Global Distribution Options for US-Based Small Publishers, University Presses, Societies, and Associations

WHITEPAPER

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Maverick Senior Associate, Michael Geelan, argues that there has never been a better moment for small presses and not-for-profits to review their approach to reaching and servicing customers located outside North America.

In a new whitepaper for Maverick, Michael reflects upon the limitations to expansion of the past and argues that, today, the pandemic-driven explosion in online purchasing, the emergence of social media platforms as a cost-effective marketing tool, and significant technological advances in short run printing and Print-on-Demand (POD) have all combined to facilitate a cost-effective and sustainable pathway to overseas expansion.

How things used to be

In decades past, North American print publishers looking to expand sales overseas had limited options. Larger publishing houses with the financial resources to open branch offices in Europe thrived through a mix of local publishing and selected importation of those domestically produced books with relevance to international markets. Over time, these larger publishing operations expanded into the Middle East and the Indian Sub-Continent on the back of low-cost, affordable International Student Editions (ISE's) of bestselling textbook titles, the primary aim being to win market share.

For US-based independent publishers, smaller university presses, societies and academies blessed with titles deemed to have international "legs", the primary route to market in the 70s and 80's was through the licensing of individual titles or, in some cases, to co-publish with UK publishers.

Others sought out regional stockholding agents or sales representatives to represent their entire publishing programme. While this meant that sales, marketing and physical distribution was effectively outsourced, it also required the publisher to ship physical stock, usually on consignment, to warehouses throughout the world where quite often it languished until sold, or subsequently returned.

Others still simply relied on overseas orders being routed to them through US-based library suppliers or wholesalers with "export" departments. The downside here being that these orders typically attracted a higher discount.

While these routes to market met with varying degrees of success, the relatively high cost of following any international sales strategy resulted in such a low net return per unit sold that, once the cost of author royalties, shipping, agency/publisher partner support from within was factored in, revenue accruing from overseas was typically regarded as "incremental income". For most independents and not-for-profits, the smart money was on focusing on the domestic market.

So, what has changed? In recent years several significant developments have dramatically altered the publishing landscape, to the extent that even the smallest and most specialized publishers can now access customers in international markets with relative ease and with the expectation of a reasonable margin.

The explosion in internet users across the globe

In 2000, there were a reported 360 million internet users across the world. As of April 2022, there were five billion internet users worldwide, constituting 63% of the global population (1). The significance for publishers looking to expand overseas is that the most dramatic growth has been in countries **outside** the United States. Back in 2000, the USA was on an even footing with Europe and Asia in terms of internet users. Today, Asia has pulled away as the single largest region – China having increased from 22.5 million in 2000 to over 650 million today and India, with 81 million users in 2000, now up at around 250 million users.

Developing countries within Africa – Nigeria, at 70 million users, being the best example - have seen a relative explosion in internet usage in recent years (2).

Greater discoverability through internet search engines and social media

More internet users provide publishers with more opportunities to find new customers – either by increasing brand awareness, or by improving the discoverability of individual titles – and to do so cost-effectively.

The leading internet search engine – Google – holds around 92% of the search engine market share. To put that in perspective, Bing is second with just 3.1%. For those publishers able, either in-house or through an outsourced solution, to harvest comprehensive and accurate metadata on each of their book titles and to see that this is circulated to appropriate bibliographic services, the opportunities for discovery are now significantly greater than they were. Browsers searching by author, title, subject or even key word may, as a result, come across the book in question and, as a consequence, find a way to purchase it. Those more internet-savvy publishers will also know that a modest investment in SEO (Search Engine Optimization) activity can further improve Google "rankings" for publisher and products alike.

A significant by-product of the rapid global expansion in internet users over the past two decades has been the equally rapid growth of social media platforms such as Facebook, YouTube, Instagram and, more recently, TikTok. Particularly amongst younger audiences, to include students. The numbers are quite staggering. In April 2022, there were 4.65 billion active social media users worldwide, making up 58.7% of the global population. It estimated that, in 2022, the world will spend more than 12½ trillion hours online (3). Social networks are second only after search engines such as Google as the most popular source of information for researching brands. While it is possible to pay to advertise on social media platforms – in 2020 global social media advertising revenue across all platforms was US$ 97.66 billion (4) – the cost of so doing is likely to be beyond the budget of most small to medium sized publishers. Instead, many have simply reallocated in-house staff resources from traditional marketing channels such as catalogues, direct mail and print advertising to nurturing their respective social media platforms.

A shift in consumer preference to purchasing books online as opposed to buying from "bricks and mortar" booksellers

As a result of the global pandemic, many thousands of bricks-and-mortar booksellers across the globe have been forced to close their doors. In parallel, the purchasing of books through internet retailers has grown exponentially. Amazon, despite its re-focussing on essential domestic and household items during the pandemic, remains the single largest global e-tailer of print books, both in the USA and internationally. Flipkart.com dominates in India while, in Australia, Booktopia's recent financial results show that it is now larger, revenue-wise, than Amazon in that country.

