

Strategic Position



# Ad Rem

Challenges

Opportunity

Industry Transformation

*The current Ad Rem scenario is filled with*



## **Ad Rem Scenario Planning**

### **Final Presentation**

*August, 2001*

**This document forms the deliverable of the Ad Rem scenario planning work stream. A final report on the Ad Rem project is due to be published in September 2001**

- This document forms one of two major detailed deliverables of the Ad Rem project. Further, a final report on the Ad Rem project is due to be published in September 2001
- This document, and supporting material developed throughout the project, can be found on: [www.adrem-online.net](http://www.adrem-online.net)
- The scope of the study has been printers, publishers and booksellers
- Given that this study was for a whole industry it is not specifically tailored to any individual company
- Anyone viewing this report must therefore assess whether it is appropriate, in the light of their own particular circumstances, to act upon the relevant information.

### Ad Rem scenario planning

- **The scenarios and associated strategic framework developed for the Australian Book Industry support two key Ad Rem objectives and have actively engaged participants from across the industry**
- **Scenario Planning is a structured approach to facilitate long term strategic thinking and aims to determine what could happen, not what will happen**
- **The Ad Rem participants and team developed four different scenarios (Paradise Found, Land of the Giants, Dog Eat Dog, Shoulder to Shoulder) for the Australian Book Industry**
- **A range of possible strategies for the existing Book Industry players were developed for each scenario**
- **Appendices**

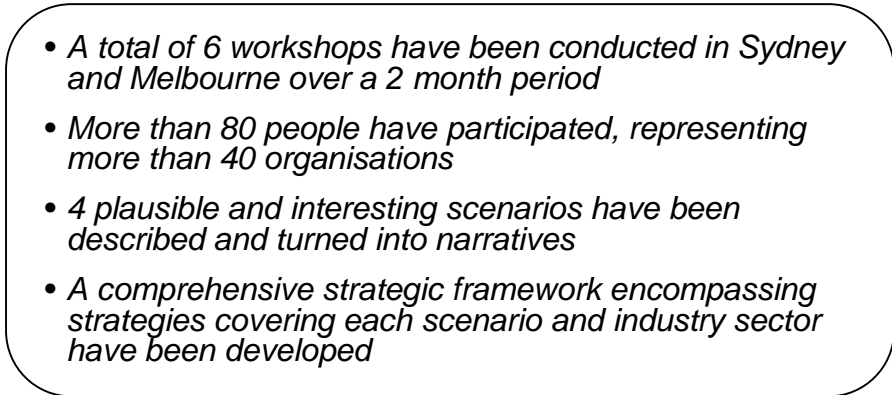
**The scenarios and associated strategic framework developed for the Australian Book Industry support two key Ad Rem objectives and have actively engaged participants from across the industry**

### The overall goal of Ad Rem:

To identify and evaluate the challenges and opportunities facing the book manufacturing and publishing industry and to provide insights as to how the industry and individual firms may achieve a sustainable strategic position in the future.

### Ad Rem objectives:

- Determine the value chain drivers and the competitive situation
- ***Determine possible industry scenarios and assess the implications***
- ***Determine how companies in different parts of the value chain can position themselves for the future***

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- *A total of 6 workshops have been conducted in Sydney and Melbourne over a 2 month period*
  - *More than 80 people have participated, representing more than 40 organisations*
  - *4 plausible and interesting scenarios have been described and turned into narratives*
  - *A comprehensive strategic framework encompassing strategies covering each scenario and industry sector have been developed*

**Printers, publishers and booksellers as well as the industry associations and a broad range of experts and vendors have contributed invaluable time, experience and insights to the Scenario Planning Process**

