

TREND REPORT:
**Inkjet Evolution
in Publishing**



The quality-of-form versus quality-of-content debate is one confronting publishers today as they struggle to drive greater profits in a world where technology is uprooting centuries-old business practices.

It's Got the Look

A Publishing Executive Symposium, sponsored by Ricoh in March 2016, brought together publishers, book manufacturers and paper suppliers to examine the state of today's digital publishing and explore trends that will shape the publishing landscape. Spirited dialogue, lectures, and coffee table chats offered an insider's view of the shifting publishing world, along with a glimpse of trends beginning to emerge

Concerns over the appearance of digital print on the page have virtually disappeared. Printer hardware, software and inks have all improved dramatically over the past decade. Additionally, new papers developed specifically for inkjet provide less bleed-through and better quality. Toss in the fact that type faces and paper textures lend a traditional look and feel to inkjet pages, and publishers — and readers — are hard pressed to tell the difference between a book printed on offset and one printed digitally.

Still, not all titles are meant for digital print production, notes Kent Larson, president, Book Manufacturing Institute. "Books requiring long runs — the anticipated bestsellers — or art books dependent on high-quality images may not be suited for digital printing."¹

Given the reality that inkjet output approaches that of offset, most publishers have moved beyond that quality debate to figuring out how they can add value to their products. Young people are demanding wildly interactive books that blend alternate realities. Independent book publishers are clamoring for on-demand capabilities that will speed their books to market. Professors are insisting on technology to produce versioned books that can be updated and reprinted quickly.



"Today's inkjet quality can meet the standards of lithographic print, which was not possible just a couple of years ago."

— Sean Smyth, consultant at U.K.-based Smithers Pira

Facing such disparate demands, publishers are discovering that their value-add lies in finding innovative solutions for curating information, delivering it, and developing better ways of managing it. Inkjet allows publishers to manage print runs to complement their needs and enables:

- New sources of revenue by printing backlist and out-of-print titles.
- Elimination of warehousing and financing costs by printing new titles with low print runs on demand.
- Ease of creating different versions of books, as well as updating school texts.

¹ "What is the Quality & Cost of Digital Book Printing Today?" BookBusiness.com March 4, 2016

Cockeyed View of Cost

Printing costs are based on the historic rule of “price per unit,” and print runs are determined by “crystal ball” forecasting. The truth is that book predictions fly wide of the mark by either too few or too many.

More than 300,000 books titles are published in the United States each year.² Aside from books like *The Da Vinci Code*, *Harry Potter*, and a few others, only a couple hundred sell out their entire print runs. On the other hand, a publisher may be hit with a phenom, like Benjamin Spock’s *The Common Sense Book of Baby and Child Care*, the best-selling book of the 20th Century in America (aside from the Bible).

In either case, publishers can’t afford to be surprised very often. Say a publisher prints 5,000 books by a midlist author in September, and the book sells out by November. How fast can it be reprinted and at what cost? Or the book turns out to be a dud, selling only 2,000 copies. At what cost do thousands of unsold books sit on shelves for 12 months before being pulped? A huge waste and big hit to the bottom line. It’s an unsustainable business model that keeps publishers awake at night.

The 21st Century model has to be about publishing books that can be sold and reprinted quickly if supplies run out, books that can be customized, versioned and updated with the change of a file. All of these requirements hit digital’s sweet spot.

Although carrying an initial higher-per-unit price tag, digitally printed books, can be less expensive overall because they are printed in shorter runs, speeding up delivery time, reducing distribution costs, and essentially eliminating the need for warehousing and remaindering.

“Gone are the days where publishers were into the warehouse business, owning warehouses, and just stocking millions of books.”

