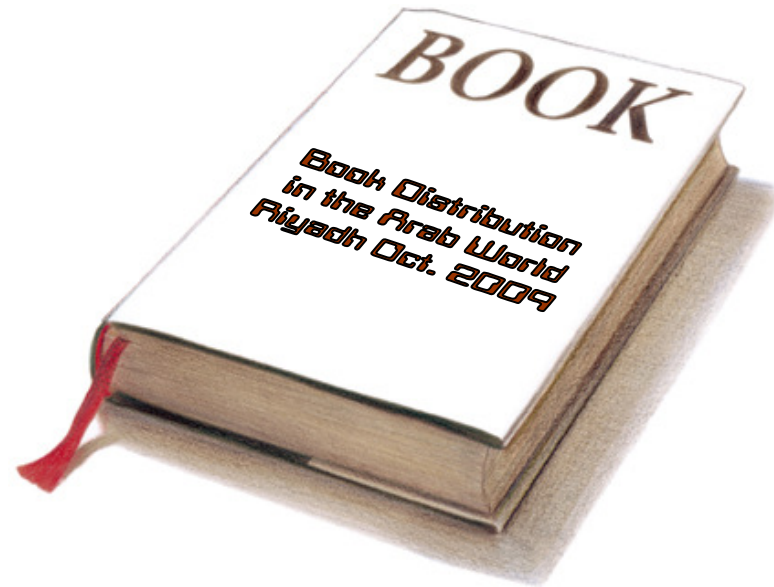

Book Distribution in the Arab World Riyadh Oct. 2009



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. Titels
 - 94.276 new title

German book market



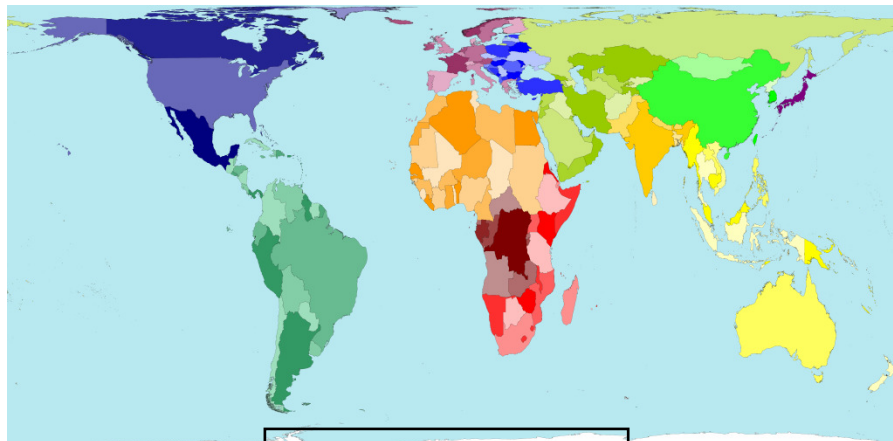
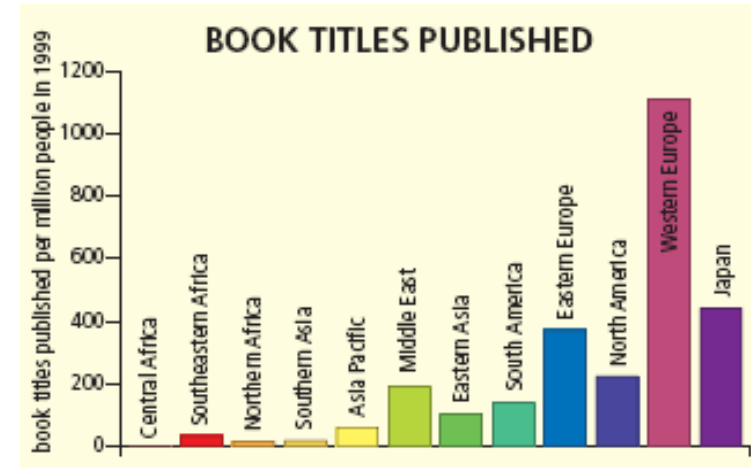
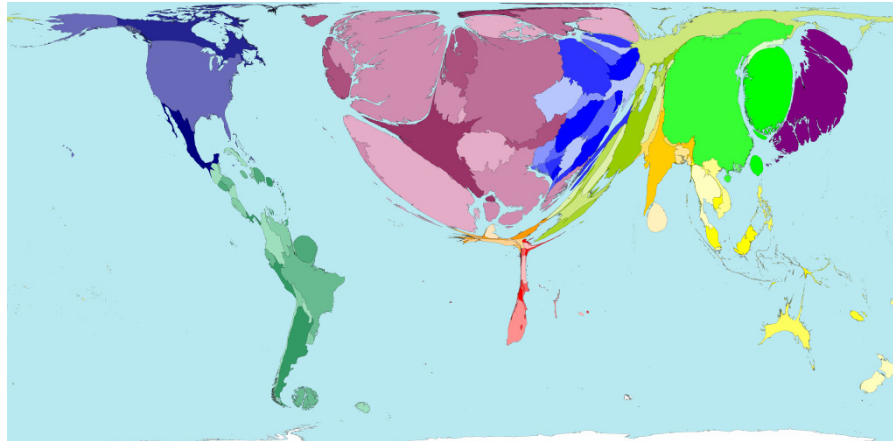
- ▶ **Biggest book market in Europe with a turnover of 9,6 billion € in 2008**
- ▶ **Big numbers:**
 - 19.000 publishers with ~ 140.000 employees (including magazines and journals) – best guess for bookmarket only ~ 22.000 employees
 - ~ 5.000 bookstores with ~ 35.000 employees
 - ~ 5.000 other outlets, 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

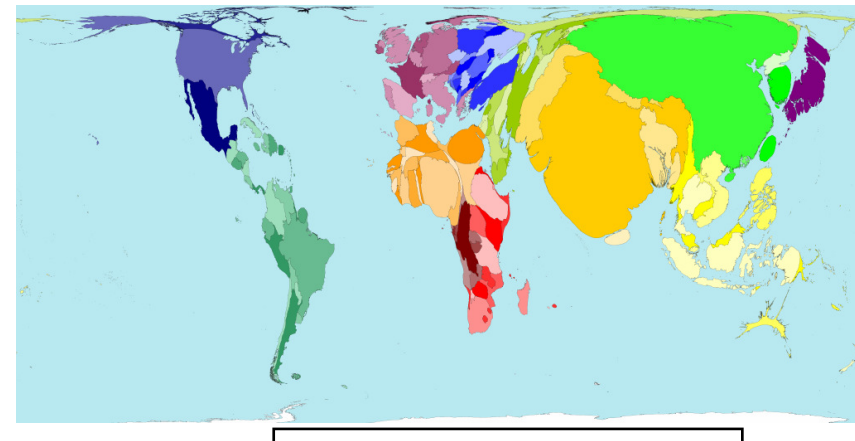


- **Size: 14.529.699 km²**
40,7 x Germany
- **Population 323.000.000**
3,9 x Germany
- **Urbanization**
 - 20 Cities > 1 Mio.
 - ~ 20 % of the total Population
 - ~ 10 Cities > 500.000
 - ~ 50 Cities > 100.000
- **Urban Population ~ 50 %**
- **Illiteracy: 34 %**
- **Volume book market:**
 - Turnover < 1 bill. € (estimated)
 - Books in print: ?? Titel
 - ~ 10.000 – 20.000 new titels 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)

