Moving Fast to Fix Things

BISG is the only organization representing every segment of the publishing industry. It is dedicated to identifying and solving issues of concern to two or more of those segments.

One fundamental and increasingly pressing issue is our supply chain, the network of individuals and companies involved in creating a product and delivering it to the consumer. As vibrant and creative as many people are in our industry, the book publishing supply chain is stuck in the last century.

We need a modern supply chain to seize the opportunities brought forward by new technologies and media. As other industries have embraced standardized digital workflows, the book industry supply chain is still very much a print-focused string of proprietary systems without robust communication among the various segments. The industry continues to grapple with the same questions it has for years, including:

> How do publishers reach more consumers and sell more books? How do libraries serve their patrons better? How do K-12 schools and universities provide the best learning materials to their students? How can manufacturers and distributors provide better service to their customers? How can booksellers provide more value to their customers while closing sales faster and more efficiently? How do we convert more online searches to sales?

As the industry has evolved, other topics have also forced us to rethink how we do business:

> How do authors and agents better assess publishers and their particular strengths and weaknesses? How do editors make smarter decisions for title acquisition? How can publishers swiftly assess their contractual obligations and allowances, and fully understand and maximize the value of the investments they have made into their acquisition of book contracts? As entertainment and scholarship is now global, how can books keep up?

These questions can be distilled down to one overarching one: How do we reconceive the supply chain and prepare the book industry to meet today's and tomorrow's challenges?

Our supply chain has not kept up with major changes in the industry brought on by the growth and reliance on digital technology in the workplace and the marketplace. Phil Madans (Hachette Book Group) described it this way: "While the rest of the marketplace was moved to high-speed fiber optic, the book industry supply chain remained steadfastly on 56k modem dial-up."

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That means we are missing revenue opportunities. The internet has opened new channels for direct contact with consumers. Social media created rich new avenues for consumer marketing. The pandemic accelerated innovation in selling and marketing books inside and outside the traditional marketplace. The pandemic also transformed rights licensing practices, forcing innovation in pitching (video conferencing; use of multimedia rather than static rights guides) and enabling swifter deal closures (digital contract signing).

Books are now being sold at scale on global platforms like TikTok and Facebook, which did little business until the last few years. This social selling has an effect on units sold and where they are sold, and also has an effect on rights licensing as marketing is less constrained by territory and even language. More and better data, better communication of that data, and real adherence to standards and transparency within the supply chain are essential to the future of the industry.

Recent BISG Action and Research

In 2024, BISG brought together two dozen representatives from all sectors of the industry for a one-day session that articulated the vision and created a roadmap to begin the process of updating our aging, inadequate supply chain.

With this white paper we present our findings to industry leaders to start the process of putting together a project plan, including to prioritize deliverables, and get the industry feedback and support needed for success.

Reengineering a supply chain is a significant undertaking that can't be done overnight. Because its membership is drawn from every facet of the book publishing industry, BISG is the only organization qualified to take on this ambitious, but essential project and see it to its successful completion. We will also need the full weight of the industry behind this effort.

Increasingly, solving problems across book publishing requires access to and the ability to understand data from multiple parts of the business. Distributing metadata to inform and capture early orders, sourcing and supporting physical formats, creating and managing digital books, positioning files so that books can be printed where and when they are needed, and creating and distributing audiobooks require both standards and communications across different parts of the supply chain.

The ability to license rights depends on understanding and tracking agreements across territories, languages, and an expanding array of rights related to new products and services being developed around the

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world. Meeting accessibility requirements depends on effective communication of what is supported in each file. Understanding and meeting sustainability demands is a requirement for exporting books to markets with varying frameworks.

Data is shared within the existing supply chain in a way that makes it difficult to manage all these requirements. A cacophony of competing demands makes it hard to determine what is most important to focus on. At BISG's 2024 summit, representatives from every part of the industry reported difficulty managing in an increasingly complex environment.

Tools available to us include standards and best practices, market data (often in arrears of the decision-making timelines), technology solutions, and the industry associations that represent our immediate and mid-term interests. Taken together, these tools can help, but they don't solve a fundamental problem: the supply chain we have was built in a different era, for a different purpose.

Designed and built in the 1970s and 1980s, during an era of physical products (print books; audiobooks on tape), the current supply chain manages most aspects of print sales and distribution–things like ordering, receipt and return, and sales reporting for physical goods. For orders between established trading partners, particularly traditional retailers, it is adequate though not efficient and effective.