The onset of localised Print-on-Demand facilities

The effects of the global pandemic on world economies are too numerous to mention here but one implication has been the disruption to publishing supply chains. Many print production facilities have been forced to close due to government regulations, paper has been in short supply and international shipping is fraught with problems. One way to navigate through these uncertain times is to print copies *only* when a customer has ordered them and to do so *only* in the country where that that customer lives.

Print-on-Demand (POD) has been in and around the book industry for some years. It is only recently that publishers have been provided with the opportunity to print in multiple countries through local print facilities while being assured of the same quality in each printing and to be able to do so in quantities of as low as one without price penalty. Several organisations are now offering a solution that provides access to all the key regions and countries in the international arena. Most, typically, include customer dispatch as an add-on.

As one supplier of these services aptly puts it: “Sell Globally, Think Locally”. For those publishers committed to reducing their environmental footprint, this development must seem like a win-win.

Current Global Distribution options: an overview

How can small publishers, university presses, society and association publishers take full advantage of this sea change in terms of expanding into international territories?

While there are any number of routes to market, here, from a Maverick perspective, are **three** distribution options that might merit your consideration:

- **Self-Distribution**
- **Outsourced Warehousing and Distribution (only)**
- **Exclusive Full-Service Agency Model**

In each case, the pros and cons, from a publisher’s perspective, are also addressed.

Self-Distribution

In this model, it is the responsibility of you, the Publisher, to generate interest in your titles, either through international marketing campaigns or through your website. An “international” seasonal catalogue might be generated and circulated to overseas booksellers and libraries. Orders received from customers outside the USA are then either serviced by your domestic distributor from stock or filled locally by an overseas POD partner - or partners - of your choice. In both cases the full cost of marketing, sales, warehousing and distribution to include order processing, packaging, fulfilment, credit management and customer service is borne by the publisher. By far the largest cost is that of discount to trade customers.

A commitment to service the international market from the USA may also require the recruitment of an International Sales Manager to oversee this expansion. Some publishers opting for this model may also opt for sales representation in selected regions. Whether these are individual representatives or sales teams, the cost to you, the Publisher, is no less than it is in the USA – typically somewhere between 10% and 12.5% of revenues.

Advantages of the self-distribution model:

- Control over the terms of supply to resellers, in particular discounts and payment terms remains with the publisher.
- 24/7 access to sales analysis by customer, country, and region.
- No dilution of brand.
- 100% retention of online bookstore revenue.
- Limited financial exposure.

Disadvantages of the self-distribution model:

- The high cost of circulation title information to international customers from the USA, for example, the production and mailing of physical catalogues.
- The need to first identify, and then negotiate terms with, key trade customers on a country- by-country basis.
- National taxation policies would need to be both understood then, where applicable, appropriately levied.

- The potential negative impacts of US$ pricing in international markets (unwanted bank charges when converting local currency to US$s).
- The time-lag between order receipt and delivery.
- The potential for deliveries going astray.
- Exclusion from certain key sales channels – for example Amazon, because of not having stock immediately deliverable to its regional distribution facilities.
- Potential impact on cash flow – international booksellers do not, typically, pay for goods in advance. Rather, they expect to be able to set up credit accounts with 60–90-day payment terms, sometimes longer. In India the payment cycle is closer to 150 days from invoice.
- The perennial risk of customer bad debts.
- The cost of additional staff resources required to "manage" international expansion – the processing of orders and enquiries from customers, compliance with shipping and importation regulations and the collection of receivables and the circulation of metadata to key customers and bibliographic databases.

Outsourced Warehousing and Distribution only

In this model, you will identify and appoint a distributor to receive and store inventory, process orders and to provide customer service and credit management.

Such services are provided in return for a "management" fee based on an agreed percentage annual revenue with additional charges being levied for metadata circulation, dispatch of free copies, storage, etc. For those seeking a single, pan-international solution, despite the BREXIT, the UK is, arguably, the ideal place to source a distribution partner. It boasts numerous independent distributors once owned and operated by larger commercial publishers. UK distributors typically have the capability to service customers across **all** regions; however, consideration should be given to the high cost of shipping across territories. Most are also able to fulfil customer orders in tandem with your preferred Print-on-Demand partner, should that be your preferred option.

The outsourced distribution only model does **not** typically include either marketing or sales support. This will need to be outsourced or provided from your HQ office.

When considering potential distribution only partners, it will be important to evaluate the range of support services each offers, particularly its reporting capability, and, of course, to consider client testimonials.

Advantages of the outsourced distribution only model:
- No requirement to establish trading agreements with trade customers – the distributor will already have those in place.
- Country of origin currency pricing and [possibly] multi-currency pricing.
- Reduced dispatch costs.
- A ring-fenced bank account.
- Local taxes – e.g., VAT, where applicable – are the responsibility of the distributor to identify, charge, recover, as well as to pass over the respective government authority.