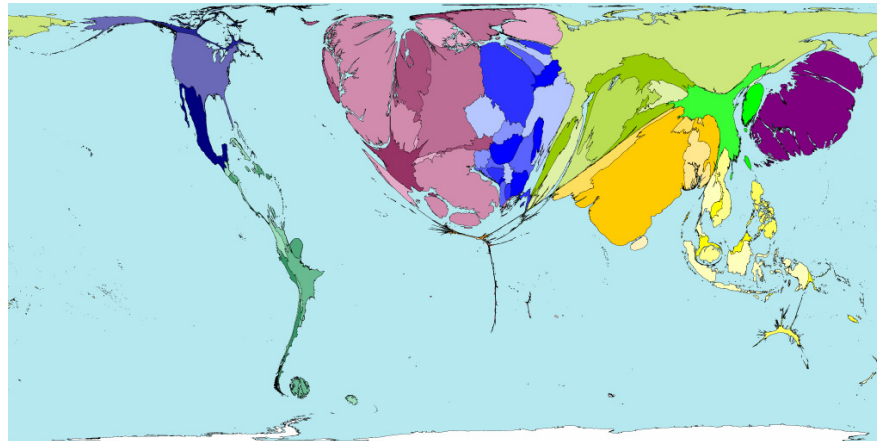


Comparison: Land Area



Comparison: Total Population

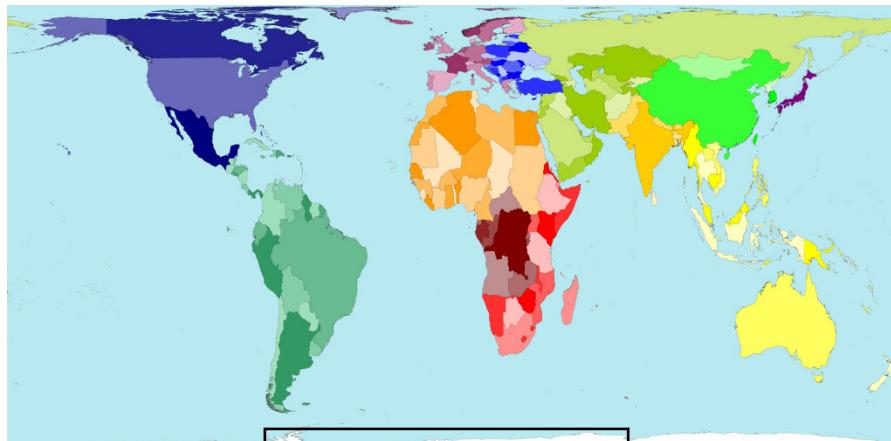
Public libraries: books borrowed



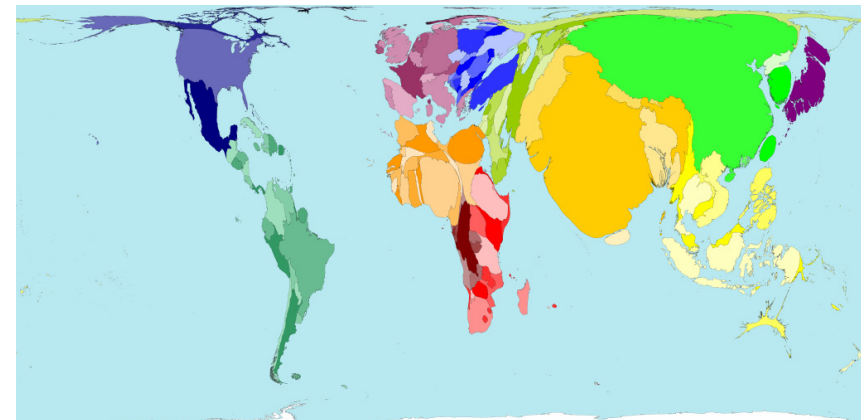
HIGH AND LOW BOOK BORROWERS

Rank	Territory	Value	Rank	Territory	Value
1	Finland	19	141	Ecuador	0.0938
2	Denmark	14	142	Bahamas	0.0681
3	Estonia	12	143	Turkey	0.0577
4	Netherlands	10	144	Togo	0.0288
5	Sweden	9	145	Sierra Leone	0.0094
6	Latvia	9	168	Saudi Arabia	0.0033
7	Slovenia	8	170	Uganda	0.0030
8	United Kingdom	8	189	Myanmar	0.0019
9	Russian Federation	8	199	Rwanda	0.0018
10	Iceland	7	200	Burkina Faso	0.0005