The supply chain falls short in its overreliance on legacy systems built on EDI. Larger companies have created custom integrations that are difficult to upgrade or adapt to emerging requirements. Digital sales reporting is supported using spreadsheets with inconsistent terminology, requiring significant effort to convert or rekey data. A cross-section of publishers have limited or no systems.

Distributors and retailers receive and process a wide variety of metadata formats, ranging from ONIX 3.0 and its predecessor, ONIX 2.1 (more than a decade out of date) to flat-file spreadsheets and even faxed information. Industry surveys provide partial snapshots that can't be tracked or compared to understand trends or improvements.

The wide range of data formats, systems, and interpretations of standards makes interoperability elusive to impossible. Data repositories are proprietary or not employed, reducing transparency and industry-wide understanding. Simple questions, like how widely is the industry offering rich accessibility and rights metadata, are all but impossible to answer. In practice, the supply chain doesn't accommodate or include any relevant rights or licensing-related data. Data collected with regard to rights held by publishers is disorganized, internal and inaccessible to those who seek to acquire rights.

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Key Considerations: The Next Generation of Book Publishing

Limitations in the supply chain are already costing the industry time, staff expense, operational inefficiencies, and missed revenue opportunities. Looking ahead, the challenges will likely grow more severe. An industry that continues to add hundreds of thousands of new products every year will not be able to operate with a "business as usual" supply chain. We see at least four areas requiring specific consideration:

• Growth in the North American publishing business will increasingly come from the licensing and effective management of rights. While product sales overall will continue to contribute significant revenue, the upside for publishers with significant backlists will migrate increasingly toward rights.

• Managing the costs of creating, distributing, selling, and returning products will require a commitment to efficiency across the supply chain, using information that is currently unavailable or barely available in legacy systems and workflows. This requires a transformation of supply-chain communications in the U.S. market.

• Product selection and development will continue to demand a full understanding of the markets we're working to serve, making access to and the ability to manage consumer information critical for companies throughout the supply chain. In the existing supply chain, links between external data and actual sales are tenuous and often delayed, with decisions made ahead of or well behind the markets we are working to serve.

• The internet, online e-tailing, mobile devices, and social media have completely changed the supply chain's relationship with the end consumer. It is no longer only the physical bookstore, advertising, and in-person author appearances that drive consumer buying patterns. There are now multiple direct avenues to consumers, including buying books on social media sites – a brand new addition to the supply chain. The supply chain needs to be faster and more flexible to take advantage of these new and emerging channels.

Work to address these four areas provides foundational capacity to address the next generation of opportunities and challenges to book publishing. Maintaining a perspective on the impact of AI, blockchain, and whatever else comes along requires a more transparent and predictable supply chain now and into the mid-term.

Supporting the Next Generation of Book Publishing

To prepare the industry for a rights-savvy, data-driven future, we propose an industry-wide effort to transform supply-chain communications, built around at least six initiatives, described here. This proposal

Creating a more efficient supply chain requires access to information currently unavailable in most systems.

is based on input drawn from every facet of the book publishing industry by BISG, the organization best positioned to take on this ambitious, but essential project and see it to its successful completion. Whatever else comes along requires a more transparent and predictable supply chain now and into the mid-term.

These initiatives don't represent all of the challenges faced by book publishing. Sustainability, accessibility, privacy and security, and professional development are priorities that won't be directly answered by what we recommend here. Efforts like the Green Book Alliance (sustainability), various BISG working groups addressing issues like accessibility, and AI, and other strategic initiatives can take place alongside this supply-chain effort. Hardening the data infrastructure of the industry could be part of this effort, as could professional development based on future skills requirements and the skills gaps we currently see.

While a complete roadmap for projects required to update the supply chain is more extensive than we present here, these six projects offer immediate and productive opportunities. Simply put, the overarching goal of this initiative is faster, more robust, more transparent, more integrated, and more standardized data communication.

1. Improve supply chain transparency

The visibility and transparency sought by all publishing-related organizations depends on information held elsewhere, often in silos or proprietary databases. This affects every part of the supply chain. Efforts to improve forecasting tools and techniques require clear communication with publishers, printers, distributors, and retailers. Understanding printing capacity requires knowledge about publisher frontlist and backlist production plans. Gauging the impact of sales and marketing promotions benefits from real-time information that is available largely through one-off arrangements.

