

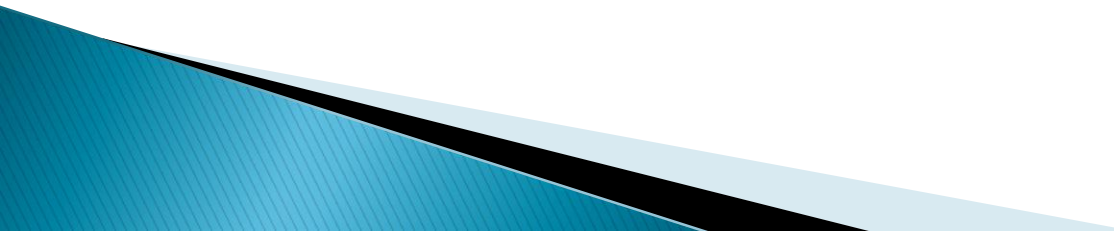
The challenge of digital; the impact of change

Peter Kilborn
LBF Supply Chain Seminar
Wednesday 18 April 2012

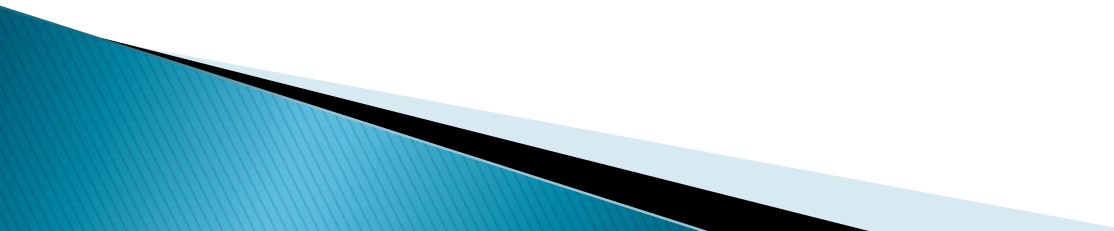
Publishing economics

- ▶ The cost of making a book
- ▶ Recovery of plant costs
- ▶ The economics of the traditional vertical publishing model

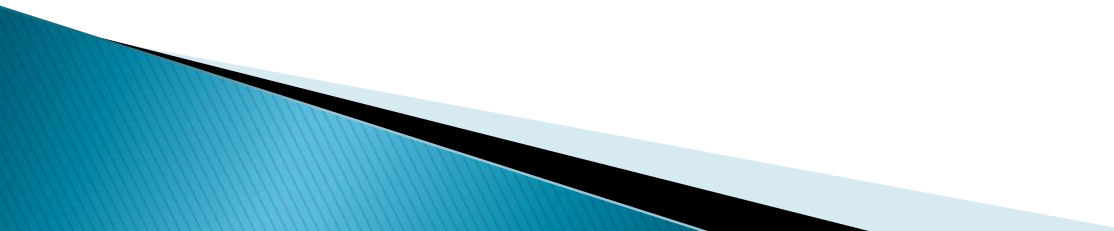
**‘e-books, if
successful, will sink
the trade publishing
industry’**