books borrowed per person in 1999*



Comparison: Land Area



Comparison: Total Population

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.**

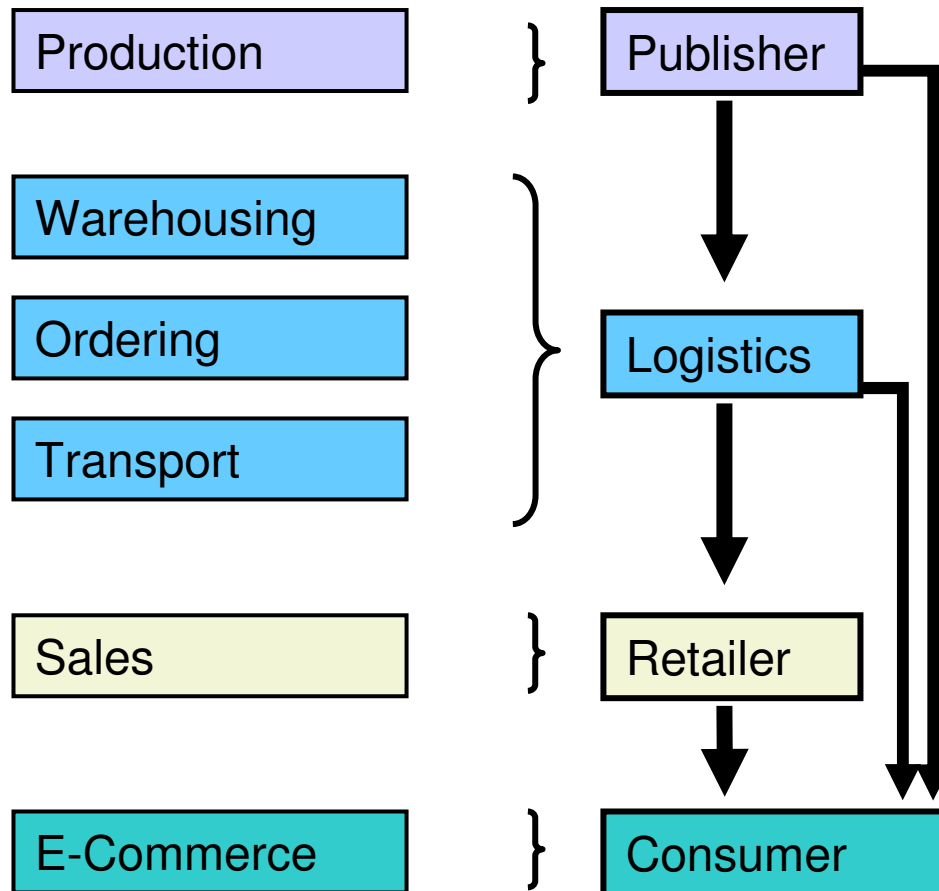
- ▶ **Restricting factors at present are:**
 - Borders and customs regulations
 - National/religious organized censorship
 - Absence of a central book catalogue
 - Pirate copies (lack of copyright protection)
 - Absence of a trustworthy distribution net

The future of the book market



The future of the book market

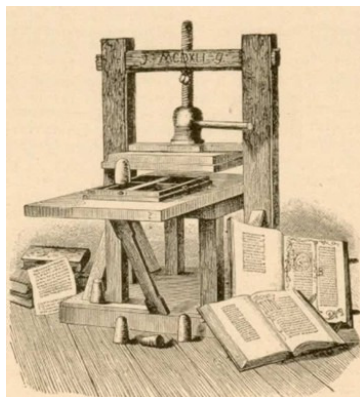
Important issues



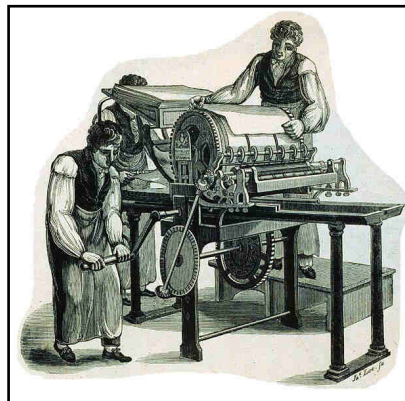
The future of the book market Production