The list of opportunities is significant, and relationships across supply-chain segments (publishers, manufacturers, distributors, retailers, and libraries) haven't been fully developed. Even though North America is a large market, the supply chain gaps are notable in part because book publishing is a small industry relative to many others. The book industry is self-siloed from the larger retail marketplace. This is a growing problem as publishers work to take advantage of traditional retail outlets for gift, stationery and other non-book products. This project provides an opportunity to come together to build a stronger supply chain for an industry that needs this level of support and resilience.

> This initiative will create a faster, more robust supply chain.

2. Make better decisions using real-time data

Existing, legacy systems largely support one-way communication. Over the last 40 years, increased business complexity makes flat-file reporting less effective, particularly for digital sales. This affects distribution, where communication on shipping receipts is not connected to the messages that convey those shipments. For print books, lead times on reprints can make tracking pipeline inventory (including plans to return) an imperative.

Lags in sales reporting (weekly at best) make efforts to track marketing impact less effective. More timely, two-way communication is an investment, but data that is obsolete by the time it is received is part of the cost of continued support of legacy systems. A wide range of data-driven opportunities exist, if the exchange of information can reflect current and emerging business requirements.

Emerging regulatory requirements could also be served with more effective deployment of real-time data exchanges. The proposed data reporting envisioned as part of the EU's Deforestation Regulations is an example. While we have one-way communication that is not timely, most booksellers have daily sales reporting internally that could be leveraged to improve efficiencies across the marketplace.

3. Better monetize rights opportunities

Product sales have been largely flat for the past decade. While the U.S. has substantial frontlists and backlists, finding out who owns rights, acquiring desired rights, and monitoring rights deals are all difficult. A 2021 BISG study confirmed strong returns on investment for a variety of rights investments.

A failure to invest in rights management and licensing will limit revenue and potentially increase unauthorized uses. Making available rights simpler to manage and more visible in the marketplace can increase the number of rights deals and volume of rights revenue, ease the management of rights and royalties payments, and increase publishers' ability to earn a return against their investments.

The rise of AI licensing may lead to opportunities that will require clear understanding of the rights available to publishers.

Existing legacy systems largely support one-way communication.

4. Simplify access to industry metadata

Pulling data via APIs is faster, more secure, and allows for accurate, actionable marketing data to reach vendors and consumers as soon as it becomes available. It is no longer acceptable to wait days for data to be updated on consumer-facing sites.

In the retail industry, most major grocers have moved to a similar approach to managing the item master through OneWorldSync and other platforms where the producer manages all item metadata in the platform and any retailer can access via API to bring the item into the retailer's system seamlessly. Compared with the current practice, in which publishers push metadata to distributors and retailers via ONIX, repositories can:

- Avoid redundant and contradictory data feeds

- Eliminate questions about who has the most recent data

- Establish clear data ownership with publishers and their metadata distributors of record

- Identify supplemental metadata contributed by ancillary parties in the supply chain

- Support provision of metadata to retailers that may not accept ONIX

- Support provision of metadata for non-book products

- Ensure that changes and updates can be retrieved and addressed immediately

- Allow senders and recipients to use metadata to react to breaking news, including awards, honors, and world events

This approach builds on ONIX and does not make the standard obsolete. ONIX serves purposes beyond title marketing metadata and has grown over the years to serve multiple market requirements. Creating repositories of record would provide the opportunity to develop and share APIs across the supply chain. Access to those API calls would help the industry better understand trends, opportunities, and areas of misunderstanding.

Establishing repositories with API access also allows recipients to choose how they access a publisher's metadata, using ONIX or selectively acquiring the metadata that serves their needs. Vendors can create their own catalogs of titles according to genre, subject matter, format, etc. Decoupling metadata delivery from the way that publishers structure their information also allows distributors and retailers to upgrade their systems without changing publisher requirements.

> A failure to invest in rights management will limit revenue and risk unauthorized uses.

This was one of the promises of GDSN, which would allow a store that specializes in knitting to easily find and feature books on knitting without having to import an entire ONIX file.

