Book Distribution in the Arab World
Riyadh Oct. 2009

Agenda:
Comparison German and Arabic book market
The future of book distribution
Models for a Distribution-System
**Germany**
**key factors - economy**

- **Size:** 357,030 km²
- **Population:** 82,541,000
- **Urbanization**
  - 3 Cities > 1 Mio.
    - Berlin: 3,433 Mio
    - Hamburg: 1,652 Mio
    - Munich: 1,229 Mio
  - 15 Cities > 500,000
  - 81 Cities > 100,000
- **Urban Population 88%**
- **Illiteracy:** 0.6%
- **Volume Book market 2008:**
  - Turnover 9,6 Bill. €
  - Books in Print: 1,2 Mill. Titles
  - 94,276 new title
German book market

- Biggest book market in Europe with a turnover of 9,6 billion € in 2008

- Big numbers:
  - 19,000 publishers with ~ 140,000 employees (including magazines and journals) – best guess for book market only ~ 22,000 employees
  - ~ 5,000 bookstores with ~ 35,000 employees
  - ~ 5,000 other outlets, selling books too
  - > 1,2 Mio. available titles (books in print)

- Small numbers:
  - Average retail price ~ 12,00 €
  - 4 Book-Wholesaler, only 2 nationwide,

- Specials:
  - Fixed price system by law since 2003
    - Publisher fix retail price incl. VAT
    - Minimum 18 month fixed; cancellation of fixed price permits returns
  - Reduced VAT on books (7% compared to 19%)
**Arab world**

*key factors - economy*

- **Size:** 14,529,699 km²
  - 40,7 x Germany

- **Population:** 323,000,000
  - 3,9 x Germany

- **Urbanization**
  - 20 Cities > 1 Mio.
  - ~ 20 % of the total Population
  - ~ 10 Cities > 500,000
  - ~ 50 Cities > 100,000

- **Urban Population ~ 50 %**

- **Illiteracy: 34 %**

- **Volume book market:**
  - Turnover < 1 bill. € (estimated)
  - Books in print: ?? Titel
  - ~ 10,000 – 20,000 new titles p.a.
Books and pamphlet title published in 1999

In 1999 there were a million new book titles worldwide
(book defined as having at least 50 pages, a pamphlet has 5 to 49 pages)

Comparison: Land Area

Comparison: Total Population

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Public libraries: books borrowed

**HIGH AND LOW BOOK BORROWERS**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Territory</th>
<th>Value</th>
<th>Rank</th>
<th>Territory</th>
<th>Value</th>
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<td>7</td>
<td>200</td>
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*books borrowed per person in 1999*
The Arabic book market – Conclusions

- The Arabic book market is potentially bigger than the German book market
  - ~ 115 Mill. potential readers compared to ~ 60 Mill. potential readers in Germany
  - Reading is a basic for education and a comparable cheap enjoyment and therefore the book market will constantly grow

- With rising literacy (education, reading-promotion, more public libraries, etc.) and higher production in titles this development accelerate fast.

- Restricting factors at present are:
  - Borders and customs regulations
  - National/religious organized censorship
  - Absence of a central book catalogue
  - Pirate copies (lack of copyright protection)
  - Absence of a trustworthy distribution net
The future of the book market
The future of the book market
Important issues

- Production
- Warehousing
- Ordering
- Transport
- Sales
- E-Commerce

Publisher

Logistics

Retailer

Consumer
The future of the book market
Production

Gutenberg 1450
Printing 1700
Printing 1920
Offset 1955
Print on Demand 2002
BoD produces and distributes books within 24 hours after purchase.

Workflow wholesale orders

Day 0, 12.00 h am
Order in book retail

Day 0, 12.00 h pm
Ordered book is printed, bound and shipped

Day 1, 07.00 am
Handling in wholesaler’s center of distribution

Day 2, 09.30 h am
Ready for collection by reader in book retail

- Zero storage cost through direct interface with sales channels and fast delivery times
- Dramatic improvement in profitability for slow-moving titles with small edition sizes
- New revenue opportunities for niche titles, backlist titles and out-of-print titles
- Update of titles to new versions without any problems
- Development of new business models, e.g. personalized books, content aggregation
BoD is not a printing company, it is a supply chain solutions provider serving multiple channels highly efficiently.
B2B growth driven by ever growing "long tail" and margin pressure on publishers.