Allen & Unwin	Dymocks Booksellers	Océ
Angus & Robertson	Fuji Xerox	PacStream
APIS Business Services	Macmillan	Page One
Australian Book Prod'n Industry Study	Gleebooks	Pan Macmillan
Australian Booksellers Association	Griffin Press	PIAA
Australian Paper	Harlequin Mills & Boon	Paperlinx Merchants
Australian Paper Industry	HarperCollins	Random House Australia
Australian Publishers Association	Hodder Headline	Random House International
Big W Discount Stores	John Wiley & Sons	Scholastic
BookTrack	Leading Edge Books	SeekBOOKS.com.au
Business Advice	Ligare	Shearer's Bookshops
Common Ground Publishing	Macmillan Publishers Australia	The SOS Printing Group
D.W. Thorpe	McGraw-Hill Book Co. Australia	University Co-op Bookshop
David Jones	McPherson's Printing Group	University of QLD Press
dbooks	Monash University Bookshop	Whitcoulls
DISR	Nelson	

Refer to Appendix 1 for detail of Industry Participants

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**Scenario Planning facilitates a way of looking into the future and enables long term strategic thinking and aims to determine what *could* happen, not what *will* happen**

## What scenario planning is

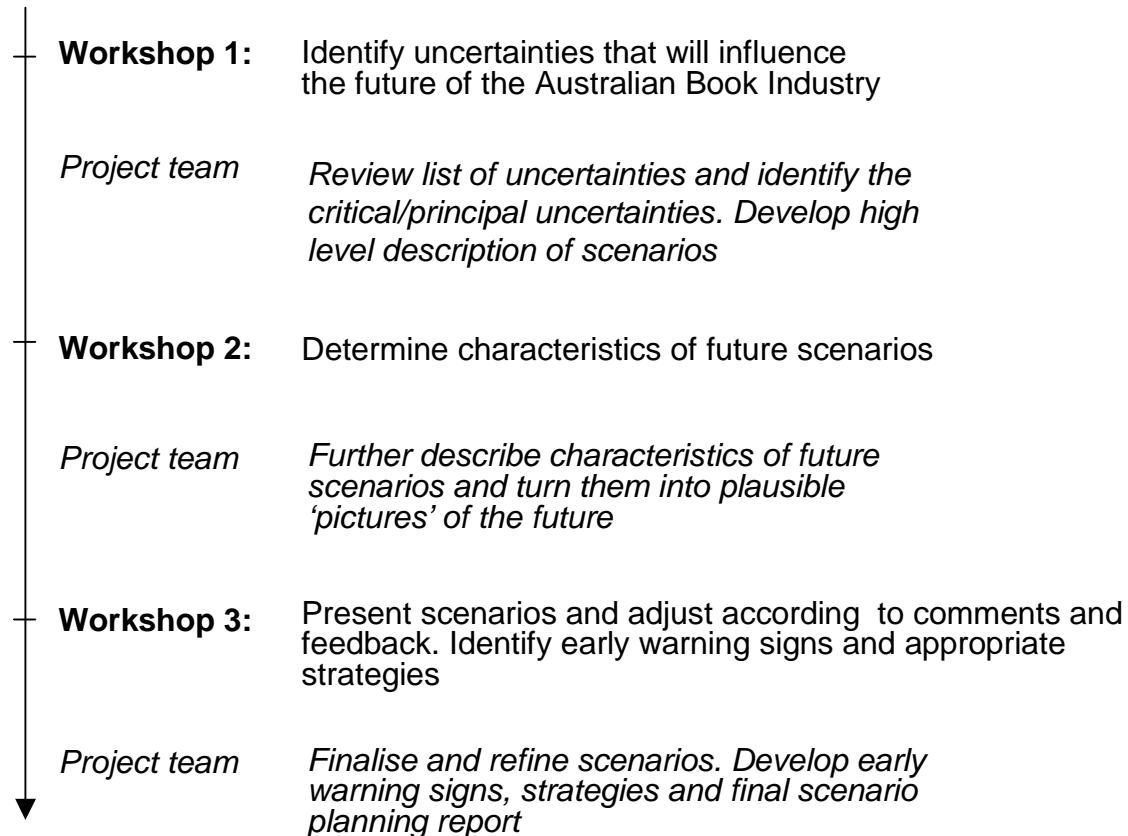
- Scenario planning develops hypotheses about the future of the industry
- Presents alternative views of the industry
- Presents a shared representation of possible futures resulting from teamwork
- A tool to challenge corporate assumptions and existing business practices
- A combination of intuition and industry experience with rational analysis from industry participants
- Focused descriptions of multiple future business environments
- Divergent stories about future possible worlds of the industry

