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Print-on-Demand: the best bridge between new technologies and established markets

For centuries, publishers have wrestled with one simple but crucial question upon which their success often depends: How many copies should we print? On one hand, fundamental economics of printing encourage publishers to produce as many copies as possible to achieve better economies of scale and lower per-unit costs. Meanwhile, the cost of unsold copies can also erode profit margins.

The sunny side of POD

Print-on-demand (POD) increasingly offers today's publishers a good solution to this central dilemma. By allowing publishers to print exactly enough copies to meet market demands and no more, POD drastically reduces, or even eliminates, the effect of unsold copies. The benefits of eliminating waste and reducing financial risk/expense are enormous to the publisher. Of course, contemporary POD technologies can be limited and do not yet meet the needs of all publishers. But POD's limitations are diminishing every day, and the technology's economic benefits are so powerful that more publishers are finding ways to use it successfully. This article will explore the reasons why, as explained by key industry players.

Not exactly a new phenomenon

The concept of on-demand delivery isn't new in industries outside publishing. Retailers of hard goods have relied on "just in time" (JIT) delivery for years. For example, a key factor in the success of retail giant WalMart was the linking of its in-store cash registers to a centralized inventory control system, allowing the retailer to replenish inventory in direct proportion to sales. However, retailers' JIT systems depend on having readily-available previously manufactured goods located in a central warehouse. POD takes the concept to the next level: The product is manufactured and shipped on demand, practically eliminating the need for inventory, warehousing expenses and

many other costs associated with bringing books to market.

Current Challenges

While POD offers many significant benefits to publishers, it isn't perfect. For example:

- * Per-unit production costs often are high.
- * Some publishers face challenges getting POD books to retailers other than major chain stores.
- * POD books are rarely found on bookstore shelves for consumers to buy on the spot.
- * There still are production limitations, such as the inability of many POD printers to use color in the interior of POD books.

To echo an old printer's adage, "You have three options: good, fast, and cheap. Pick two."

For these reasons, it's safe to predict that POD is unlikely to become the preferred method for publishing bestsellers because of per-unit cost, delivery time and production limitations. POD simply isn't the best way to produce large numbers of books quickly and inexpensively. However, POD serves many other publishers needs at a fraction of the cost of traditional methods. Stephanie Hall, a spokesperson for a leading POD service, Lightning Source (LSI), La Vergne, Tenn., says the technology allows publishers to:

- * keep more books in print, including regional sellers;
- * bring back out-of-print titles;
- * test-market new titles;
- * facilitate the market for foreign language publications in the United States;
- * reach customers anywhere in the world; and
- * avoid costly overstocks.

LSI's system also allows publishers to avoid warehousing expenses and inventory taxes, and make books available from more than 24,000 U.S. bookstores, plus more than 1,700 abroad. Further, POD printers are improving their systems every day, and already pose a serious challenge to conventional printing in many markets. To illustrate some ways in which POD printers are serving publishers better in several key areas, consider the following facts.

Per-Unit Costs

Problem: The per-unit cost of POD books generally is quite high, compared to conventional printing. For example, a 300 page 6x9 inch paperback with four-color cover can cost \$3 to \$6 to produce, using most current POD systems.

Solution: As POD technologies evolve, production costs are coming down, says Victor Celerio, CEO of InstaBook, a Gainesville, Fla.-based manufacturer

of equipment that allows users to print and bind a book in seconds. The company's integrated, single-step book-maker can produce books of the above-mentioned specifications for about \$1 each. Even at higher per-unit costs, POD still may be more cost-efficient than offset printing for many modest-selling titles.

Don DeHart, president, DeHart's, Santa Clara, Calif., quips that a publisher who offset prints 3,000 books but has 2,900 in the warehouse really hasn't saved any money at all.

And according to John Ruggeri, vice president of marketing for Phoenix Color, Hagerstown, Md., "The only cost-effective method of printing short-run books is print-on-demand. The cost advantage to printing less than 500 copies almost always favors POD over offset," he notes.

Getting POD Books to Retailers

Problem: While POD allows publishers to produce books at a fraction of the cost, some publishers face challenges getting them to retailers.

Solution: Major POD services such as Lightning Source and Replica Books, Bridgewater, N.J., offer publishers broad distribution through bookstores, thanks to corporate relationships with leading distributors. LSI is a division of Ingram; Replica, a unit of Informata.com, the e-commerce division of Baker & Taylor. As a result, publishers who release POD editions through these companies or their affiliates can gain access to the world's largest distribution channels. LSI and Replica sometimes produce a handful of copies of newly released POD books for their main warehouses, so that POD titles are actually in stock, albeit in small quantities, when orders are placed by bookstores. This also helps blur the line between the distribution of POD titles and conventional books.