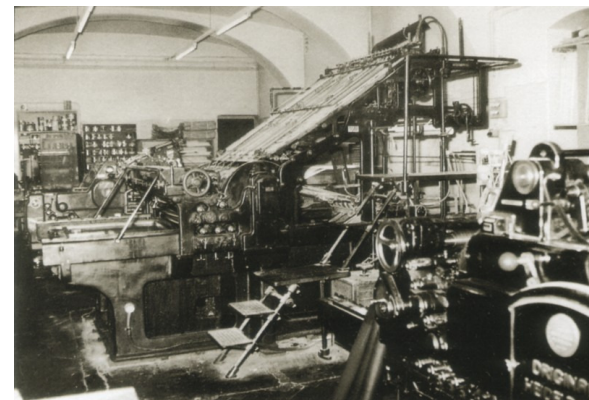
Gutenberg 1450



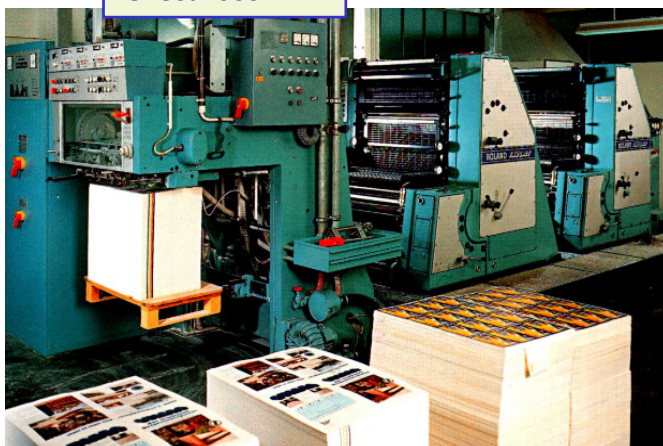
Printing 1700



Printing 1920



Offset 1955



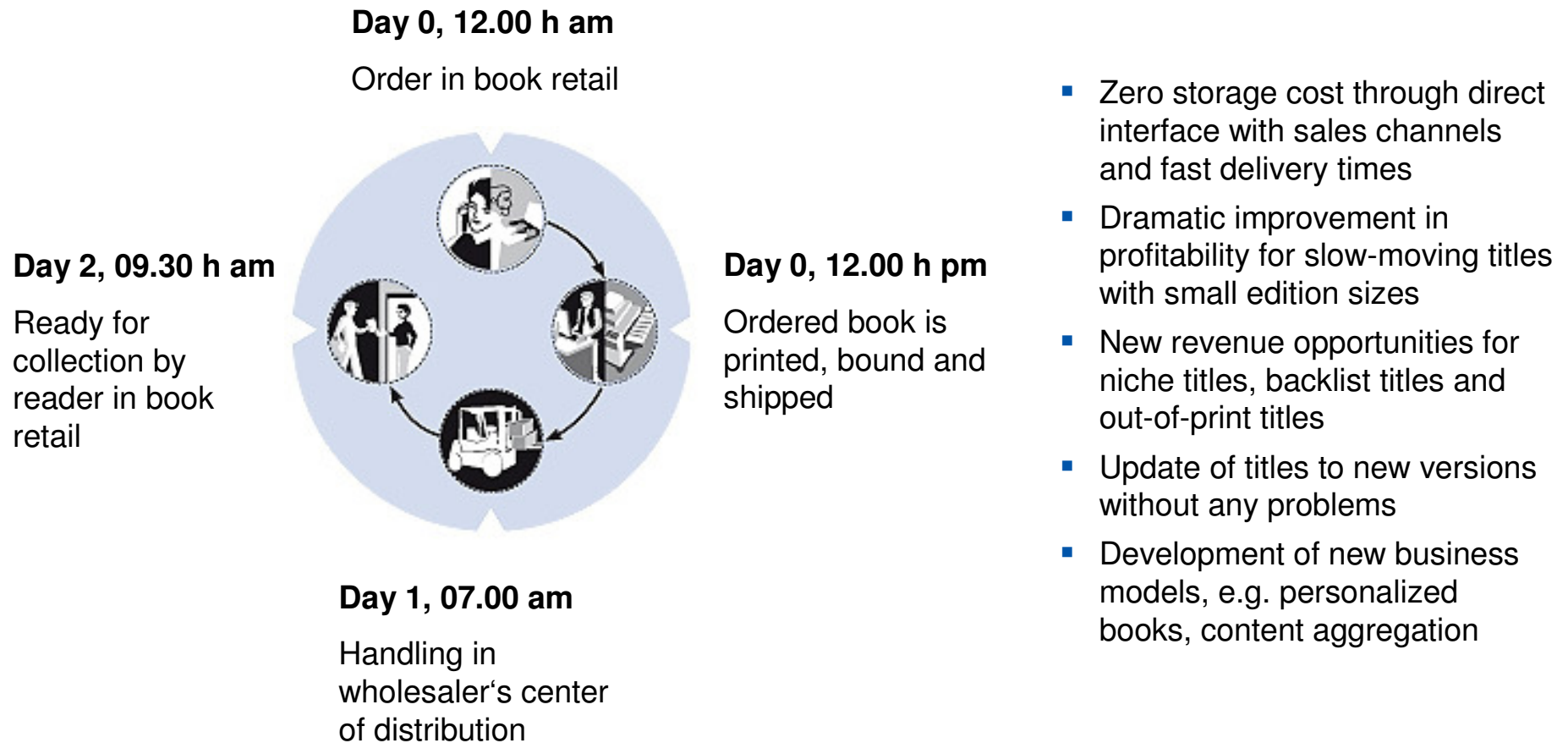
Print on Demand 2002



BoD produces and distributes books within 24 hours after purchase.



Workflow wholesale orders

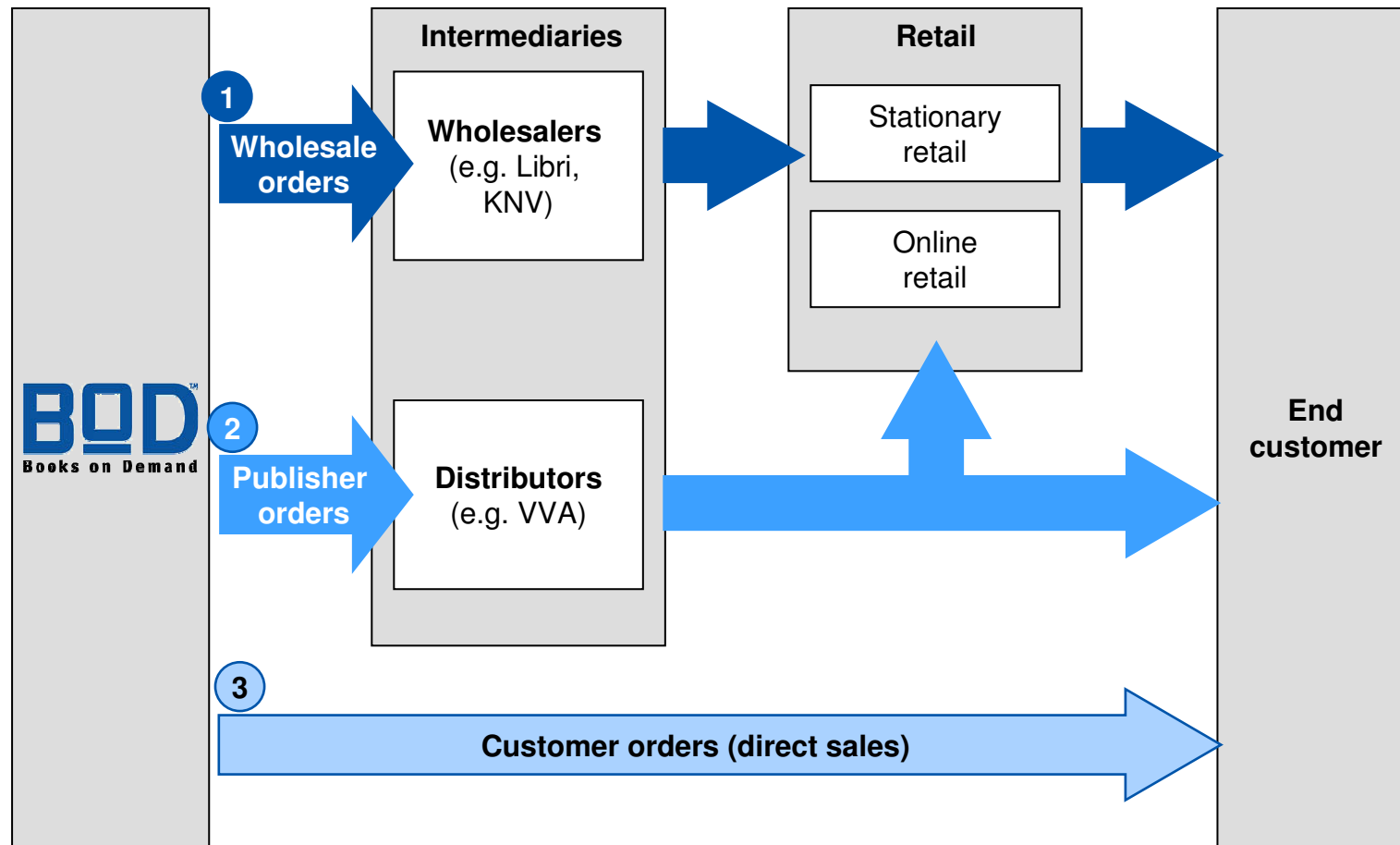


- Zero storage cost through direct interface with sales channels and fast delivery times
- Dramatic improvement in profitability for slow-moving titles with small edition sizes
- New revenue opportunities for niche titles, backlist titles and out-of-print titles
- Update of titles to new versions without any problems
- Development of new business models, e.g. personalized books, content aggregation

Books on Demand

Einfach veröffentlichen.

