

TO: ALA Executive Board/BARC

RE: ALA Publishing: Recent Results and Opportunities Going Forward

ACTION REQUESTED/INFORMATION/REPORT:

This report provides an overview of ALA Publishing's FY21 Q1 results, with estimates for Q2 and some contributing opportunities, challenges, strategies, and activities by unit.

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DRAFT OF MOTION: None requested

DATE: March 24, 2021

BACKGROUND: Financial results, opportunities, challenges, and strategies in the ALA Publishing department and its six business units in Q1 FY21, with estimates for Q2 and beyond.

AVAILABILITY: No restrictions

ATTACHMENTS: None

ALA Publishing FY21 Performance Summary: Q1 September – November 2020

ALA Publishing Department totals	FY21 as of 11/30/2020	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$2,173,339	(\$160,375)/ - 7%	\$10,032,632
Total Expenses – before OH and taxes	\$1,673,460	\$39,565/ 2% below budget	\$7,247,215 (not including overhead)
Overhead paid	\$575,934	(\$50,880)/ -8%	\$2,658,646
Net revenue (Note: the lag between revenues and expenses being recorded skews this number throughout the year until final expenses are calculated and IUTs etc. applied.)	\$25,921	(\$100,322)/ -79%	\$529,129

ALA Publishing Department top Q1 takeaways

- Fluctuations from month to month continue across the department as a whole—so far in FY21, one month's revenue was ahead by 12% and other months it has been behind.
- Despite some optimism about the coming months with vaccinations and more libraries and schools either opening up again or planning to do so, market and sales trends continue to be unpredictable. Based on manually compiled information from software used in each unit, it looks as though as of late February, we are tracking 7% behind revenue goals and anticipate that this may hold true for the fiscal year overall. Monthly allocations were set higher in most units for the second half of FY21 given the many unknowns of

the pandemic and the hope that things would improve as the year went on. Such improvements are still unclear, and higher Q3 and Q4 revenue targets account in part for a projected shortfall of 5-7%.

- Some projected shortfalls across the units are from losses in advertising, product sales, and pre-conference opportunities at face-to-face ALA conferences, especially Annual.
- Shortfalls will be mitigated in part by expense savings. Reduced expense numbers that offset revenue shortfalls lag in reporting, so the net revenue number presents an incomplete picture throughout the year until after the August close when numbers are reconciled.
- Book sales continue to be impacted by unexpectedly high returns from distributors and disruptions in education, including higher ed.
- Bulk sales for eLearning events negotiated centrally through the eLearning Solutions unit for events from any ALA unit show promise. This bodes well for the shift to a stand-alone ALA CE unit.
- The furloughs in FY21 combined with expense reductions led to some judicious trimming, such as some combined magazine issues, fewer books published, and smaller and fewer print product catalogs.
- Positive signs for the remainder of FY21 include at least two of the “Big 5” publishers continuing to predict strong calendar-year 2021 sales (with potential advertising opportunities as they rebound, although not likely in print advertising), interest in custom and licensed content, success in collaborative projects and content development across ALA, and the launch of RDA 3R. Overall, the new ALA Pivot Strategy is offering a framework for rethinking our work, investments, and priorities.

ADDITIONAL DETAIL BY UNIT

ALA Editions/ ALA Neal-Schuman top Q1 takeaways

ALA Editions 301	FY21 performance report as of 11/30/2020	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$555,622	(108,491)/ -16%	\$2,672,553
Total Expenses - Overhead	\$535,754	\$13,912/ 3% below budget	\$2,420,824 (not including overhead)
Overhead paid	\$147,240	(\$28,750)/ -16%	\$708,227

- The product sales units, including books, have seen the biggest month-to-month fluctuations so far in FY21. Fluctuations throughout the first quarter (-12.8% by late fall) stabilized towards the end of the second quarter and sales have rebounded to around a 5% decline.
- Book sales continue to be impacted by unexpectedly high returns from distributors and the disruptions in education.
- TechSource subscriptions are not yet updated in reports so we are using estimates.
- Facet sales (the CILIP UK publishing partner) are about \$6,600 behind budget YTD.
- The unit published a total of 13 book projects in Q1 and 22 book projects in Q2 (including 11 from our UK partner Facet/ CILIP Publishing).
- Improvements and efficiencies in product fulfilment, warehousing, and distribution will likely result from shifting to a new vendor as of July 1 (contract negotiations are currently underway). The first phase will be a more traditional move to a new vendor, but going forward, it offers the opportunity to rethink distribution and future-facing models such as print-on-demand (already used for reprints and some smaller print runs).
- We continue to hone and implement a tiered approach that identifies priorities based on potential sales and immediate need for content. We are also working on a revised acquisitions plan, and collaboration with trade publisher Sourcebooks, announced in February, which will earn royalties for the unit.