## Guiding principles for scenario planning

- At least two scenarios are needed to **reflect uncertainty**. More than four has proven organisationally impractical
- Each of the scenarios must be **plausible**. That means that they must grow logically from the past and the present
- They must be **internally consistent**. That means events within a scenario must be related through cause/effect lines of argument which cannot be flawed
- They must be relevant to the issues of concern to the industry. They must provide **useful, comprehensive and challenging** ideas and test conditions, against which the industry can consider future plans, strategies and direction
- The scenarios must produce a **new and original perspective** on the industry's issues

The scenario planning process is driven by input from industry participants that identifies the major uncertainties, characterises the scenarios and determines high level strategic implications

## The scenario planning process for the Ad Rem project



**Scenario planning will NOT replace the need for companies to develop their own fact based analysis and strategies supported by economic evaluations, but will help to create a framework for long term strategic planning and decision making**



*'..when people work (with scenario planning) they are actually creating a new language among themselves that expresses the knowledge they have acquired...'*

Arie de Geus, Planning as Learning, Harvard Business Review (March-April 1988)

*'The end result (of scenario planning), however, is not an accurate picture of tomorrow, but better decisions about the future.'*

Peter Schwartz, The Art of the Long View, 1991

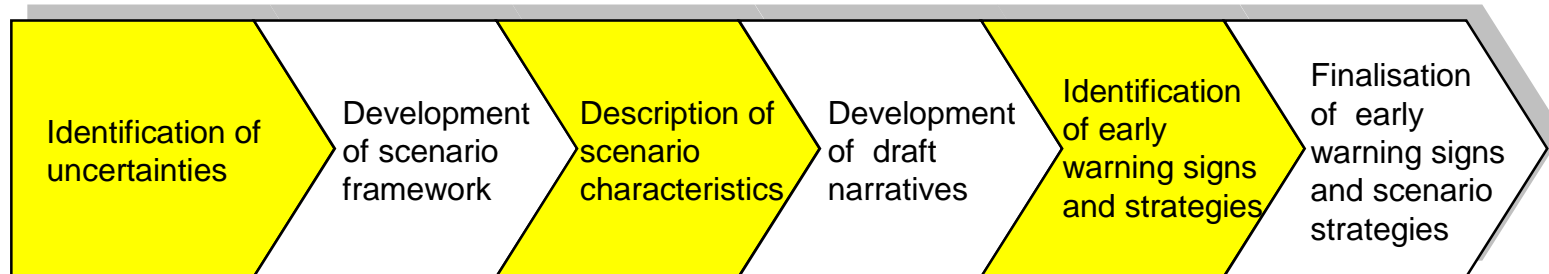
### **What to expect from scenario planning (and what not to expect)**

- Scenario planning will develop a **shared mindset** for thinking about the future
- Scenario planning will use the uncertainties facing the industry, to develop **different potential future pictures** of the book industry
- Expect the scenarios to **stretch your perceptions** of the industry – do not expect to agree with everything!
- Scenario planning will identify **high level strategies** for how to operate in the given scenarios (not how to get there)
- The scenarios are developed for **the Australian book industry** and the insights are general, not company specific
- Scenario planning will **NOT** replace the need for each industry player to develop a fact-orientated strategy based on its particular position in the industry

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Ad Rem has followed a rigorous process involving a significant number of industry participants to generate four scenarios for the Australian Book Industry\*