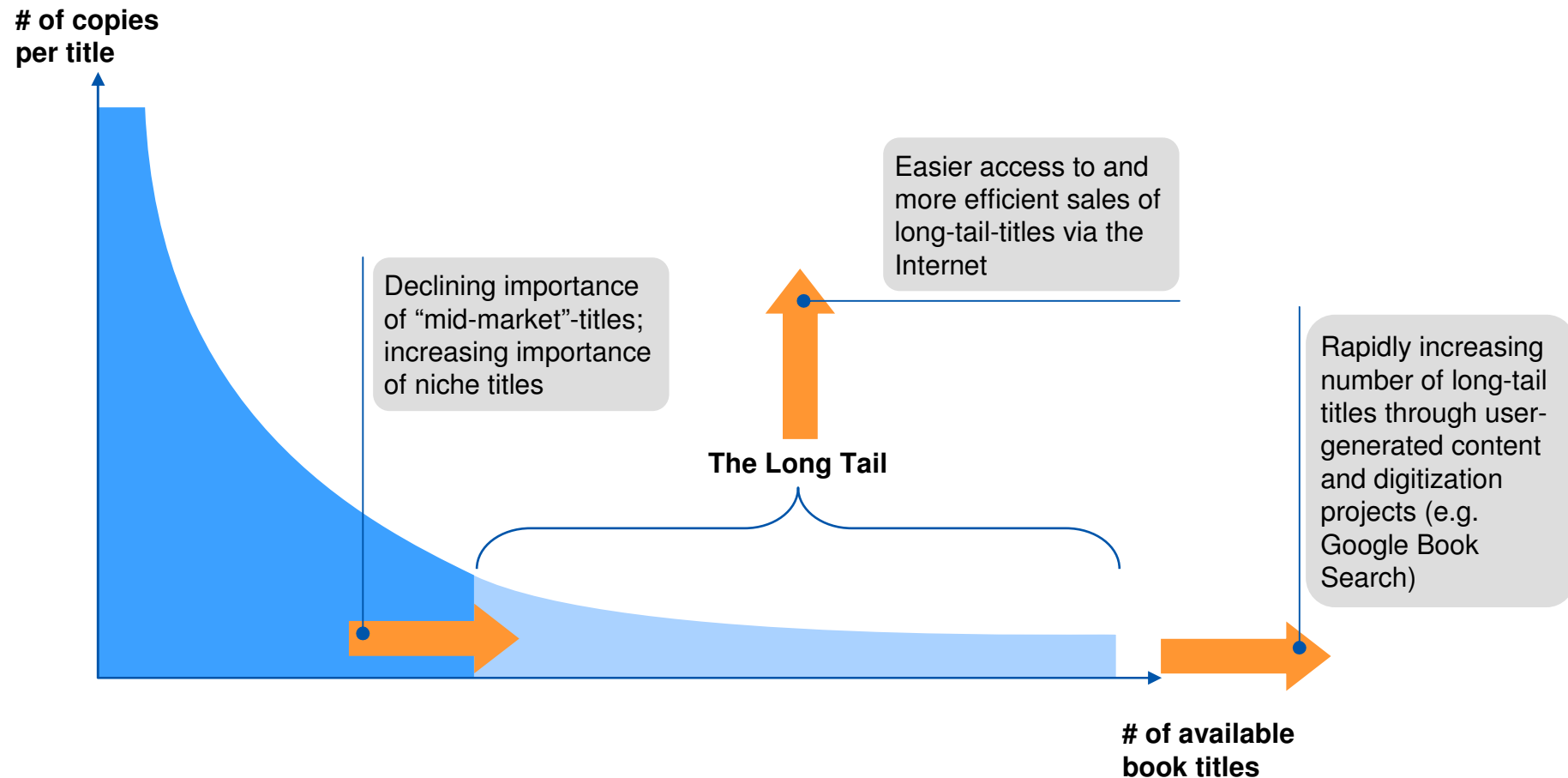
BoD is not a printing company, it is a supply chain solutions provider serving multiple channels highly efficiently.



B2B growth driven by ever growing "long tail" and margin pressure on publishers.



Conceptual demand curve for book sales



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



Offset-Option

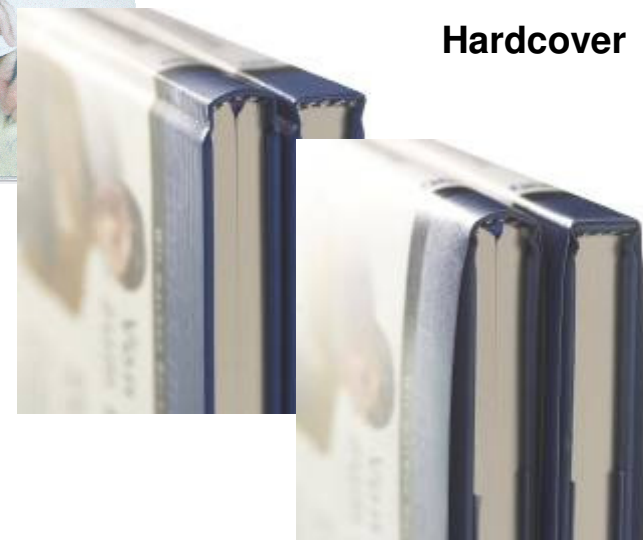
- Seamless interface with leading European offset printer

Paperback

- Matt or
- glossy laminated



Hardcover



Zero-cost publishing turbo-charges scalability.



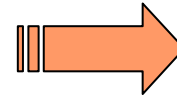
myBoD enables online book publishing ...

... and can be totally free of charge

	BoD Fun	BoD Classic	BoD Comfort
Price of package	EUR 0.00	EUR 39.00	EUR 399.00
Printing master	✓	✓	✓
BoD-shop	✓	✓	✓
Book retail connection		✓	✓
ISBN		✓	✓
Barcode		✓	✓
Mandatory examples		✓	✓
Distribution of reference books			✓
Advice			✓

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 titels on stock
- Delivery over night
- Volume: > 55 Mill. copies p.a.