5. Reduce the work required to purchase and pay for books

The retail landscape for book sales involves thousands of publishers delivering books to thousands of retailers on a more or less continuous basis. Accounting and order management challenges evident with the book trade have increased as the number of non-traditional accounts has grown. Intermediaries (such as Ingram, Baker & Taylor, Independent Publishers Group, and others) solve some of this, but the supply chain is also challenged to manage payments and returns effectively.

In the U.K., BATCH provides clearinghouse services to the trade, with order management and publisher payments coordinated through the BATCH portal. Efforts to implement BATCH in the U.S. have seen recent progress. Hurdles to overcome in North America include a variety of retail order systems, differing protocols for communicating order and sales data, and the large number of entities to bring along. Here, we anticipate developing a roadmap for change that shows the supply chain the benefits that can accrue with a different approach.

6. Reduce the financial and operational impact of returns

In the UK, the BATCH payments clearinghouse ties returned product to specific orders (to ensure that the returns are authorized and the credit provided is accurate). This automated approach gives distributors of record clear direction on what is being returned, against whose account, and the price and discount for the returned inventory. In turn, accounting discrepancies are reduced significantly. Any organization receiving returns can reduce the amount of time and resources used to process them.

The U.K. implementation is not perfect, but it provides a clear roadmap for better managing a complex supply chain in which product frequently moves both out and back at the same time. Coupled with the use of payments clearinghouses, it offers the potential to significantly reduce the time and uncertainty that accompanies accounting for returns, a pain point for publishers and their distributors.

Across these initiatives, book publishing needs more consistent use of and adherence to industry standards. Companies need to stop interpreting standards to benefit their own business models. Companies across the supply chain need to speak the same language and evolve it in a coordinated manner. ONIX does that today, but ONIX also shows the

Across these initiatives, book publishing needs more consistent use and adherence to industry standards.

limits of standards when companies decide to create their own interpretations of it.

Consistent use of and adherence to industry standards will require companies across the industry to update legacy systems to reflect those standards. Making those investments will provide for more accurate and efficient communications and reduce troubleshooting data across partners. These gains will help publishers and their supply-chain partners allocate staff to activities that deliver higher value and revenue growth.

Success: A Model and a Call to Action

It will take the entire industry, working together to get this job done. By working together we will get it done. Twenty years ago, the industry was faced with changing the primary and most successful industry standard, the ISBN, from 10 to 13 digits. The International ISBN Agency under ISO announced a hard, "no-kidding around this time" deadline of January 1, 2007. The deadline left about two years to implement the new standard, similar to the challenge the supply chain faces now with regulatory requirements like EUDR.

In an industry this size that moves slowly, with a project this large, two years was like no time at all.It was then that BISG took the lead getting the job done. BISG brought all segments of the industry, members and non-members alike, into a task force. The group created a framework for change that took all industry segments into account, then oversaw the transition through to completion. The task force was successful, giving the book industry entry into retail markets that had previously been closed to books as a product, but it took a commitment of time, effort, communication, and outreach.

Our proposed changes to the supply chain will require a similar amount of industry participation and support. We will need time, resources and funding to achieve this goal. This is not an easy ask, but the undeniable necessity and the benefits of upgrading the supply chain to fully serve the current and future state of publishing will deliver a return for all companies in the industry. Most importantly, it will keep our products flowing into the hands of readers everywhere, for years to come.

Automated returns give clear direction on what is being returned, against whose account, with the price and discount assigned.

Next Steps to Build a Supply Chain for the Next Generation

In the next four months, BISG will be taking these steps to launch this effort:

- Develop a reference architecture
- Create draft statements ot project benefits
- Socialize the plan and create preliminary cost estimates
- Identify pilot participants and launch structured tests
- Establish priorities for change and refine the ROI

The effort is inclusive, open (as was the ISBN project) to members and non-members alike. Anyone looking for more information or to volunteer for a project role is invited to contact Brian O'Leary (brian@bisg.org) at BISG.

Organizations participating in BISG's "Book Publishing Next" working group

Amazon

American Booksellers Association

Amplify Education

Barnes & Noble

Books International

Books-A-Million

Circana BookScan

Firebrand Technologies

Hachette Book Group

Harper Collins Publishers

Independent Publishers Group

Ingram Content Group

Kliemann & Company

knk Software

Library of Congress

MVB U.S.

NISO

OCLC

Penguin Random House

Proquest/Clarivate

United Methodist Publishing House

University of Chicago Press

Versa Press

Virtusales LLC

YVentures