EBD # 12.41/ BARC # 12.41
2020-2021

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 Q2 results, with estimates for Q3 and Q4 and further detail by business unit on contributing opportunities, challenges, strategies, and activities.

ACTION REQUESTED BY: Mary Mackay, AED Publishing

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DRAFT OF MOTION: None requested

DATE: June 7, 2021

BACKGROUND: Financial results, opportunities, challenges, and strategies in the ALA Publishing department and its six business units in Q2 FY21, with estimates for Q3 and beyond.

AVAILABILITY: No restrictions

ATTACHMENTS: None

ALA Publishing FY21 Performance Summary as of Q2 Sept 2020–Feb 2021

Department totals	FY21 performance report as of 2/28/2021	$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	$4,393,523	($252,497)/ -5%	$10, 032,632
Total Expenses – before OH and taxes	$3,488,204	($17,618)/ 0.5% more than budget	$7,247,215 (not including overhead)
Overhead paid	$1,164,467	$83,484/ 7% less than budget	$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.)	($36,288)	($190,743)/ -123%	$529,129

ALA Publishing Department top Q2 takeaways/FY21 projections

- All units are committed to seeking and uncovering new revenue opportunities where resources can be allocated appropriately to allow us at the same time to maintain current sales activities. Tactics incorporate EDISJ considerations, and include new directions in content, new formats, reaching additional markets, reaching more broadly and deeply into current markets, and collaborating extensively with other ALA units and organizations. Each unit has been disciplined in managing expenses and all are preparing for FY22 priorities and investments with implementation of the ALA Pivot Strategy in mind.

- Fluctuations in sales continue, but some signs point to post-pandemic conditions starting to stabilize. ALA Publishing projects a likely shortfall of 8% or approximately $800,000 against FY21 revenue. The higher Q3 and Q4 allocations set in most units in the hope that the pandemic impact would lessen as the year went on account in part for the slight increase in projected shortfall. Expense savings are projected to offset that by at least $360,000, also around 8%.
- Positive signs for the remainder of FY21—which will also be the springboard for FY22—include: interest in custom and licensed content; success in collaborative projects and content development across ALA; the launch of RDA 3R and related education, print materials and translations; important book projects releasing in the coming months; and some big publishers continuing to predict strong calendar-year 2021 sales (indicating potential advertising/ sponsorship opportunities).
- Face-to-face conferences offer key revenue-generation opportunities that have been lost in FY21, affecting advertising, product sales, and pre-conference events, especially at Annual Conference. (The ALA Conference Store revenue budget, for example, was $45,000.)
- Expense reductions combined with furloughs led to judicious trimming for FY21, such as combining magazine issues, publishing fewer books, and smaller and fewer print catalogs. While these cuts helped manage expenses, there is also some impact on sales.
- The net revenue number lags in reporting until the FY close after August when numbers are reconciled, and the impact of reduced expenses offsetting revenue shortfalls can be confirmed. Some Q2 revenue and expense numbers will improve when the fiscal year accounts close, including subscription revenue.
- Operationally, the move to a new fulfilment vendor CDC (Chicago Distribution Center) demands much time and focus from key staff. A March/April 50%-off moving sale for ALA Editions/ALA Neal-Schuman and ALA Graphics generated $69,480 ($57,830 books and $11,650 in Graphics products) and reduced the inventory to be moved by more than 2,400 units.
- Online learning continues to show potential, especially in the area of bulk sales for elearning events from across ALA negotiated centrally through the eLearning Solutions unit. This bodes well for the FY22 shift to a stand-alone ALA CE unit.
- Special notes for FY20 and FY21 expenses
    - FY21: Unbudgeted expenses for the move to CDC (including IT expenses for connecting the shopping cart) will be carried by ALA Publishing in order to avoid the complex accounting that would be required to assign these costs to the multiple units that use these facilities. Those amounts will be noted in the FY21 closing narrative. The CDC accounting system will simplify this kind of work going forward, based on a straight percentage of sales. ALA Publishing is also carrying unbudgeted expenses related to setting up the new elearning website (also required due to the fulfillment move). The move was unbudgeted because the current vendor announced only in October 2020 that they were exiting this business effective 6/30/21.
    - FY20: The increase in negative net revenue in the final FY20 close was on paper rather than representing an increase in actual expenses and resulted from the strategic decision to remove two large legacy items that continued to hit the bottom line each year without adding new value to the publishing enterprise: the write-off of excess inventory accumulated over many years, and a more rapid paying down of the remaining goodwill from the 2011 Neal-Schuman acquisition.

