

TO: ALA Executive Board/BARC

RE: ALA Publishing & Media: Recent Results and Opportunities Going Forward

ACTION REQUESTED/INFORMATION/REPORT:

This report provides an overview of ALA Publishing & Media's FY21 Q3 results, with estimates for Q4 and further detail by business unit on contributing opportunities, challenges, strategies, and activities.

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DRAFT OF MOTION: None requested

DATE: October 11, 2021

BACKGROUND: Financial results, opportunities, challenges, and strategies in the ALA Publishing & Media department and its six business units in Q3 FY21, with estimates for Q4 and beyond.

AVAILABILITY: No restrictions

ATTACHMENTS: None

Summary of current conditions for ALA Publishing & Media

Effective 9/1/21, the department has been renamed ALA Publishing & Media, reflecting general trends and areas of work as well as Pivot Strategy imperatives, which continue to offer a constructive reframing of goals.

The post-pandemic environment is showing slow signs of stabilizing, with print advertising, subscriptions, and product sales still especially impacted. Where we found opportunities for strong sales in FY21 were sponsored webinars; bulk sales of elearning CE events; ALA JobLIST advertising sales in an improving job market; an inventory-reduction sale before the warehouse move; RDA: Resource Description and Access-related elearning and publications; and licensed items through the ALA Graphics giftstore and Baby Yoda-related items now including library cards. Longer-term tactics to maintain and increase sales 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 external organizations.

The demand for content that supports library workers, LIS instructors, and organizations in making progress in EDISJ initiatives continues to grow; the department's work in this area is included in ALA's recent inventory.

Booklist and *American Libraries* are working with advertisers on new digital sponsorship and advertising opportunities, including delivering custom content such as white papers and new digital products, now a value-added expectation. Products such as the new *Booklist Reader* and podcasts offer related opportunities.

The move and intake of stock to ALA's new vendor for product fulfillment, warehousing, and distribution, Chicago Distribution Center, spilled from Q4 of FY21 into Q1 of FY22.

ALA Publishing & Media FY21 Detailed Performance Summary as of Q3 Sept 2020–May 2021

Department totals	FY21 performance report as of 5/31/2021	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$6,613,537	(\$573,856)/ -8%	\$10,032,632
Total Expenses – before OH and taxes	\$5,199,557	\$74,808/ 1% less than budget	\$7,247,215 (not including overhead)
Overhead paid	\$1,752,589	\$161,376/ 8% 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.)	(\$71,220)	(\$400,015)/ -122%	\$529,129

ALA Publishing & Media Department top Q3 takeaways/FY21 projections

- Strong sales in Q3 and beyond proved to be sponsored webinars; bulk sales of elearning CE events; ALA JobLIST advertising sales in an improving job market; an inventory-reduction sale before the warehouse move; RDA: Resource Description and Access-related elearning and publications; and licensed items through the ALA Graphics giftstore and Baby Yoda-related items including library cards.
- As of the end of Q3, we projected a likely shortfall of 8% against FY21 revenue goals, based on year-to-date sales and upcoming plans. (The final Q4 results will be lower than that projection, with expense savings for FY21 likely to offset revenue shortfalls overall by approximately \$500,000 or around 7%.)
- Monthly allocations were set higher in most units for the second half of FY21 in the hope that the pandemic impact would lessen as the year went on. Those higher Q3/Q4 targets proved challenging.
- The most significant revenue shortfalls in Q3/Q4 related to the move to a new distribution and fulfillment vendor (CDC); no face-to-face Annual Conference; fewer books delivered for publication; post-pandemic subscription declines with some institutions eliminating subscriptions from budgets; and declines in specific advertising segments as detailed in the unit reports below. We look forward to new opportunities afforded by the move to CDC, but the move itself resulted in lower product sales (books, posters, bookmarks) for longer than anticipated, due especially to a shopping cart integration issue and slow truck shipments that delayed receiving in Chicago. The related release of backorders will have a positive impact in Q1 FY22. *Booklist's* magazine fulfillment company was sold, also necessitating a transition in Q3 and Q4.
- Some FY21 revenue and expense numbers will improve after further resolution, especially subscriptions to RDA: Resource Description and Access and expense offsets not yet recorded, including for the cost-recovery unit Production Services.
- Face-to-face conferences offer key revenue-generation opportunities lost in FY21, affecting advertising, product sales, and pre-conference events. (The ALA Conference Store revenue budget, for example, was \$45,000. The 2020 advertising sales for the Midwinter issues of *American Libraries* and *Booklist* were approximately \$63,000 more than the 2021 virtual event issue sales.)
- A global shortage of paper pulp is causing delays of up to 12 weeks in getting paper from suppliers, resulting in some longer-than-usual print times and unpredictable expenses.
- The net revenue number lags in reporting until the FY close when numbers are reconciled and the impact of reduced expenses offsetting revenue shortfalls can be confirmed.