Conceptual demand curve for book sales

- # of copies per title
- # of available book titles

- Declining importance of "mid-market"-titles; increasing importance of niche titles
- Easier access to and more efficient sales of long-tail-titles via the Internet
- Rapidly increasing number of long-tail titles through user-generated content and digitization projects (e.g. Google Book Search)
Print runs of #1 with total freedom in product specification.

**Paper**
- 90g, white or chamois
- 80g, white

**Printing**
- Black/white
- **ColorPlus:** Integration of individual pages in colour

**Formats**
- Free formats for paperbacks

**Paperback**
- Matt or
- glossy laminated

**Hardcover**

**Offset-Option**
- Seamless interface with leading European offset printer

Source: BoD
Zero-cost publishing turbo-charges scalability.

myBoD enables online book publishing ...

... and can be totally free of charge

<table>
<thead>
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<th></th>
<th>BoD Fun</th>
<th>BoD Classic</th>
<th>BoD Comfort</th>
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<tr>
<td>Price of package</td>
<td>EUR 0.00</td>
<td>EUR 39.00</td>
<td>EUR 399.00</td>
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<td>Printing master</td>
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<td>BoD-shop</td>
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<tr>
<td>Book retail connection</td>
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<td>✓</td>
<td>✓</td>
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<tr>
<td>Barcode</td>
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<td>✓</td>
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<tr>
<td>Mandatory examples</td>
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<td>✓</td>
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<tr>
<td>Advice</td>
<td></td>
<td></td>
<td>✓</td>
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</table>

Technological basis for future growth and private publishing
The future of the book market warehousing

Development in three dimensions:
- From bulk storage with low stock turn to just in time deliveries with high stock turn
- From bestsellers to long tail and from “push” to “pull”: deliveries on demand
- From individual warehouse to mandantory warehouse

More titles – faster deliveries – lower costs
Example for a mandantory warehouse – Libri Germany

Own enterprise by Libri

- Wholesale
- ~ 400,000 titles on stock
- Delivery over night

3rd party logistics by Libri

- Warehouse-Management
- Central Warehousing for book chains / publishers

Dispatch-Service

- Online-sales and dispatch
Libri – Central Warehouse with Client Ability

WWS (Merchandise Mgmt. System)
Libri2000

Procurement
Master data
- Publishers
- Titles

Sales Dep.
Master data
- Customers

Catalogue
Ordering-system

Libri
Hamburg

LBS
(Logistic Bus System)

Volume calculation

User-to-user connection

DPS
(Dynamic Picking System)

- Start of order tote
- Arrange storage tote
- Picking of items
- Print delivery note
- Dispatch goods

Dr. G. Dust - Riyadh Oct. 2009
The future of the book market Ordering

- State of the art technique
  - Uniform Order Systems and Order Technique (internet based)
  - Electronic Data Exchange on International Standard

- Professional Catalogue System
  - Multi Channel data Import and data export (print, Excel, Onix etc.)
  - Unique identifier (ISBN 13)
  - Price (Value, currency, VAT)
  - Product availability (supplier, status)
  - Transliteration for international Catalogues

- Central management
Introduction to Western book databases

Western book databases – Variety in mission and scale
Introduction to Western book databases

An attempt for classification

<table>
<thead>
<tr>
<th>Catalog database</th>
<th>Category</th>
<th>Number of titles</th>
<th>Regional focus</th>
<th>Price &amp; Availability, Business Terms</th>
<th>Source or destination for an Arab database</th>
</tr>
</thead>
<tbody>
<tr>
<td>Libri</td>
<td>wholesaler</td>
<td>2,400,000</td>
<td>DE, EUR, US</td>
<td>maintained up-to-date</td>
<td>destination</td>
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<tr>
<td>VLB (German Books in Print)</td>
<td>market standard</td>
<td>1,200,000</td>
<td>DE</td>
<td>maintained not fully up-to-date</td>
<td>none</td>
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<tr>
<td>German National Bibliography</td>
<td>library</td>
<td>15,000,000</td>
<td>DE</td>
<td>not maintained</td>
<td>none</td>
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<tr>
<td>Nielsen BookData</td>
<td>content aggregator</td>
<td>6,000,000</td>
<td>UK, US, IRE, AU, SA, ...</td>
<td>maintained not fully up-to-date</td>
<td>source destination</td>
</tr>
<tr>
<td>amazon.com</td>
<td>online retailer</td>
<td>3,100,000</td>
<td>worldwide</td>
<td>maintained up-to-date</td>
<td>source or destination</td>
</tr>
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</table>