3rd party logistics by Libri

Warehouse-Management



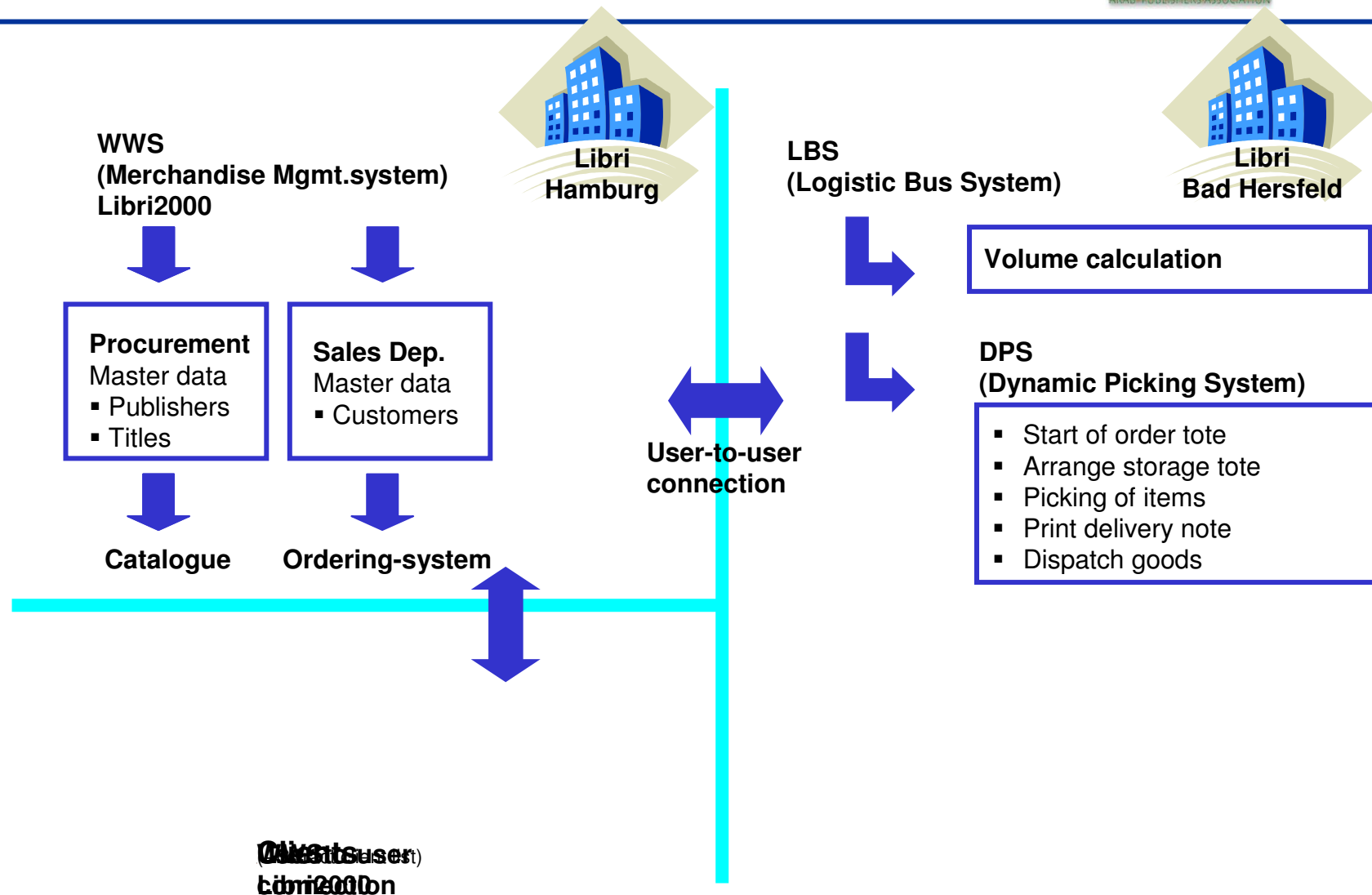
- Central Warehousing for book chains / publishers
- Volume: > 15 Mill. copies p.a.

Dispatch-Service



- Online-sales and dispatch
- Volume: ~ 3 Mill. Parcels p.a.

Libri – Central Warehouse with Client Ability



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**

Western book databases – Variety in mission and scale

20 / 12.02.08 / MR



An attempt for classification

Catalog database	Category	Number of titles	Regional focus	Price & Availability, Business Terms	Source or destination for an Arab database
Libri	wholesaler	2.400.000	DE, EUR, US	maintained up-to-date	destination
VLB (German Books in Print)	market standard	1.200.000	DE	maintained not fully up-to-date	none
German National Bibliography	library	15.000.000	DE	not maintained	none
Nielsen BookData	content aggregator	6.000.000	UK, US, IRE, AU, S, SA, ...	maintained not fully up to	source destination
amazon.com	online retailer	3.100.000	worldwide	ma up	
To be answered: ➔ What's the classification and the mission of the Arab book database?		.000.000	US, UK, CAN, ...	ma up	
		.000.000	worldwide	not m	



www.aruc.org, the Arabian Union Catalog (library project)

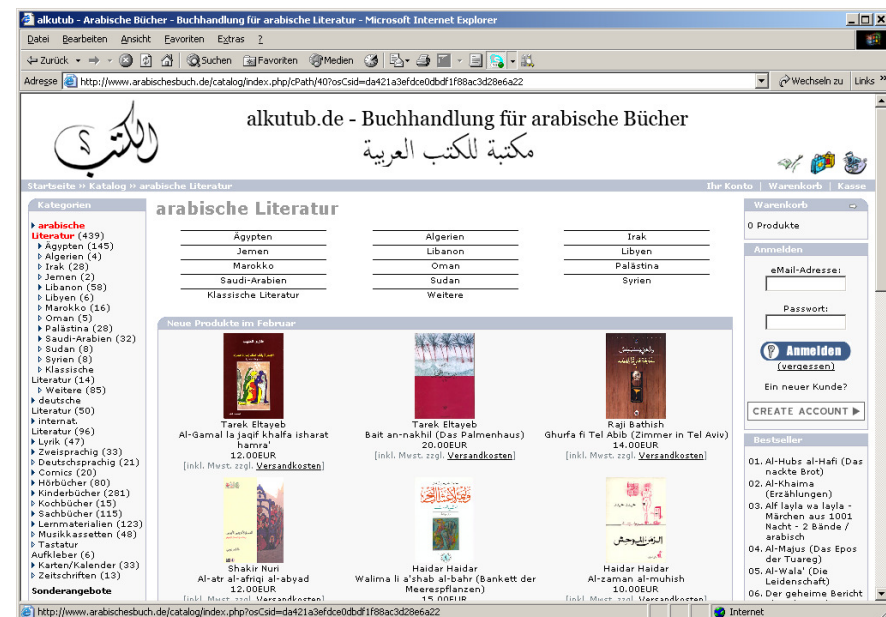
Conclusions for building an Arab book database (1)

- ➔ 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**



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)



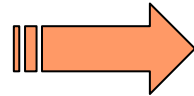
www.arabischesbuch.de, online book retailer in Berlin