ALA Editions/ ALA Neal-Schuman top Q3 takeaways/FY21 projections

ALA Editions 301	FY21 performance report as of 5/31/2021	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$1,722,283	\$1,845,293/ -7%	\$2,672,553
Total Expenses (not including overhead)	\$1,756,754	\$1,743,283/ -1%	\$2,420,824 (not including overhead)
Overhead paid	\$456,407	\$489,002/ 7%	\$708,227

- Sales slowed in Q4 and some marketing efforts were suspended during the distribution vendor change but normal activity has now resumed with sales rebounding. The projected shortfall for total FY21 at the end of Q3 was 8-10% but rose to 20% during the longer than anticipated disruption.
- Improvements and efficiencies in product fulfilment resulting from the July 1 move to the Chicago Distribution Center are now in the planning and implementation stage. This includes the shopping cart experience on the e-commerce platform, increase in print-on-demand to help streamline and thus decrease expenses, and streamline ebook delivery. We'll begin the work of transitioning the ALA Store into CDC's shopping cart and BiblioVault ebook distribution system in January 2022. We see daily improvement in general operations, and sales will show that in early FY22.
- 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 was on track to publish a total of 36 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), the second edition of which was named a 2017 CHOICE Outstanding Academic Title. FY22 will start strong with books delayed for a variety of reasons in FY21.
- Book returns from distributors started to revert to more normal levels, and we are starting to see some bulk sales for training events again.
- ALA TechSource subscriptions are not yet fully updated in reports; we estimate 10% revenue shortfall in this area for FY21 and have various marketing strategies underway to recapture subscribers and boost single copy sales, while also evaluating the long-term viability of this as a subscription product.

Booklist top Q3 takeaways/FY21 projections

Booklist 302	FY21 performance report as of 5/31/2021	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$2,882,673	(\$322,265)/ -10%	\$4,389,018
Total Expenses (not including overhead)	\$1,624,547	\$104,919/ 6% less than budget	\$2,305,487 (not including overhead)
Overhead paid	\$777,013	\$72,296/ 9% less than budget	\$1,163,090

- *Booklist* advertising sales continued to be affected by the disruptions of the pandemic, specifically print advertising. FY21 ad sales are projected to be down against budget by about 4%, with the bulk of that shortage from Series Nonfiction advertisers. (The possible reasons include school closures meaning that SNF titles not being purchased by individual schools and districts, and publishers therefore not spending money promoting the books.) The remaining shortfall results from a combination of advertising sales

missing from Penguin Random House with BOT/Listening Library, DC Comics print publishing, and several international advertisers, as well as the growth of adult publishers advertising to their own lists. It should also be noted that, more and more frequently, advertisers are looking for a customized and personalized advertising campaign and not simply a print ad and in the print magazine.

- Successful advertising programs in FY21 include the VOICES program (a bundled option for publishers to feature their EDI books) which secured \$68,000 in revenue. The Graphic Novel promotion brought in \$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 sold the most in *Booklist*’s webinar history. *Booklist* aired 73 webinars in FY21 compared with a one webinar per week average in previous years.
- The licensing agreement with ProQuest decreased 25% from \$200,000 in FY20 to \$154,000 in FY21, due to a pandemic-related loss of revenue on their side. The unit continues to explore new and expanded licensing opportunities, recognizing that many library workers access our reviews through third parties.
- The toll of pandemic-related library/school closures took over a year to play out on *Booklist* subscriptions. The current circulation is back to Fall 2020 levels, but is still on average down 16% from 2019. Some new subscribers were attracted through promotions, but discounts to secure those subscribers result in revenue per subscription being down 15% year over year. More full-price orders are coming 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, but subscriptions are trending higher at the beginning of FY22. Various marketing initiatives are underway to boost circulation, including reactivation campaigns, direct mail to expired subscribers, LIS school and LIS student outreach, and special promotion of *Booklist Reader* (the new patron-facing product).
- As noted above, *Booklist Reader* (*Booklist*’s new patron-facing product) launched as a digital-only product at the start of FY22, with input from the *Booklist* Advisory Board and a focus on EDI. 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. Mellon Foundation grant funding is supporting the development and launch of the new product. *Booklist* staff is currently surveying libraries to gauge interest in a future print version of this new product.

American Libraries top Q3 takeaways/FY21 projections

American Libraries 303	FY21 performance report as of 5/31/2021	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$493,442	(\$1,834) / 0%	\$707,529
<i>ALA JobLIST</i>	<i>\$178,516</i>	<i>\$39,116 / 28%</i>	<i>\$205,000</i>
Total Expenses (not including overhead)	\$630,069	\$63,691 / 9% less than budget	\$922,392
Overhead paid	\$130,762	\$487 / 0%	\$187,495
<i>Sub Equivalent (no net revenue is calculated for AL)</i>	<i>\$267,389</i>	<i>(\$62,343) / -31%</i>	<i>\$402,358</i>

- As of Q3, ALA JobLIST classified advertising was 28% (\$39,116) better than budget and was expected to end FY21 at 37% (\$76,485) better than budget due to a strong job market that has seen an increased demand for workers. Many advertisers have requested premium upgrades to stand out from the crowd. With JobLIST partner ACRL, a new business plan was developed in Q2, and gradual implementation of the

plan's initial recommendations are ongoing with IT's support. With the job market expected to improve, the next fiscal year is budgeted to bring in 85% (\$340,000) of average pre-pandemic revenue.