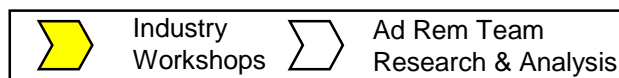
**Key Activities:**

- Uncertainties identified by industry participants
- Uncertainties grouped within the areas of:
  - New entrants
  - Consumer buyer power
  - Substitutes
  - Supplier dynamics
  - Competitive situation
- Complete list of uncertainties categorised into demand and supply concerns
- Four different combination of uncertainties evaluated with respect to plausibility, consistency, etc.
- Industry participants analysed each scenario, ensuring that all industry stakeholders were included
- Examples, industry trends and events in each scenario were developed
- Transformation of scenario characteristics into four narratives
- Narratives developed in collaboration with a professional writer
- Identification of early warning signs for each scenario
- Articulation of relevant strategies for printers, publishers and booksellers in each scenario
- Categorisation of all identified strategies in operational excellence, customer intimacy and product innovation
- Robustness analysis performed to identify 'robust' 'no regrets' and 'scenario specific' strategies

**Key Outcomes:**

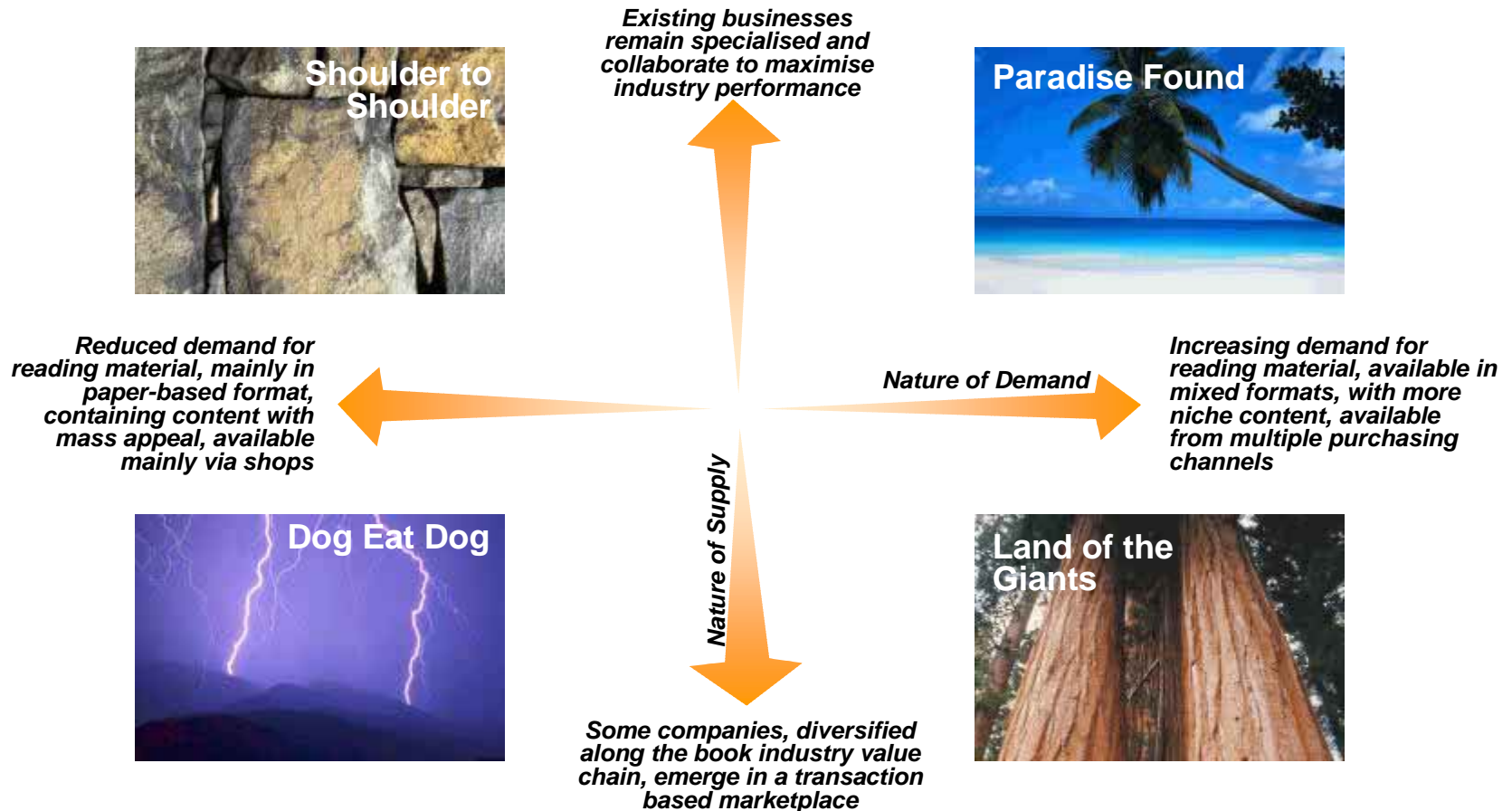
- 160 industry uncertainties identified
- Recommendation of one set of scenarios
- Detailed characteristics for each scenario
- Four detailed scenario narratives
- Early warning signs and strategies by scenario
- Final Scenario Planning report