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

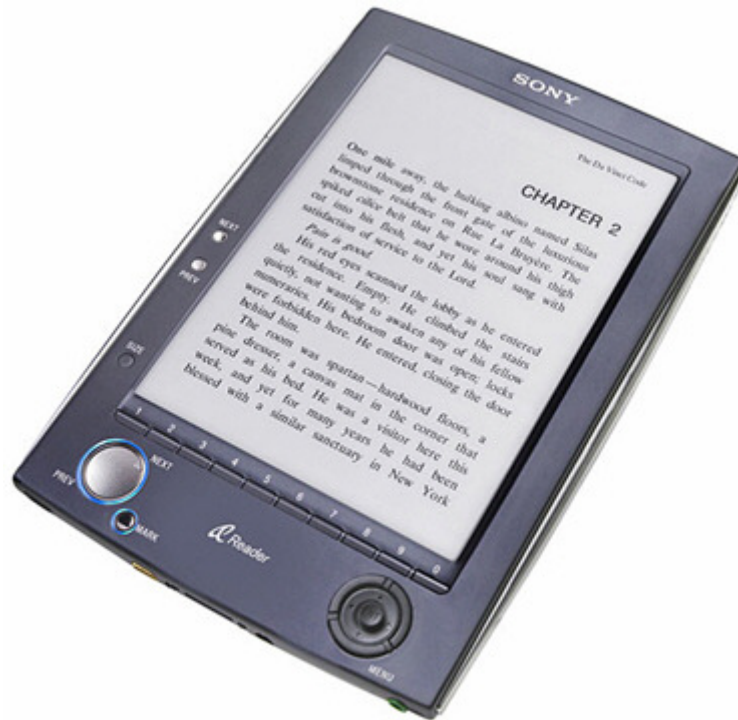
The future of the book market Sales



- ▶ **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



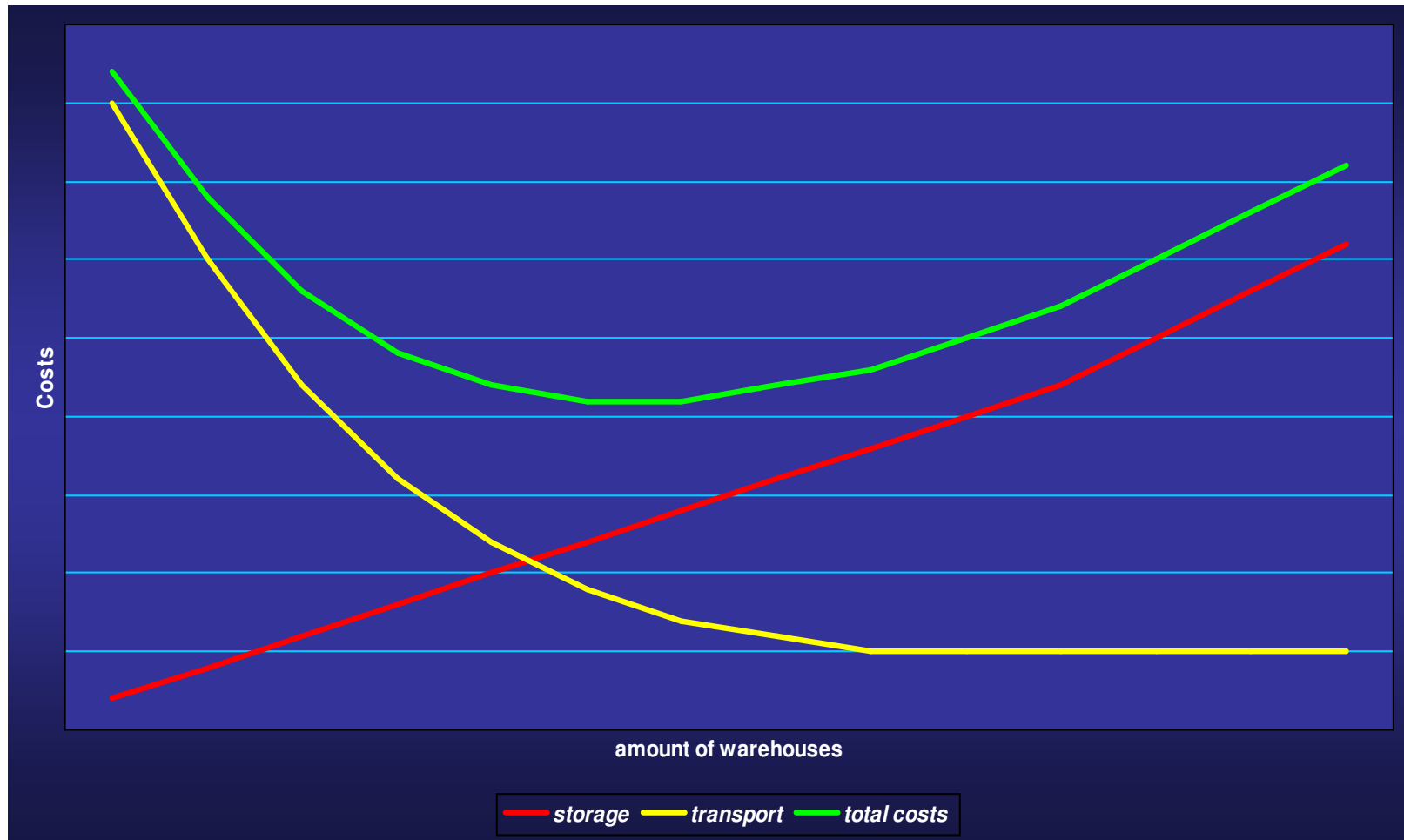
<i>Past/Present</i>	<i>Present/Future</i>
Mass Printing	Print on demand, print to order
Bulk storage – low stock turns	High stock turn, delivery on demand
Non uniform order systems and order technique (IT, Fax, Phone)	Electronic Data Exchange on International Standard
Uncertain delivery time	24 h with track & trace
Bookfairs, B to B	B to B <u>and</u> B to C
Individual warehousing	Mandatory warehousing
Local Business	Global Business
Printed books	Sales of e-content