- Gross advertising performed better than budget in May thanks in part to a bundling package created for the May and June print issues. With the announcement of a virtual Annual Conference, revenue was anticipated to be below budget given vendors' reduced ad spending for virtual conference issues. With that in mind, an ad package was created to incentivize advertising in those two print issues.
- Creative approaches to custom content packages have seen growing success, a trend that is anticipated to continue in both print and digital as vendors attempt to increase visibility in a saturated digital space.
- Whenever *American Libraries* requires less in Subscription Equivalent, that provides a net benefit to the ALA General Fund budget.

Digital Reference/RDA top Q3 takeaways/FY21 projections

Digital Reference 305	FY21 performance report as of 05/31/2021	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$ 637,616	\$ (228,464) / -26 %	\$ 1,201,594
Total Expenses (not including overhead)	\$ 481,375	\$ (7,164) / -2 % less than budget	\$ 754,384 (not including overhead)
Overhead paid	\$ 168,968	\$ 69,848 / 29 % less than budget	\$ 318,422

- Total revenues as tracked in Salesforce, the system used for day-to-day subscription and renewal monitoring and management, showed a subscription shortfall of \$65,256, or -7.5% as of 05/31/21. The sizable difference in Prophix and Salesforce revenue numbers continues to be investigated. The unit is working with ALA Finance staff on this, on removing barriers to accurately pursuing unpaid invoices, and on creating more efficient payment management processes overall for RDA Toolkit subscription sales.
- According to Salesforce tracking we finished Q4 with a final total subscription revenue of \$1,079,630, a shortfall of \$114,964 (-9.5%). This number is slightly better than the final subscription revenue shortfall of 10% projected in Q3.
- Efforts to educate users about the significant recent changes to RDA and RDA Toolkit continued with the successful RDA Lab Series in collaboration with eLearning Solutions, a new series of free monthly webinars, and book projects recently released or in development with ALA Editions/Neal-Schuman.
- Translations in Hungarian and Arabic are progressing, and negotiations for a Portuguese translation are in the final stages. Both efforts should lead to subscriptions in new markets.
- Work began on the migration of RDA Toolkit and related websites to a new server.

ALA Publishing eLearning Solutions top Q3 takeaways/FY21 projections

eLearning Solutions 308	FY21 performance report as of 5/31/2021	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$455,842	\$ 47,842 / 11.7%	\$535,931
Total Expenses (not including overhead)	\$226,021	(\$2,024) / 1%	\$285,456 (not including overhead)
Overhead paid	\$120,669	\$14,153/13%	\$142,021

- With continued sales from the RDA Lab Series and several large institutional sales, strong sales continued through Q3, indicating that the unit was on track to meet FY21 revenue goals (despite a reduction in the summer schedule of events to accommodate anticipated work on the new eLearning site).
- Strong bulk sales continued, with sales to the National Library of Greece, Queens Public Library, Delaware Division of Libraries and Southeast Florida Library Information Network accounting for tens of thousands of dollars in sales, some of which will be booked in Q4.
- The focus of work remained laying groundwork for this unit to become a free-standing ALA unit in FY22 to better coordinate CE efforts across ALA. Coordinating the development of the ALA elearning site, scheduled for launch early fall 2021 and initiatives to standardize pricing and discounts across ALA units were the priority.

ALA Graphics top Q3 takeaways/FY21 projections

ALA Graphics 313	FY21 performance report as of 5/31/2021	\$ and % Variance Actual/Budget	FY21 full-year budget
Total Revenues	\$372,716	(\$1,143) / 0%	\$526,007
Total Expenses (not including overhead)	\$258,770	\$15,771 / 6% less than budget	\$372,927 (not including overhead)
Overhead paid	\$98,770	(\$302) / 0%	\$139,391

- Revenue targets were met in March and April; the target was exceeded in May by \$8,243 in part by a large purchase from Los Angeles Public Library. Other significant sales in Q3 came from National Library Week (in partnership with CMO), Baby Yoda posters and bookmarks, and the READ Design Studio Flash Drive.
- Q3 saw the expansion of Baby Yoda licensed art on items at Out of Print clothing with a May royalty of \$8,212. REM poster license accounted for a \$12,500 royalty payment.
- June and July are historically slow sales months for Graphics; the move to the new distribution center further affected sales in FY21. Additionally, despite a strong new product line, the move meant that we didn't see the jump in sales we usually do in August with the release of the fall catalog/back to school.