\*Detailed description of process can be found in Appendix 2



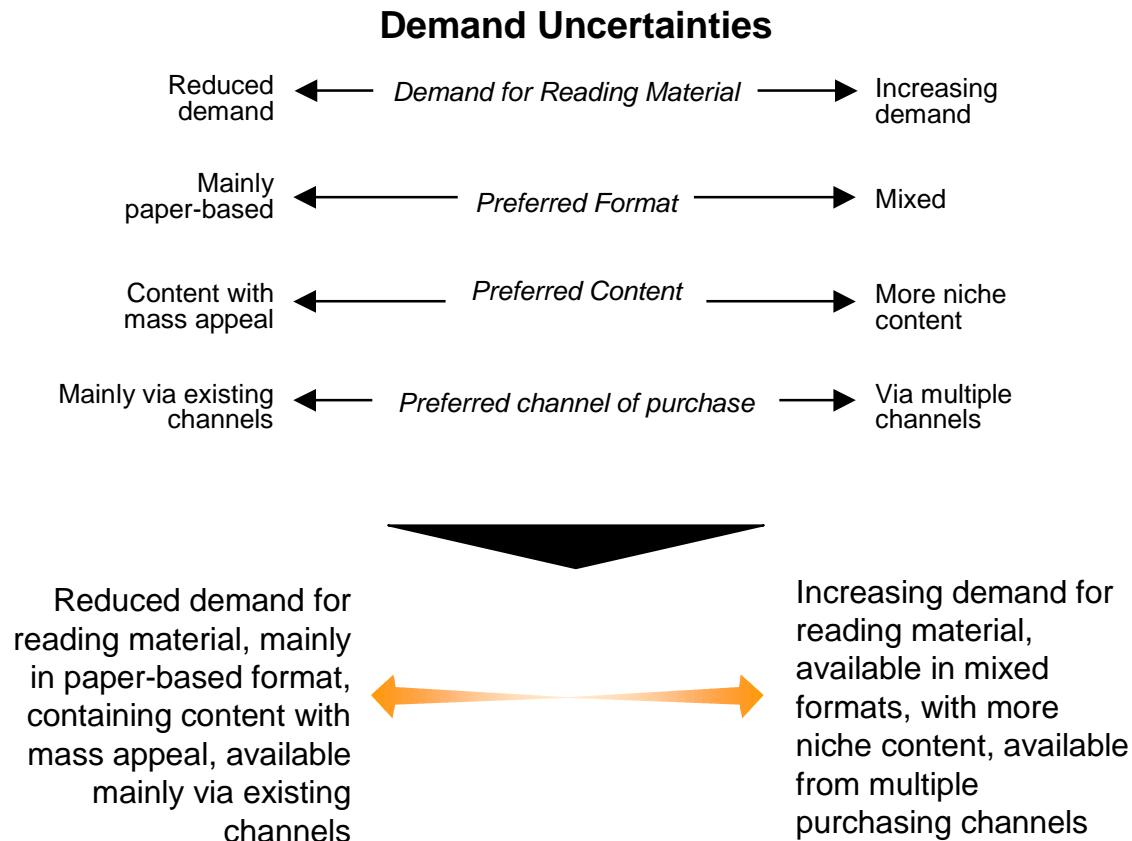
# Overview of the Scenarios - Outcome

The four scenarios for the Australian Book Industry are based on a framework with two axes. The axes are formed by a combination of the demand and supply uncertainties identified by the industry participants during workshops\*