To be answered:

What’s the classification and the mission of the Arab book database?

www.aruc.org, the Arabian Union Catalog (library project)
Conclusions for building an Arab book database (1)

- **Defining the mission** is of highest importance for the design of an Arab book database
- **Multi-channel data import**: print, Excel (CSV), Onix, web-interface
- **Multi-channel data export**: print, data files, search engine
- **Catalog department** and cataloging team
- **Creating a supplier (publisher) and buyer (book retailers) network**

[www.neelwafurat.com](http://www.neelwafurat.com), Lebanese online book retailer
Conclusions for building an Arab book database (2)

- Modern **technical infrastructure**, but also traditional channels
- **Mandatory data** for using the catalog in a distribution chain: unique identifier (ISBN13), price (value, currency, VAT, discounts), product availability (supplier, status code), product classification, edition
- **Searching & ordering applications** are needed for stationary book retailers including the Arab book database and other catalogs
- For including the Arab book database into international catalogs, **transformation Arabian into Latin characters** is mandatory (searchability)

[www.arabischesbuch.de](http://www.arabischesbuch.de), online book retailer in Berlin
The future of the book market
Transport

- Need for reliable transport time. Goal:
  All Arab books available:
  - Deliveries in 24-48 h within UAE
  - Deliveries in 1 week within the GCC Area
  - Deliveries in 2 weeks within the rest of the world

- Need for cheap transport costs.
  - Maximum 5 % of the book price
  - Demand for bundling

- Reducing restrictions
  - Customs (declaration, inspection)
  - Bureaucracy
  - Censorship

- Governmental Subsidizing?
  - Air freight
  - Book parcels to Consumer by postal service
The future of the book market
Sales

- All books should be available in short time at all places
  - Book fairs as unique selling points for the public are an outmoded distribution channel
  - Book stores (and libraries) are the generic pump stations for the human spirit
- Internet book stores can offer every article with the same attention
  - Growth of the “longtail”
  - Chance for more authors and more publishers
The future of the book market
E-books

- Substitution of printed books will accelerate
  - With new and better hardware (i-book)
  - Free downloads and piracy
  - Dual use (school/university – private)
  - Combination of content (travel guide/translator etc)
  - Dependent on age pyramid (the younger the quicker)

- Western Publishers expect a decline in physical distribution of 20-25% in the next 5 years

- E-Content also needs a distribution system
  - Consumers will not visit all individual publishers sites
  - Security and Cash Management are expensive

- Safeguarding content will be essential for survival of Publishers
## Mega Trends in book distribution

<table>
<thead>
<tr>
<th>Past/Present</th>
<th>Present/Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass Printing</td>
<td>Print on demand, print to order</td>
</tr>
<tr>
<td>Bulk storage – low stock turns</td>
<td>High stock turn, delivery on demand</td>
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<tr>
<td>Non uniform order systems and order technique (IT, Fax, Phone)</td>
<td>Electronic Data Exchange on International Standard</td>
</tr>
<tr>
<td>Uncertain delivery time</td>
<td>24 h with track &amp; trace</td>
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<tr>
<td>Bookfairs, B to B</td>
<td>B to B and B to C</td>
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<tr>
<td>Individual warehousing</td>
<td>Mandatory warehousing</td>
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<tr>
<td>Local Business</td>
<td>Global Business</td>
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<tr>
<td>Printed books</td>
<td>Sales of e-content</td>
</tr>
</tbody>
</table>
Key issues of book distribution in the Arabic world

- **Information**
  - Which book is where and when at what price available?
  - How do we search and find these books?

- **Economics**
  - Is there enough margin for every player in the market?

- **Position**
  - Is there an ideal position for a distribution warehouse for the Arabic book market?

- **Critical size**
  - Which volume justifies investing in a physical distribution system?