— Kurt Scherwatzky, Production Services Procurement, John Wiley & Sons³

“You try to look at not just the unit cost of the book, but also the total cost of the printing,” says Kurt Scherwatzky, Production Services Procurement, John Wiley & Sons. “If we’re talking about printing 100 books and the unit cost is higher, you have to compare the total cost of printing, say, 10,000 units with offset. How many of those books are going to remain unsold, sitting on shelves in your warehouse? And how many are going to be destroyed at the end of the year?”³

Others agree. “Look at the complete life of how long that book is sitting in a warehouse versus the ROI,” adds Larson. “You’re going to make more money [printing digitally] because you’re not holding all of that inventory and not knowing what to do with it.” At the end of the year, publishers must pay taxes on those unsold books, which are considered assets.²

If the unit-cost model is so dusty, why does it still exist? The answer lies in the embedded culture of publishing houses. Typically, different departments are concerned about their own pieces of the cost: Editors — books acquired, not unsold inventory; Manufacturing — labor and material, not shipping or capital. What’s needed is a cultural shift to dump outdated practices.

Shifting the culture at venerable old publishing houses will open opportunities for growth and profit. But to accomplish a shift, the leadership must set a new vision and expectations. It must educate functional managers about how costs tie into overall profit. This different model would, undoubtedly, remove cost barriers and promote faster adaption of digital technology.

² “Books published per country per year” Wikipedia

³ “Wiley Head of Procurement Calls for Greater Education on Digital Printing Costs” BookBusiness.com March 29, 2016

Watch for These New Avenues of Growth

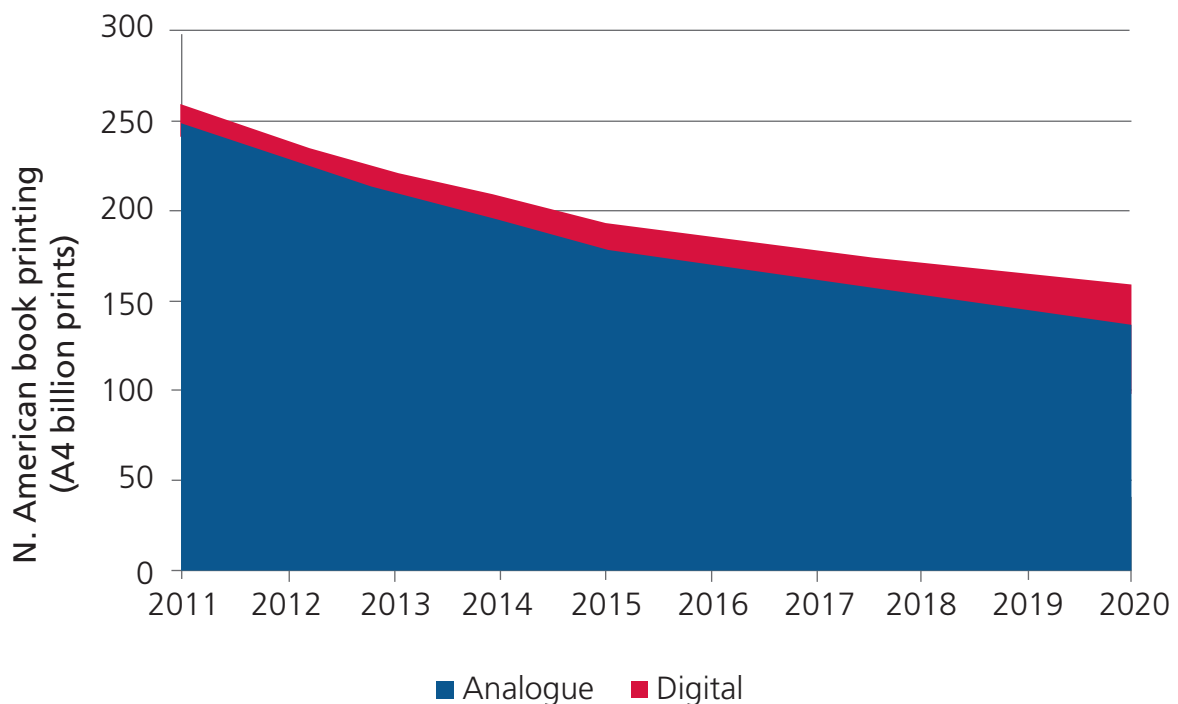
Low print volumes can deliver high value, notes Dr. Sean Smyth, consultant at UK-based Smithers Pira, recently shared his Trends in Book Publishing insights at the Publishing Executive Symposium which included:

- In 2011, digitally printed books represented 4.7% of all titles produced and generated 27.1% of the book market's total value.³
- In 2015, digitally printed books increased to 6.5% of all titles and generated 40.8% of the market value.
- Digitally printed books capture a higher share of market value, despite their low volume, because the majority of these books are sold. Offset titles, on the other hand, may never leave the warehouse and can eat into publisher revenue.³
- By 2020, it is predicted that digitally printed books will represent 13.7% of all titles produced and 47.8% of the market's value.

Consider this trend, popularized by *Fifty Shades of Grey* — a hybrid model that leveraged both offset and digital. Short-run, digital printers brought that book to market for British author E.L. James, who self-published it in 2011. Vintage Books acquired the publishing rights in March 2012 and produced it in the traditional manner on offset. The book quickly topped best-seller lists around the world, selling more than 125 million copies.

An emerging trend alters the way revenue is distributed throughout the supply chain. Basically, digital printing can bypass the retailer altogether. Titles would be shipped on demand directly to the end user, freeing up more profits to be shared among publisher, printer, and paper supplier. "When digital printing sidesteps the retailer, publishers can earn 13% of the retail value of the book, as opposed to 8%," Smyth says. "The printer's cut of the overall retail value of the book can grow from 4% to 10%." The paper supplier also benefits by selling paper at a higher margin.

Trends in Book Publishing (presented by Dr. Sean Smyth in March 2016)



³ "Wiley Head of Procurement Calls for Greater Education on Digital Printing Costs" BookBusiness.com March 29, 2016.

Watch for These New Avenues of Growth

Another trend worth watching is distributed printing. Along with reducing inventoried warehouse items, publishers want to print closer to their customer base, so distributive print is becoming popular. According to Scherwatzky: “The idea of distributive print is that publishers are able to send their files, ideally digitally, to one central location and then have it printed wherever the customer base is.”

In a generation of digitally savvy students, who is going to operate the offset presses? Although a lot of automation has been introduced into offset printing, the learning curve for operators is long and intensive, and the labor pool is diminishing, as high school and college graduates pursue high-tech careers. Digital isn't push button from the start, but the technology is much simpler to learn and is much faster to achieve acceptable levels of quality.

Smyth sums up what was on the minds of the industry leaders at the symposium. “The future of digital book printing appears bright, and the legacy players hit hardest by the digital revolution — book manufacturers, paper suppliers, and book publishers — will come out on top.”

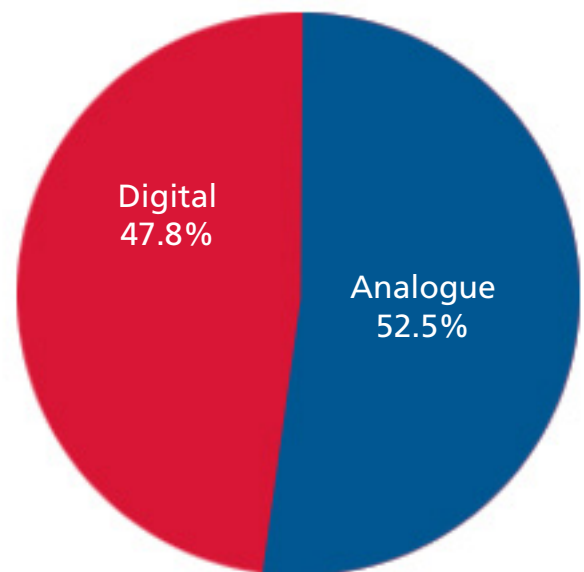
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Trends in Book Publishing, March 2016

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North American book printing 2020 (\$)



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⁴ “Where Digital Book Printing Is Heading in 5 Years” BookBusiness.com. March 17, 2016.

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