



Perils and Possibilities of Printing on Demand

By Peter F. van der Schelde

Today Christian publishers have the opportunity to introduce new titles and keep current titles in distribution without the risk of a high-volume print run. How is this possible? Through printing on demand (also known as print-on-demand, or POD).

What Is POD?

In print-on-demand publishing, new printing technologies, combined with information technology, allow the production of good-quality books in low quantities.

The POD process takes place on a special kind of expensive “laser printer.” Most printers work with equipment by Océ [<http://www.oce.com/>] or Xerox [<http://www.xerox.com/>]. Most commonly produced are standard paperbacks (trade paper) with black and white book blocks (including grayscale photos and images) and a full-color cover. Hardbound books, with or without a dust jacket, are possible as well. Full-color books are still expensive, but affordable pricing is expected within a few years.

POD Compared to Traditional Production

Before we study some aspects of POD in more detail, it is useful to compare it with the classic production model where books are normally produced in higher volumes.

All publishers know: The higher the production volume, the lower the price per unit. The driving force in most publishing houses is to reach an acceptable price per unit in combination with an acceptable

volume. The lower the unit price, the better the gross margin.

That is not the case with POD. The unit price will be higher than with classic production. So why would a publisher consider POD?

1. *Quicker profits.* In 1986, Eliyahu M. Goldratt published his book *The Goal* (North River Press, 978-0884270614), in which he worked out his Theory of Constraints

[http://en.wikipedia.org/wiki/Theory_of_constraints]. For publishers, the goal (profit) has—until now—been achievable only once the product (Christian literature) is sold, a process that takes a few years.

With POD, it is possible to convert raw material (paper) to money (a sold book) within a few *days*. While the publishing industry is more familiar with this process taking a few years, a shorter time frame is always more profitable, even if the profit per book sold is lower.

2. *Better service for niche markets.* You want to reach new markets. Most of the new markets are niches. They are easy to find, if you know your customers and authors. You may not explore these markets now, because you expect your sales of niche-oriented titles will be too low. But if you are creative and find ways to reduce your pre-press costs, POD makes it possible reach new markets.

In fact, POD is already creating an increase in the number of titles available to reach diverse audiences. POD titles are finding their way to customers through new channels such as Amazon

[<http://www.amazon.com/>], eBay [<http://www.ebay.com/>], Web shops, forums, and more. As Chris Anderson explains in his bestseller *The Long Tail* (Hyperion, 2006; 978-1401302375), in the future we can expect to sell less (in quantity) of more (titles).

3. *Longer life for existing products.*

Publishers own the rights for books [depending on the contracts they negotiate with authors, of course]. All publishers have more rights, which they can turn into profit, than they actually use. What about the books you consider to be non-profitable? Maybe you can still sell around 100 copies a year of a particular title. That makes 1,000 in 10 years. And, if you do this with 50 books, that makes 5,000 extra books sold.

4. *New possibilities for distribution.*

Distribution of books is expensive, so we distribute them to areas where we expect they can be sold. But is there no market in other areas?

In Europe, people travel and work more and more in different countries. POD makes it possible to produce books as close as possible to the neighborhood of the customer. That brings lower distribution costs and quicker delivery. Books are no longer stocked on shelves, but saved as electronic files, which can be produced at the moment they are necessary. While the network to make this possible is in the first stages, as it evolves, the market a publisher can reach is increasing.

A New Medium

POD is a new medium, bringing its own advantages and disadvantages. Do not try to exchange your high-volume print runs with POD. You cannot do that comparison. POD requires a new financial model and better integration of production, sales, and distribution processes.

The procedure of printing pages and a cover, putting them together, binding and

cutting sounds simple, but the workflow for POD publishing tends to be more complicated than with traditional printing, so direct costs increase—and this may be evident in your profit and loss statements.

Pre-press costs for POD titles need to be managed very carefully, preferably kept to a minimum. This is easy to achieve with backlist titles. Pre-press expenditures were already made in the past. The titles have shown sales already. But with new titles, the pre-press costs are most critical in determining if the POD-title becomes profitable or not.

A rise in production costs is acceptable if it means a decrease in the indirect costs or a better work output, but with the adoption of new work processes, there is the danger of an increase in the publishing house's indirect costs. This occurs if the work in the company is done with less efficiency. A company can make the mistake of hiring more employees to cover this situation. Some experiment for a while until they are able to find ways to make it profitable. Learn step by step. Start with your backlist titles which are no longer available.

Stock, or the physical inventory of a company's titles, plays an important role in the publishing industry. Stock is used for two reasons. The first reason is that it brings a lower price per unit in production, which helps to reach a better gross margin (output). The second reason is that stock helps a product to move through the value chain. In the publishing industry stock is still used for fulfillment, while in other industries the production process is changed to reduce stock and make just-in-time delivery possible.

Stock plays an important role on the company balance sheet. It represents value for the company. It is seen as an investment. But when a publishing house changes from delivery from stock, to delivery by POD, there will be a decrease of the stock on the

balance sheet. [Some of the difference may be offset by reduced warehousing costs, but] if this is not managed in the right way, the balance value of the whole company decreases.

Implementing POD on a large scale should be done carefully and under the financial control of higher management. The process requires far more than just a change in production processes. The changes in the financial model make POD complicated for many publishers to implement. The switch to POD demands skills and technology which are not often owned by most publishing houses.

Can a partner help you to implement POD in your company? Look for someone who is able to do a lot more than just manage production. Can a partner help you to promote your titles on the web? Can a partner help you to sell your titles in the market? Can a partner do all the production and distribution for you?

POD provides many new opportunities to Christian publishers in Europe today, and also many challenges for the coming years.

Unlimited Possibilities

“A few years ago, cultural publishing was, from an economic point of view, the closest thing to ‘mission impossible,’ especially for minority languages or novel authors. Nowadays, digital publishing and printing on demand have completely changed that lousy picture. We have at hand the beauty of short print runs at a reasonable cost. This opens to us unlimited possibilities for local publishing, bound only by our own imagination. Now our challenge, as publishers, is to take the risk and find out how well we are moving cultural books. The barrier for local publishing is no longer the investment required to make the books available, but rather how good we are at marketing them.”

—Samuel Vila of CLIE

[<http://www.clie.es/>] in Spain, speaking at MarketSquare Europe, March 2006, an event organized by Christian Trade Association International
[<http://www.ctaintl.com/>]

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