FURTHER DETAIL BY UNIT

ALA Editions/ ALA Neal-Schuman top Q2 takeaways/FY21 projections

ALA Editions 301	FY21 performance report as of 2/28/2021	$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	$1,190,357	($64,621)/ -5%	$2,672,553
Total Expenses (not including overhead)	$1,145,472	$25,857/ 2% less than budget	$2,420,824 (not including overhead)
Overhead paid	$315,445	$17,124/ 5% less than budget	$708,227

- Fluctuations in sales stabilized towards the end of the second quarter and sales rebounded slightly. The projected shortfall for total FY21 is around 7.7%.
- Book returns from distributors have started to revert to more normal levels, and we are starting to see some bulk sales for training events again.
- 12 new ALA titles were published in Q3, including an immediate bestseller, Oliver's *Introducing RDA: A Guide to the Basics After 3R*. The unit will publish a total of 40 book projects in FY21, several resulting from productive collaborations with ALA units such as AASL, PPO, PLA, OIF, and the former ALCTS (now Core). Revisions are underway for key textbooks, including a third edition of *Metadata* (Zeng and Qin).
- Facet sales (the CLIP UK publishing partner) are about $16,000/ 71% ahead of budget YTD. Ten titles from Facet have been published YTD, with 3-4 more expected by the close of FY21.
- A new ebook distribution agreement has been signed with Gale Cengage, likely to add incremental sales and exposure as Gale offers content tailored to an organization's collection preferences. (ALA Editions/ Neal-Schuman ebooks are available through multiple distributors.)
- Various marketing strategies are underway to recapture subscribers and boost single copy sales of ALA TechSource products, *Library Technology Reports* and *Smart Libraries Newsletter*.
- We will look for improvements and efficiencies in product fulfilment resulting from the July 1 move to the Chicago Distribution Center, including consideration of more future-facing models such as an increase in print-on-demand (already used for reprints and some smaller print runs). while the logistics of the move have been an intense focus for staff in various areas of the association, the main effort is centered in Editions/ Neal-Schuman.
- The unit continues to operate without a dedicated publisher, a situation that we will seek solutions to in FY22 as that level of focus is needed to ensure stability and long-term growth.

***Booklist* top Q2 takeaways/FY21 projections**

Booklist 302	FY21 performance report as of 2/28/2021	$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	$2,024,419	($24,350)/ -1%	$4,389,018
Total Expenses (not including overhead)	$1,115,132	$29,085/ 3% less than budget	$2,305,487 (not including overhead)
Overhead paid	$536,471	$6,453/ 1% less than budget	$1,163,090