Booklist top Q1 takeaways

Booklist 302	FY21 performance report as of 11/30/2020	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$1,014,685	(\$1,734)/ -0.17%	\$4,389,018
Total Expenses - Overhead	\$547,327	\$19,509/ 3.4% below budget	\$2,305,487 (not including overhead)
Overhead paid	\$268,892	(\$459)/ -0.17%	\$1,163,090

- *Booklist* was close to budgeted revenue and expenses through Q1. Smaller publishers and libraries (*Booklist* advertisers and subscribers respectively) were hit hard by the pandemic, so advertising and subscription revenues were budgeted to be lower in the first half of FY21. Softness in print subscriptions and print advertising will affect the remainder of FY21. Many libraries have canceled or not renewed subscriptions; a planned reactivation campaign in April aims to recapture some subscribers. Due to school closures, advertising from series nonfiction publishers has been reduced, but we expect this trend to reverse in FY22.
- The unit continues to focus on new digital sponsorship and advertising opportunities as they emerge, including podcast sponsorship.
- To remain competitive, *Booklist* needs to develop its digital assets and products. The team has made positive steps toward this goal but would like to do more when financial investment in this area becomes feasible.
- *Booklist Reader* (*Booklist*'s new patron-facing product) will launch as a digital-only product at the start of FY22, with input from the Booklist Advisory Board. The goal is to include this product that reaches all library patrons as a benefit of subscription, offering an added value proposition to help boost subscriptions while also expanding our reach to the public. We received Mellon Foundation grant funding for the new product.
- *Booklist* is receiving fewer print galley for review and will see expense savings here over time as publishers continue to move toward e-galleys.
- Beyond expenses and revenues, *Booklist* has held two Advisory Board meetings of its new board and in conjunction with the board, has written and announced a mission statement. Increased collaborations across ALA include divisions such as AASL, round tables such as GNRCRT, and affiliates such as BCALA.

American Libraries top Q1 takeaways

American Libraries 303	FY21 performance report as of 11/30/2020	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$140,496	(\$9,552) / -6%	\$707,529
Total Expenses - Overhead	\$205,582	\$37,073 / 15% below budget	\$922,392 (not including overhead)
Overhead paid	\$37,231	(\$2,533)/ -6%	\$187,495
Net Revenue	\$0	\$0	\$0
<i>Subscription Equivalent</i>	\$101,976	\$30,393 / 23%	\$402,358

- At the end of Q1, total revenues were down due to weaker gross advertising sales (\$16,502 less than budget) as advertisers continued to scale back on marketing through products such as AL Direct and the Special Delivery sponsored email program.
- Based on internal tracking and pending subscription information, YTD total estimated revenue is expected to be 15% (\$46,306) less than budget, with JobLIST performing 20% (\$19,622) better than budget. JobLIST's outlook continues to look promising as prospects in the job market grow. In Q1, JobLIST classified ad sales performed 8%, or \$3,010, better than budget.
- Advertising in AmericanLibraries.org for the fiscal year has already met budget (\$73,850 actuals).
- Ad packages that bundle, discount, and offer new incentives, are starting to see some success.
- While consolidation of the library technology industry continues to be a concern, the economic turmoil and ensuing turnover in personnel at these companies—as well as not having face-to-face conferences—have hampered the ability to build and maintain vendor relationships. Some LIS programs have also decreased advertising due to declining enrollment. Despite these challenges, our ad sales rep has brought a handful of new advertisers on board.
- Smaller-size print issues have cut costs in both production and freelance needs. Fewer commissioned stories for online have also reduced expenses.
- In collaboration with JobLIST partner ACRL, a new business plan is in development.
- The team continues to focus on developing content that supports ALA's strategic goals and that meets advertiser expectations.