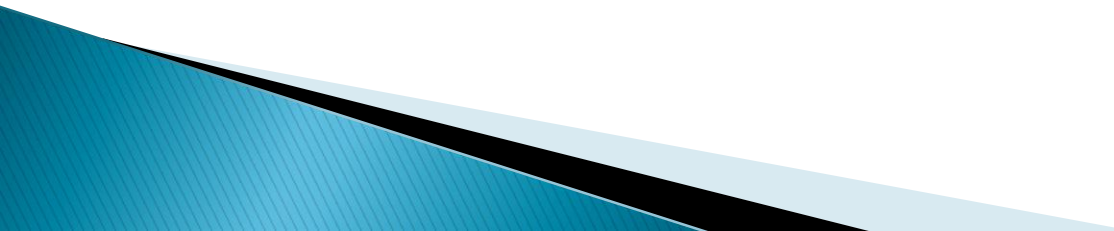
The challenge of digital

- ▶ Cost
 - ▶ Price
 - ▶ Format
 - ▶ Volumes
 - ▶ Overheads
 - ▶ Channels
- 

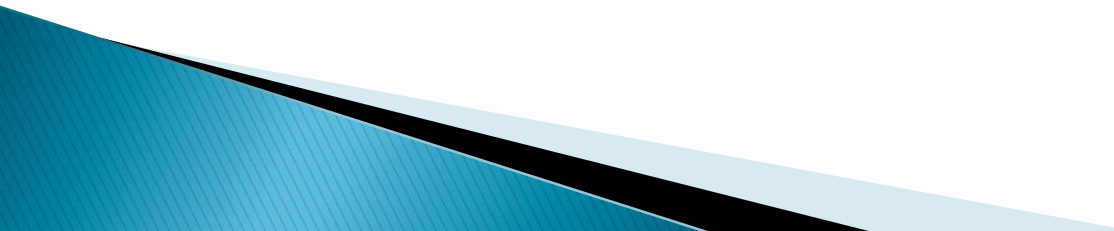
Cost

- ▶ Costs are rising
 - ▶ Digitisation and digital asset management
 - ▶ Additional costs of conversion and manipulation
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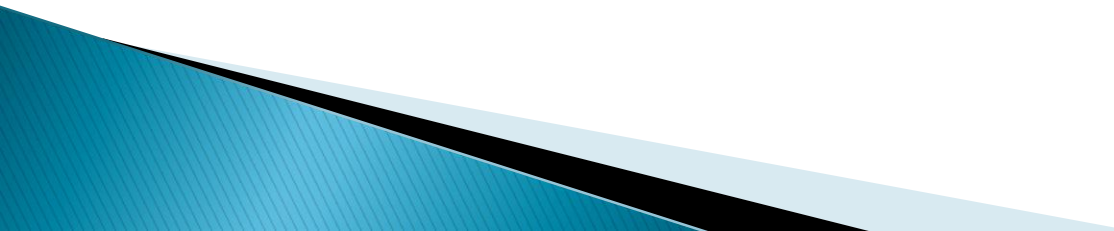
Price

- ▶ The rush for volume at any price
 - ▶ The expectations for the new e-book market
 - ▶ The agency model: only a temporary respite?
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Format

- ▶ The impact of e-books on format choice
 - ▶ The slide in paperback sales
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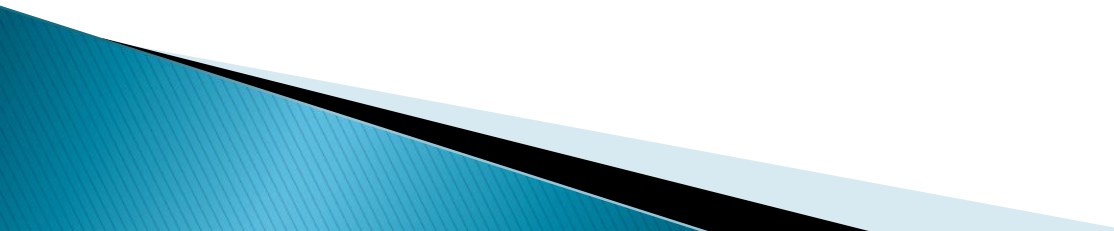
Volumes

- ▶ Declining markets for physical formats
 - ▶ Higher per unit costs
 - ▶ Lower profitability
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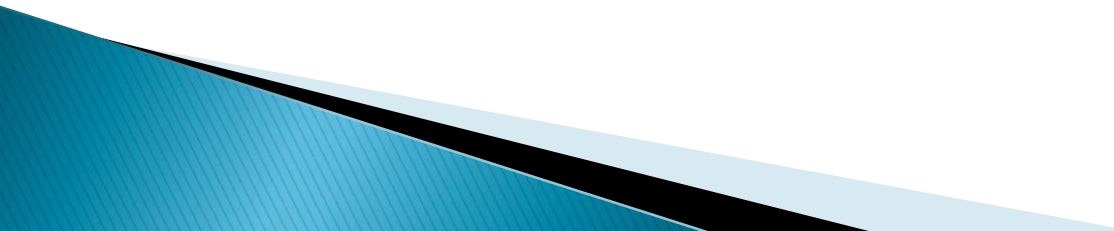
Overheads

- ▶ Declining physical volumes
 - ▶ Threats to fixed-cost assets
 - ▶ Contraction in distribution
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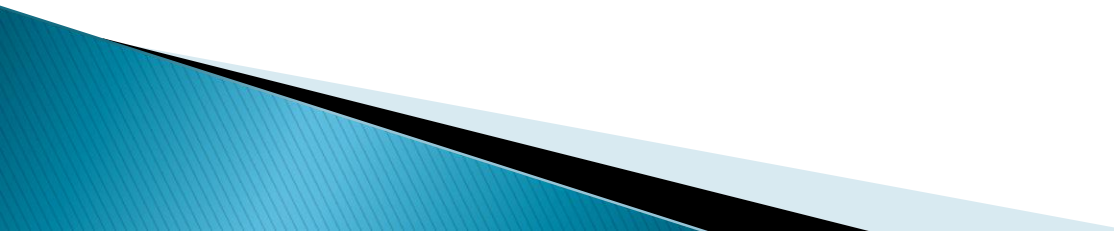
Channels

- ▶ Fewer places to sell books
 - ▶ Further market concentration
 - ▶ More pressure on prices
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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
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Resilience and specialisation

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

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