Not on the Shelves

Problem: Because POD books aren't printed until consumers place their orders, the lack of availability at point-of sale (POD books rarely are on bookstore shelves) may be a drawback. In an age of instant gratification, consumers don't usually want to wait several days to get their purchases. For example, at online booksellers such as Amazon.com, there's substantially less contrast between POD books and conventional books. I recently ordered a POD title from a dotcom bookseller, and had it delivered in five days -- about the same as a traditional book ordered online. While online orders for POD books aren't always fulfilled this quickly, the integration of systems for publishers, printers and retailers is steadily improving.

Tomorrow's Solution: In the future, installation of on-demand printing systems directly in bookstores could allow retailers to fulfill consumers' orders in less than an hour. Early efforts at in-store installations, however, have been

challenging. For example, a recent report noted that Sprout, a company that sells in-store printing systems, delayed its test with the college bookstore company Follett. The original agreement called for Sprout to install its POD machines in four Follett locations. Spokespeople for both Sprout and Follett did not say what specifically was causing the postponement. However, many industry observers believe a significant number of bookstores may someday begin to produce books on-site, increasing the speed of POD order-fulfillment considerably.

Production Limitations

Problem: Production limitations pose problems for specialty markets. For example, leading POD printers don't yet offer color in book interiors, making it difficult for publishers to tap some lucrative markets, such as POD-printed children's books. Other POD printers offer interior color, but it's expensive.

Solution: Bill Clockel of Integrated Book Technology (IBT), Troy N.Y., says color, specifically for book cover and inserts, has improved in both quality and pricing. "It's now practical to use laser color technology and be competitive with color offset up to 500 copies," he notes. InstaBook offers four-color capability, notes Celerio.

The Publisher's Point of View

More and more small to mid-sized presses use POD to their advantage, especially when bringing back out-of-print titles and test marketing new releases -- all with minimal financial risk. To illustrate, officials at Inside Advantage Publications, Naperville, Ill., recently released new editions of several previously published business books through Unlimited Publishing, Bloomington, Ind., a new POD publisher affiliated with both LSI and Replica, at a cost of less than \$10,000 for seven titles.

Roger Fritz, president of Inside Advantage, recently told reporters he evaluated publishing alternatives with an eye toward producing new editions of several previously successful books. His goals also include cutting production costs, and storage and returns expenses, and insuring availability from major bookstore chains worldwide. "The Unlimited Publishing business model directly addressed each of our priorities," said Fritz. The attractiveness of POD clearly is shown by the fact that LSI has printed more than 1.3 million POD books and established relationships with more than 700 publishers around the world. Other POD services such as Replica also report robust growth in their client bases.

For publishers, the benefits of squeezing additional revenues from previously published books with minimal investment; test marketing new releases with nominal risk; and keeping marginal titles in circulation without paying for additional printings, present unprecedented business opportunities.

What's Ahead?

Clockel of IBT believes current publishing trends toward greater efficiency and cost-effectiveness will, of course, accelerate. At present, he says, "IBT-manufactured books can be less expensive at quantities up to 750 copies than conventional offset printing. And, in the years to come, bigger and faster digital webs will allow digital printers to be competitive in quantities up to 2,000 units. "On the back end," he continues, "computerized binding lines that allow for quick, automatic makereadies will further the competitiveness of this process." Responding for LSI, Hall adds that overseas publishers are poised to jump in with POD services soon. "There's a clear readiness and willingness internationally, particularly in the U.K. Companies like LSI need to make the most of this burgeoning marketplace by establishing a clear and dynamic presence abroad and examining customer needs."

As summarized by Susan Frost of Replica Books, "Print-on-demand is making publishers and authors rethink their printing/publishing strategies. From rights management to production, from inventory to shipping, POD is making a major impact in the publishing world." Of all the new technologies that promise to revolutionize publishing, POD offers publishers the best bridge between the production methods of tomorrow and the markets of today. POD books combine many of the economic advantages of e-books, CD-ROMs, etc. while producing "real" books that hold appeal for millions of readers worldwide, using established distribution channels.

About the Writer

Author/Publisher Danny O. Snow has been quoted about new publishing technologies by news media including The Wall Street Journal, Los Angeles Times, Washington Times, Denver Post, National Public Radio and others. He is co-author of a POD book about new methods for producing and promoting books, titled U-Publish.com with Dan Poynter, and serves as CEO of Unlimited Publishing LLC.

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