- **Transport**
  - How can transport costs be minimized by increasing shorter delivery times?
Cost structure of distribution systems

Amount of warehouses

Costs

- Storage
- Transport
- Total costs
Restrains for traditional physical distribution

- Market divided in several metropolitan areas (and deserts)
- Long distances
- Border restrictions
- Customs regulations
- No reliable transport time (beside air freight)

- Need for more than one distribution center
- Possible locations could be:
  - UAE
  - Egypt
  - Lebanon
  - Marocco
Choice of Models: Central or decentral Start-up

FIG. 1 - Centralized, Decentralized and Distributed Networks
Central Model for Distribution (The “Abu Dhabi” Model)

1. Publishers using Internet-Application to enter data into a new Catalogue

2. Every new title in the Catalogue automatically generates a shipment of ~ 20 copies to a new central warehouse in Abu Dhabi

3. The new warehouse should integrate existing book chain distribution or/and existing publishers distribution to achieve critical volume from day 1.

4. Sales of these titles automatically generates orders from the warehouse. New orders will be paid within 60-90 days (Possibly including payment for the real sales of the first 20 copies.)

5. Titles with no sales or slow sales (less than 10 in a year) will be paid to the publishers according to the real sales and the remaining copies will be shredded.

6. With the opening of more Distribution Centers Publisher have to send ~ 20 copies to each of them (due to open a new market segment).
Model for decentralized book-distribution
Xinhua - China

- Xinhua is the leading bookstore company in China:
  - More than 15,000 Shops
  - Over 150,000 employees
  - Wholesaler for other independent bookstores

- Distribution problems:
  - Regional oriented distribution (and stock)
    - Different demand in different provinces
    - Local publishers fear high transport costs
  - Overstock
  - Low fulfillment rate (less than 70 %)
  - Lack of Information System

- Solution:
  - Build up of a website – information-system
    - Collecting information of physical available books
    - Collecting orders
  - Form a logistic-system without a central-warehouse
    - Drop shipment to the customer
      - Direct (by postal service)
      - Indirect (logistic center to logistic center)
    - Organizing stock adjustments

Jiangsu Xinhua Xingang Distribution Center

Logistic Center
Decentral Model for Distribution
(The “Riyadh” Model)

- Basis: existing companies in book distribution in different countries
  - Publishers fulfillment
  - Central Warehouse for book retailer
  - Wholesaler – E-Commerce
  - Contract logistics - Distribution Center

- Providing the “biggest players” with a uniform IT-Infrastructure/Software
  - Ordering System
    - Uniform Order Systems and Order Technique (internet based)
    - Electronic Data Exchange on International Standard
  - Professional Catalogue System
    - Multi Channel data Import and data export (print, Excel, Onix etc.)
    - Unique identifier (ISBN 13)
    - Price (Value, currency, VAT)
    - Product availability (supplier, status)
    - Transliteration for international Catalogues
  - Print on demand facility

- Forming a network with logical and physical transactions
  - Customers order locally and receive books from abroad
    - Combined with the domestic shipment
    - Direct via drop-shipment from abroad
  - Financial transactions remain domestic (beside the network-partners)
## Comparison of Models

<table>
<thead>
<tr>
<th>The “Abu Dhabi” Model</th>
<th>The “Riyadh” Model</th>
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<tbody>
<tr>
<td>+ Intended politically with huge financial support</td>
<td>+ Domestic support by existing companies</td>
</tr>
<tr>
<td>+ Diversity of opinion restricted</td>
<td>+ Cheap</td>
</tr>
<tr>
<td>+ Progress</td>
<td>- No Investment in physical distribution</td>
</tr>
<tr>
<td></td>
<td>- Mainly domestic transport</td>
</tr>
<tr>
<td></td>
<td>+ Care of national sensibilities</td>
</tr>
<tr>
<td></td>
<td>+ Effective</td>
</tr>
</tbody>
</table>

- Expensive
- Competition to existing companies in other countries
- National approach ignoring
  - Customs regulations / Censorship
  - Border restrictions
- Geographically suboptimal
  - High transport costs
  - Long delivery time
- Financial support needed
- Decision making process interminable
  - Choice of software
  - Implementation time frame
The Arabic book market – new chances

▶ Internet is a perfect and cheap technology to connect people worldwide
  • simple basis for Catalogue entry and research
  • simple basis for ordering systems and track and trace
▶ Books on demand will change the production and the distribution
  • Faster publishing in small quantities
  • Worldwide electronic available and thus printable
▶ New kind of co-operation / network with unique software will improve domestic distribution and international sales.

Networking and new technologies can push the arab book market in short time.
YES. WE CAN.