Digital Reference/RDA top Q1 takeaways

Digital Reference 305	FY21 performance report as of 11/30/2020	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$ 269,040	\$ 258 / 0 %	\$ 1,201,594
Total Expenses - Overhead	\$ 145,267	\$ 3,960 / 3 %	\$ 754,384 (not including overhead)
Overhead paid	\$ 71,295	(\$ 8,310) / -10 %	\$ 318,422

- Total revenues as tracked in Salesforce, the system used for day-to-day subscription and renewal monitoring and management show a subscription shortfall of \$6,931, or 3% as of 11/30/20, compared with the Prophix record of 0% where each month's subscriptions match budget rather than reflecting actuals. The -3% seems a more realistic base for projections for the rest of FY21, likely to end with a 5-7% shortfall.
- Through February Salesforce is showing DR revenues 2% short of budget targets, but the shortfall is likely to grow in the second half of the year when the budget allocations call for approximately 60% of the revenue.
- In December 2020, the three-year RDA Toolkit Restructure and Redesign (3R) Project came to completion with the activation of the new Toolkit. Efforts to educate users about and support this change have included the internationally focused iteration of the successful RDA Lab Series in collaboration with eLearning Solutions; publication of *Introducing RDA: A Guide to the Basics after 3R* (a collaboration with ALA Editions); and a number of free webinars. Other related sales initiatives included the introduction of multiyear subscriptions for LIS, discounts tied to new ALA and CILIP (UK) memberships, and publication of a print RDA Glossary.
- Translations in Hungarian and Arabic are underway and should lead to use and subscriptions in new markets.
- New strategies for communicating with current subscribers and following up with lapsed subscribers have already impacted revenues and should improve renewal rates going forward.

ALA Publishing eLearning Solutions top Q1 takeaways

eLearning Solutions 308	FY21 performance report as of 11/30/2020	\$ and % Variance Actual/Budget	FY21 full-year budget

Total Revenues	\$125,315.00	(\$8,668) / -6%	\$535,931
Total Expenses -Overhead	\$90,599	-\$8,757 / -11% (i.e., more than budget)	\$285,456 (not including overhead)
Overhead paid	\$33,208	(\$2,297)/-6%	\$35,505

- Two key factors account for the recorded Q1 budget shortfall: (1) The RDA Labs Series, initially slated to begin in January, was pushed back to February, so the revenue for this event, initially expected to start accruing in November, was pushed back a month or so along with the event start date. (2) A large bulk order with the California Library Association will be invoiced in April, representing approximately \$21,000 in added revenue.
- As predicted, the RDA series generated strong sales once launched, and as of February, we are slightly ahead of YTD revenue budget and with some additional bulk sales, the unit projects meeting the FY21 revenue goal.
- Two courses completed in partnership with SJSU and designed to respond directly to the pandemic attracted especially strong registration—*Change Management for a New Reality: Adapting to the New Normal* and *Launching and Expanding Virtual Services: A Complete Guide for Challenging Circumstances*.
- The focus of work has been shifting to laying groundwork for this unit to become a free-standing ALA unit in FY22 to better coordinate CE efforts across ALA, with bulk sales negotiations a key driver of revenue.

ALA Graphics top Q1 takeaways

ALA Graphics 313	FY21 performance report as of 11/30/2020	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$68,181	(\$32,189) / -57%	\$526,007
Total Expenses -Overhead	\$45,250	\$28,077 / 38% less than budget	\$372,927 (not including overhead)
Overhead paid	\$18,067	(\$8,531) / -32%	\$139,391

- Q1 continued challenging for Graphics sales with many libraries and schools remaining closed or operating remotely and without programming.
- The launch of the winter Graphics catalog featuring Baby Yoda and other new items December 1 resulted in a strong December with revenue ending at \$13K more than budget. The Baby Yoda poster and bookmark sold through in mere days and continues to see strong sales; additionally, it has opened up new opportunities including the relaunch/expansion of Out of Print's Baby Yoda clothing and accessories licensing our image and READ trademark.
- Order processing/fulfillment charges continue to run higher than budget; we are monitoring and making adjustments where we can and will negotiate hard with a new vendor to minimize additional fees.
- Licensing of the R.E.M. READ poster for a puzzle (sold and fulfilled by the band) will add \$12,500 in royalty in March.
- Graphics is working on expanding licensing of Baby Yoda poster art to library cards and hopes to see the first royalty in late March/early April. We continue to expand our offerings on the print-on-demand gift store Spreadshirt.com and expect to see sales increase starting in March with the launch of Día products and April with the introduction of Newbery 100th Anniversary products, both in partnership with ALSC.
- Cutting expenses for ALA Graphics included reducing the unit to one staff person and cutting the number of catalogs. We continue to adjust to the changes, with operational support supplied by ALA Editions/ALA Neal-Schuman staff.