The challenge of digital; the impact of change

Peter Kilborn
LBF Supply Chain Seminar
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Publishing economics

- The cost of making a book
- Recovery of plant costs
- The economics of the traditional vertical publishing model
‘e-books, if successful, will sink the trade publishing industry’
The challenge of digital

- Cost
- Price
- Format
- Volumes
- Overheads
- Channels
Costs are rising
Digitisation and digital asset management
Additional costs of conversion and manipulation
Price

- The rush for volume at any price
- The expectations for the new e-book market
- The agency model: only a temporary respite?
The impact of e-books on format choice
The slide in paperback sales
Volumes

- Declining markets for physical formats
- Higher per unit costs
- Lower profitability
Declining physical volumes
Threats to fixed-cost assets
Contraction in distribution
Channels

- Fewer places to sell books
- Further market concentration
- More pressure on prices
The big challenge

- Businesses will have to adjust to the new realities, and it will be painful
- Will digital revenues be sufficient to justify existing business models?
- Further consolidation in trade publishing
Resilience and specialisation

- New opportunities opening up
- ... especially for niche players
- Exploitation of new models
- A hopeful – but different – future
Thank you, and farewell

Peter Kilborn
pkilborn@aol.com
07973 406662