- Successful advertising programs in FY21 include the VOICES program (a bundled option for publishers to feature their EDI books) generating $68,000. The Graphic Novel promotion generated $140,000, the most in this special promotion's 3-year history. Two successful white paper projects with Gale and one with Ingram resulted in $80,000 in revenue. The webinar program has sold $475,000 in sponsorships in FY21, the most in its history.
- Overall, *Booklist* advertising sales, specifically print, continued to be affected by the disruptions of the pandemic and are projected to be down against FY21 budget by about $230,000, the bulk of that shortage from Series Nonfiction advertisers. (Possible reasons include school closures so SNF titles not being purchased by individual schools and districts, and publishers therefore not spending money on promotion.) The remaining shortfall results from a combination of no or fewer sales from Penguin Random House with BOT/Listening Library, DC Comics print publishing, and several international advertisers, as well as the increase in adult publishers advertising to their own lists. The unit continues to focus on new digital sponsorship and advertising opportunities as they emerge, including podcast sponsorship.
- The unit continues to explore new and expanded licensing opportunities, recognizing that many access our reviews through third parties. The licensing agreement with ProQuest decreased from $200,000 in FY20 to $154,000 in FY21, due to a pandemic-related loss of revenue on their side.
- The toll of pandemic-related library/school closures took nearly a full year to play out on *Booklist* subscriptions. The current circulation is down 10% year over year, and down 17% from this time in 2019. The retention rate has fallen below 90% for the first time since this measure has been tracked. Some new subscribers were attracted through promotions, but discounts to secure those subscribers result in revenue per subscription being down 5% year over year. More full-price orders are starting to come in, which should help bring the revenue per sub back to pre-pandemic rate. We estimate ending FY21 around 16.71% down against budget in this area, with estimated revenues of $1,052,184, or $211,134 short of budget. To counter the downward circulation trend and initiate programs aimed to boost circulation before the end of FY21, the marketing team is and has been working on these efforts:
    - Reactivation campaign
    - 15K direct mail to mix of expired subscribers, ALA members non-subscribers, MDR list academic libraries (mails early June)
    - LIS school and student outreach (April). 10 LIS schools have *Booklist* Online Unlimited trials
    - Eblast to individual students for print subscriptions (26 new orders so far)
    - 14-day trial campaign launched in May to encourage reconsideration of *Booklist* Online
    - Eblasts and banner ads posted on *Booklist* Online, *Booklist* Reader, and in enewsletters.
    - Promotion of *Booklist Reader* (patron-facing product described below) beginning in June including
        - Teaser paragraph included in reactivation direct mail piece
        - Kick off at ALA Annual (*Booklist* virtual booth)
        - House ads, banners, social media, and eblasts
        - Conversations with EBSCO and other sales/subscription agencies
        - ALA channels
    - Back-to-school campaign celebrating re-opening of schools
- As noted above, *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 and a focus on EDI. The product will offer an added value proposition to help boost subscriptions while also expanding reach to the public. Mellon Foundation grant funding is supporting the development and launch.

***American Libraries* top Q2 takeaways/FY21 projections**

American Libraries 303	FY21 performance report as of 2/28/2021	$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	$274,144	($24,283) / -8%	$707,529

Total Expenses (not including overhead)	$423,797	$22,519 / 5% less than budget	$922,392 (not including overhead)
Overhead paid	$72,648	$6,436 / 8% less than budget	$187,495
Subscription Equivalent (no net revenue is calculated for AL)	*$222,301*	*$-4,670 / -2%*	*$402,358*

- The team continues to focus on developing content that supports ALA's strategic goals and that meets advertiser expectations.
- Thanks to strong expense management, the FY21 final projection for the Subscription Equivalent from the ALA General Admin budget is $85,000 less than budget. The budgeted amount was $402,358 but the projected amount is $317,075. (Smaller-size print issues have cut costs in both production and freelance needs. Production and mailing costs are also affected by fluctuations in the total number of ALA members. Fewer commissioned stories for online have reduced expenses.)
- At the end of Q2, gross advertising sales ($45,128 / -20% less than budget) continued to be affected by the market-wide reluctance of library vendors to launch and market new products and services. The contraction was exacerbated by continued vendor consolidation—for example, Clarivate's purchase of ProQuest; OverDrive's acquisition of RBdigital; RBmedia's purchase of McGraw-Hill Publishing audiobooks—a trend that is expected to continue post-pandemic as companies release stockpiled cash.
- YTD, advertising on the website AmericanLibraries.org has exceeded the FY budget by 10% ($7,100).
- Buoying revenue deficits somewhat is the better-than-expected performance by JobLIST classified advertising, 19% ($14,400) better than budget as of Q2, and according to internal tracking is in fact YTD performing 28% ($39,116) better than budget. In collaboration with JobLIST partner ACRL, a new business plan was developed in Q2. With an improved job market and IT's support for incremental implementation of the recommendations, revenue is projected to grow in FY22.
- Without the print magazine's distribution at conferences, fewer advertisers purchased ads in the Jan/Feb and June issues, typically the two most profitable. Some LIS programs are still hesitating to spend on marketing until there is more certainty on what the academic school year and economy will look like in the fall. Despite these challenges, the AL ad sales rep continues to pursue and bring in new advertisers.