Key issues of book distribution in the Arabic world

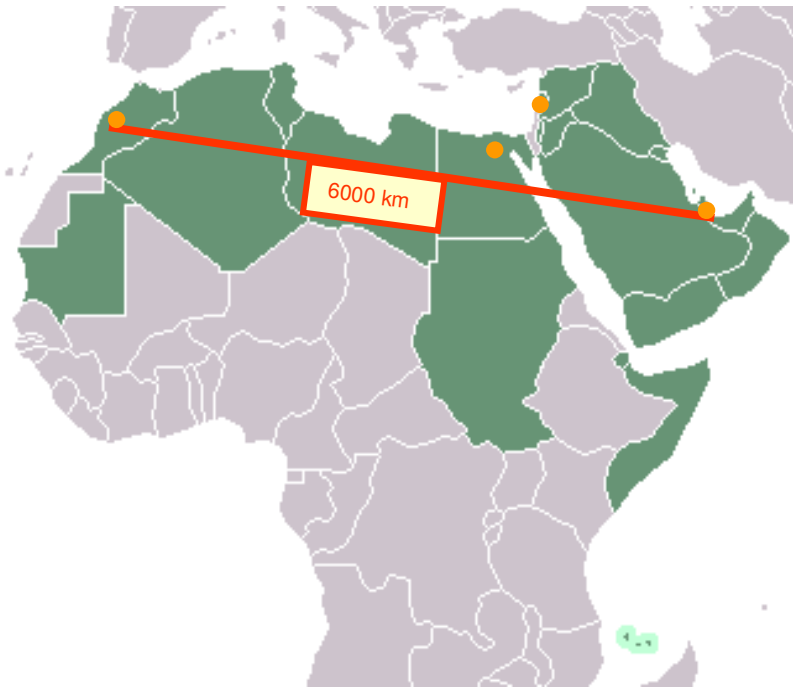


- ▶ **Information**
 - Which book is where and when at what price available ?
 - How do we search and find these books ?
- ▶ **Economics**
 - Is there enough margin for every player in the market ?
- ▶ **Position**
 - Is there an ideal position for a distribution warehouse for the Arabic book market ?
- ▶ **Critical size**
 - Which volume justifies invest in a physical distribution system ?
- ▶ **Transport**
 - How can transport costs be minimized by increasing shorter delivery times ?

Cost structure of distribution systems



Restraints 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

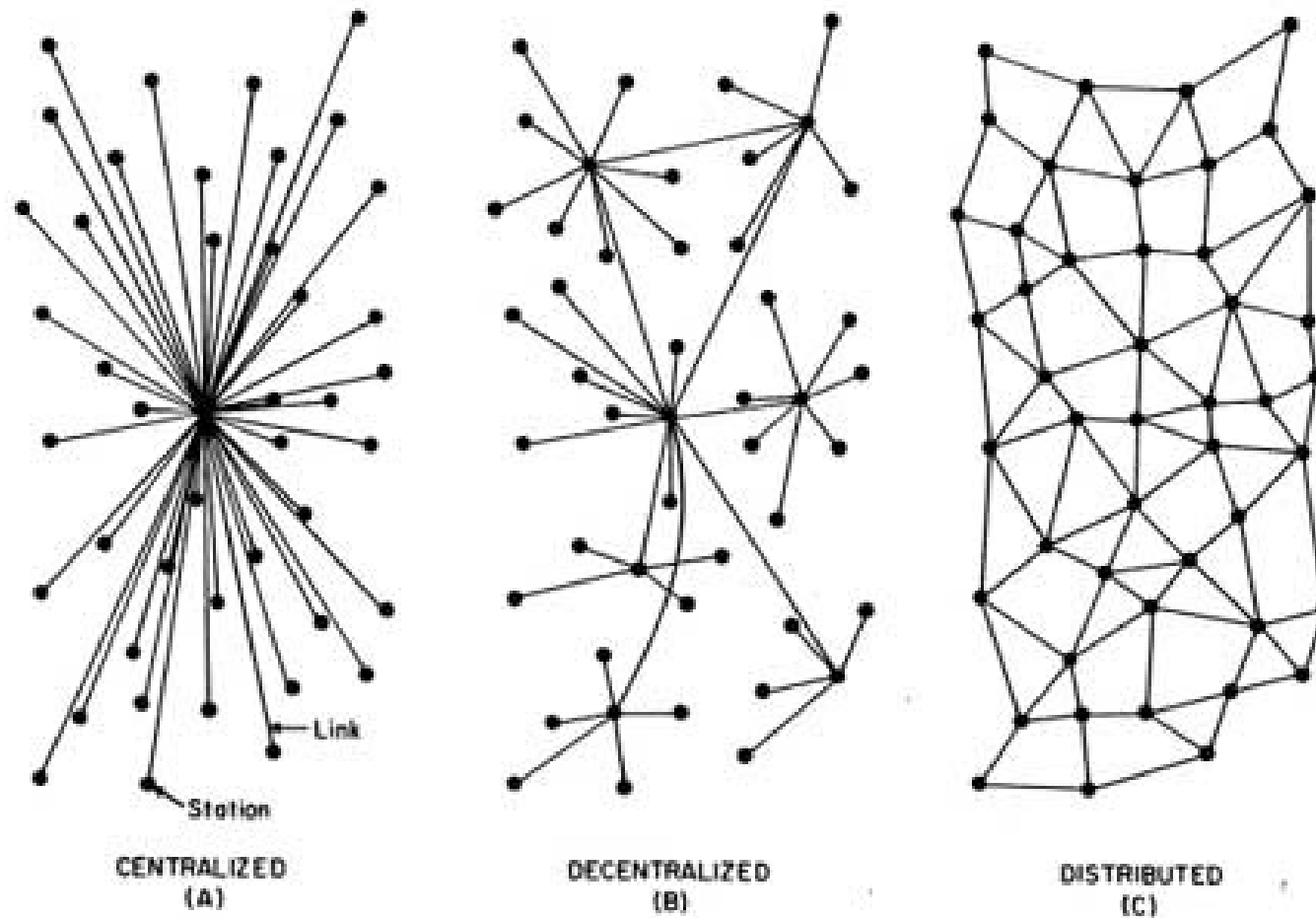
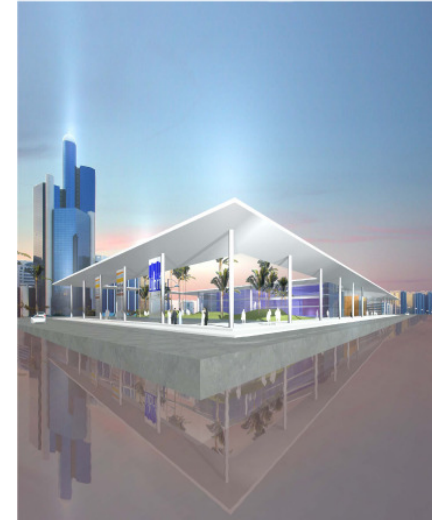


FIG. 1 – Centralized, Decentralized and Distributed Networks

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

Jlangu Xinhua Xingang Distribution Center



Decentral Model for Distribution (The “Riyadh” Model)



- ▶ **Basis: existing companys 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



The “Abu Dhabi” Model

- + **Intended politically with huge financial support**
- + **Diversity of opinion restricted**
- + **Progress**

- **Expensive**
- **Competition to existing companies in other countries**
- **National approach ignoring**
 - Customs regulations / Censorship
 - Border restrictions
- **Geographically suboptimal**
 - High transport costs
 - Long delivery time

The “Riyadh” Model

- + **Domestic support by existing companies**
- + **Cheap**
 - No Investment in physical distribution
 - Mainly domestic transport
- + **Care of national sensibilities**
- + **Effective**

- **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.**