Disadvantages of the outsourced distribution only model:
- Having to make regular decisions about how to price and what to stock.
- All customer bad debts remain the publisher's responsibility.
- Publisher to insure stock in transit to and while in stock at your distribution partner's warehouse.

Exclusive Full-service Agency model

In this model, selling rights for a region or country are ceded to an Agent that, in return, offers marketing, sales and distribution services under one agreement. The Agent's rights are, typically, exclusive, meaning that, during the agreed contract term, the publisher, cannot sell to customers in the specified territories listed.

Agency agreements are usually of the win-win variety. Publishers grant the Agent a discount of between 55%-65% from the US$ list price, although lower discounts can often be negotiated on high ticket items (e.g., reference books or collections). While this may appear high, the Agent will, in return, absorb the full cost of sales representation, marketing, customer service, warehousing, invoicing, cash collection and will also be responsible for any bad customer debts that might ensue. The Agent will also pay for the shipping of stock and stock insurance. In all cases, Agents provide sales and inventory reports at agreed intervals and remit on sales made, usually in the currency of your choosing, at between 90 and 120 days. Agent-Publisher agreements usually run for a minimum unbroken term of two or three years.

While the more established Agents own and operate their own distribution facilities, the majority sub-contract this responsibility to third parties to whom they are themselves contracted.

Ahead of identifying the Agency partner right for you, some thought will need to be given as to which geographical sales regions you are seeking coverage for. The world outside North America, within the world of publishing, is generally viewed as falling into these regions (and sub-regions):

Latin & South America
UK & Continental Europe
Middle East & Africa
Asia-Pacific

- South Asia (India & Pakistan)
- South-East Asia
- Far East (China & Japan)
- Oceania (Australia, New Zealand)

Some Agents limit their coverage to a single region, others have a reach across more than one (often boasting branch offices and/or personnel in situ). Very few, however, are capable of handling them all, and, thereby, offering a pan-international solution.

Advantages of the full-service distribution model:

- The Agent, not the publisher, undertakes all marketing at his expense.
- The Agent, not the publisher, provides bookstore representation, again at his expense.
- The Agent, not the Publisher, sets prices and reseller discounts.
- The Agent, not the Publisher, takes ownership of inventory control.
- The Agent pays the cost of shipping from North America to its distribution facility.
- The Agent, not the Publisher, pays for the cost of insurance covering stock in transit and at its distribution facility.
- The Agent, not the Publisher, is responsible for any bad debt.
- The Agent can help establish and then administrate on its behalf, a Publisher's preferred POD solution in his territory.
- The charging, recovery and paying over of the correct amount of Value Added Tax (VAT), if applicable, is the Agent's responsibility, not the Publisher's.
- The Amazon relationship managed entirely by the Agent.

- Given that each sales region represents a different mix of languages, cultures, and currencies, by appointing an Agent on a region-by-region basis you may benefit indirectly from local knowledge of the market and of the most effective sales techniques to reach it.
- Most Agent-Publisher agreements call for the remittance on sales to be a percentage of the publisher's list price. So, whether or not the Agent chooses to price and sell in Euros, £s sterling or Yen, and however great the discount extended to resellers from that price, the publisher will receive the same number of US$s per book sold.
- As most Agent-Publisher agreements are consignment-based, the publisher owns all stock transferred to the agent until sold. At the end of the contract, this consigned stock is, typically, either returned in mint condition or paid for by the Agent.

Disadvantages of the full-service distribution model:

- The Agent controls pricing and discount, not the publisher.
- Though he may consult with the publisher, the Agent, not the Publisher takes decisions as to which titles to promote and sell.
- Depending on the Agent selected, the publisher's titles might get lost in the mix of titles from competing publishers. This can be an issue for textbook publishers vying for course adoptions.
- A move to 120, or even 90 days payment on sales might prove a drain on cash flow (though, once the initial credit period has passed, you would receive a payment every month).

Each of these options merits consideration depending on your circumstances and mid-to-long-term strategy. For additional advice, or a "road map" for international expansion please contact me or your local Maverick.

By Michael Geelan, Senior Associate

Michael is an extremely experienced Executive Chairman, CEO, and Managing Director with four decades of book industry experience, primarily in the academic, scholarly, and STM sectors. Most notably, he has previously served as Chairman of the Board at Eurospan Group, where he oversaw its transformation into a global, sales, marketing, and distribution agency. Michael brings to Maverick a deep and wide-ranging skillset that includes sales & distribution, marketing, business strategy, and mergers & acquisitions (M&A). His experience with regional sales agents, local customer engagement and marketing programs, alongside pricing and stock availability, will be invaluable to all Maverick partners and clients.

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