<u>Digital Reference/RDA top Q2 takeaways/FY21 projections</u>

Digital Reference 305	FY21 performance report as of 02/28/2021	$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	$ 412,119	$ (125,449) / -23 %	$ 1,201,594
Total Expenses (not including overhead)	$ 284,025	$ 39,831 / 12 % less than budget	$ 754,384 (not including overhead)
Overhead paid	$ 109,212	$ 49,999 / 31 % less than budget	$ 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 $11,882, or -2% as of 02/28/21. The sizable difference in Prophix and Salesforce revenue numbers is being investigated with Accounting.
- The RDA Toolkit subscription shortfall is likely to grow in the second half of the year when the budget allocations call for approximately 60% of the revenue. Through April 2021, subscription revenue was at

$708,654, or $47,922 (6%) short of budget projections. This trend looks likely to continue through the end of FY21 with a final subscription revenue shortfall around 10%.

- Efforts to educate users about the significant recent changes to RDA and RDA Toolkit have included the iteration of the successful RDA Lab Series in collaboration with eLearning Solutions; collaborations with ALA Editions on *Introducing RDA: A Guide to the Basics after 3R* and *RDA in Practice: A Workbook* (due out this summer); and a new series of free webinars.
- Translations in Hungarian and Arabic are progressing, as well as partial translations in Estonian and Latvian, and should lead to use and subscriptions in new markets.

ALA Publishing eLearning Solutions top Q2 takeaways/FY21 projections

eLearning Solutions 308	FY21 performance report as of 2/28/2021	$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	$295,342	$23,342/ 9%	$535,931
Total Expenses (not including overhead)	*$178,025*	($36,483) / 26% more than budget	$285,456 (not including overhead)
Overhead paid	$77,661	$6,651/9%	$142,021

- With strong sales of the RDA Lab Series registrations and some bulk sales, the budget gap from Q1 was closed, and increased sales have continued through Q3, indicating that the unit will meet FY21 revenue goals (despite a reduced summer schedule to accommodate integrating the new ALA elearning website).
- An increase in bulk sales and new institutional partners includes the large sale to the California Library Association billed in Q1 (reflected in Q2 numbers), sales to the Queens Public Library and the Cumberland County Library System in North Carolina, and continued sales to the Delaware State Library System, Tampa Bay Library Consortium, and the Chicago Public Library.
- The focus of work has been on laying groundwork for this unit to become a free-standing ALA unit in FY22 to better coordinate CE efforts across ALA, and the development of the ALA elearning site scheduled for launch in August 2021. Any expense overages for FY21 will relate to this work. Initiatives to standardize pricing and discounts across ALA units are underway.

ALA Graphics top Q2 takeaways/FY21 projections

ALA Graphics 313	FY21 performance report as of 2/28/2021	$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	$199,421	($38,892) / -16%	$526,007
Total Expenses (not including overhead)	$149,670	$12,472 / 8% less than budget	$372,927 (not including overhead)
Overhead paid	$53,029	($10,123) / -16%	$139,391

- Sales have been trending stronger with the average order increasing from $53 in Q2 to $144 in Q3. Sales goals were met in March and April and exceeded by $8,000 in May. The revenue gap is projected to close to around 8% by the end of FY21.
- Strong Q3 sales came from National Library Week products (in partnership with CMO), The Child (Baby Yoda) products, and the READ Design Studio Flash Drive. Of special note was an order for more than $7,000 from Los Angeles Public Library in May.

- Graphics licensing partner, Out of Print, launched Graphics' licensed Baby Yoda READ adult t-shirts in December and followed with Muppets (Miss Piggy and Kermit) in February. Q3 saw the expansion of Baby Yoda items on additional clothing items and the launch of Mickey and Pluto READ products.
- Graphics launched Baby Yoda library card art licensing as a new project in Q3 (early April), and will begin to receive related royalty payments in Q4 (June). Four libraries responded immediately.
- Revenue is earned by other ALA units including round tables and affiliates for work managed through ALA Graphics and especially its licensing agreements (notably Spreadshirt, where collaborations are underway with ALSC, ALA-APA, Core, OIF, GNCRT, ABOS, and BCALA/NCAAL). ALA Graphics also work on securing partnerships and developing/designing themes that support CMO's free community materials for National Library Week and other initiatives. We are looking to develop a straightforward way to communicate this additional and ongoing impact of ALA Graphics work.

A snapshot of Publishing individual unit percentages at the FY20 close, as of 8/31/20