices are relatively low – and certainly competitive. So, we have room there for most of our books. Where we may see some difficulty, is pricing those heavily illustrated, lavishly packaged titles. It's always expensive to produce these books – and a large upfront investment if you choose to take on some risk and print higher quantity to reduce the unit cost.