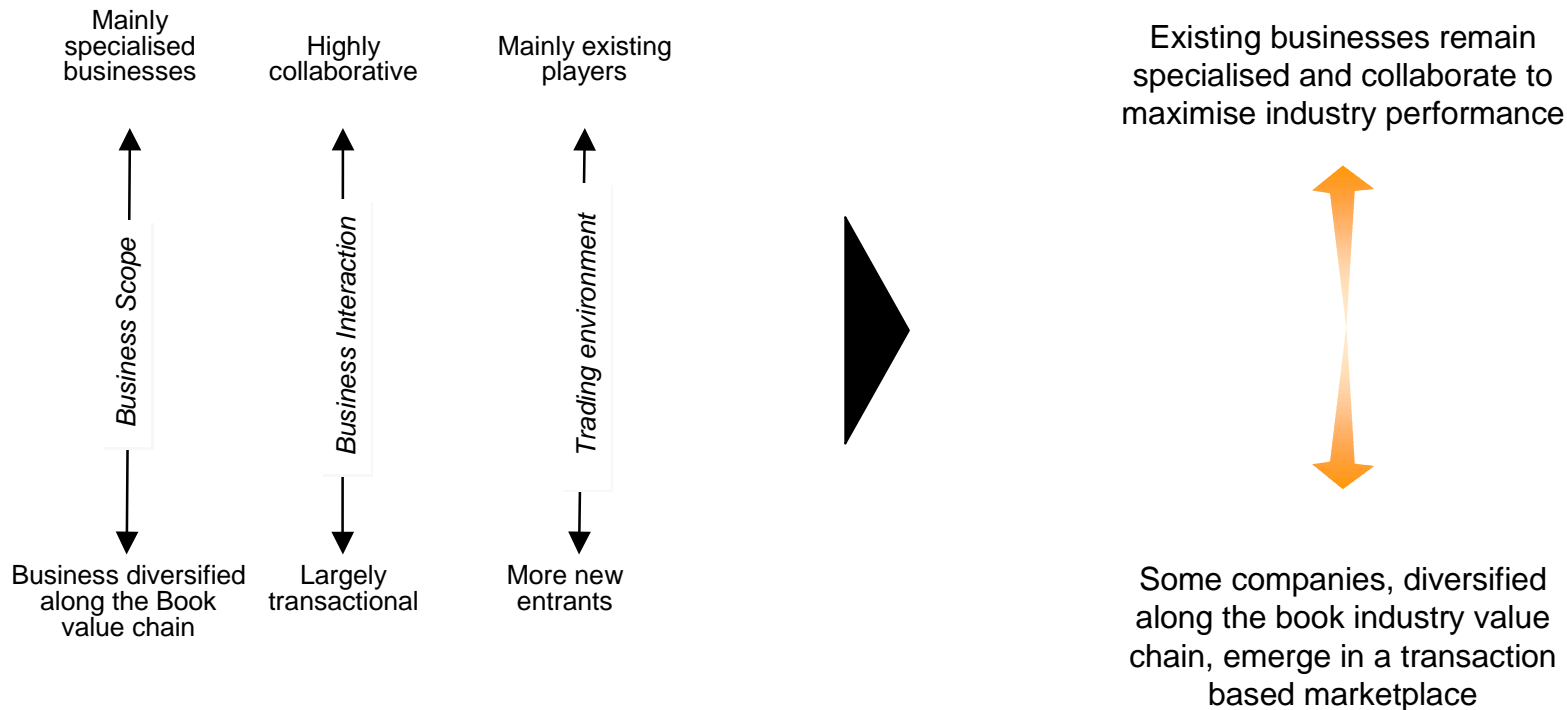
\*All uncertainties developed during workshop can be found in Appendix 4

The horizontal axis in the scenario framework was created based on demand oriented uncertainties. The extreme situations shown at either end of the axis are required to ensure that different and challenging scenarios are generated

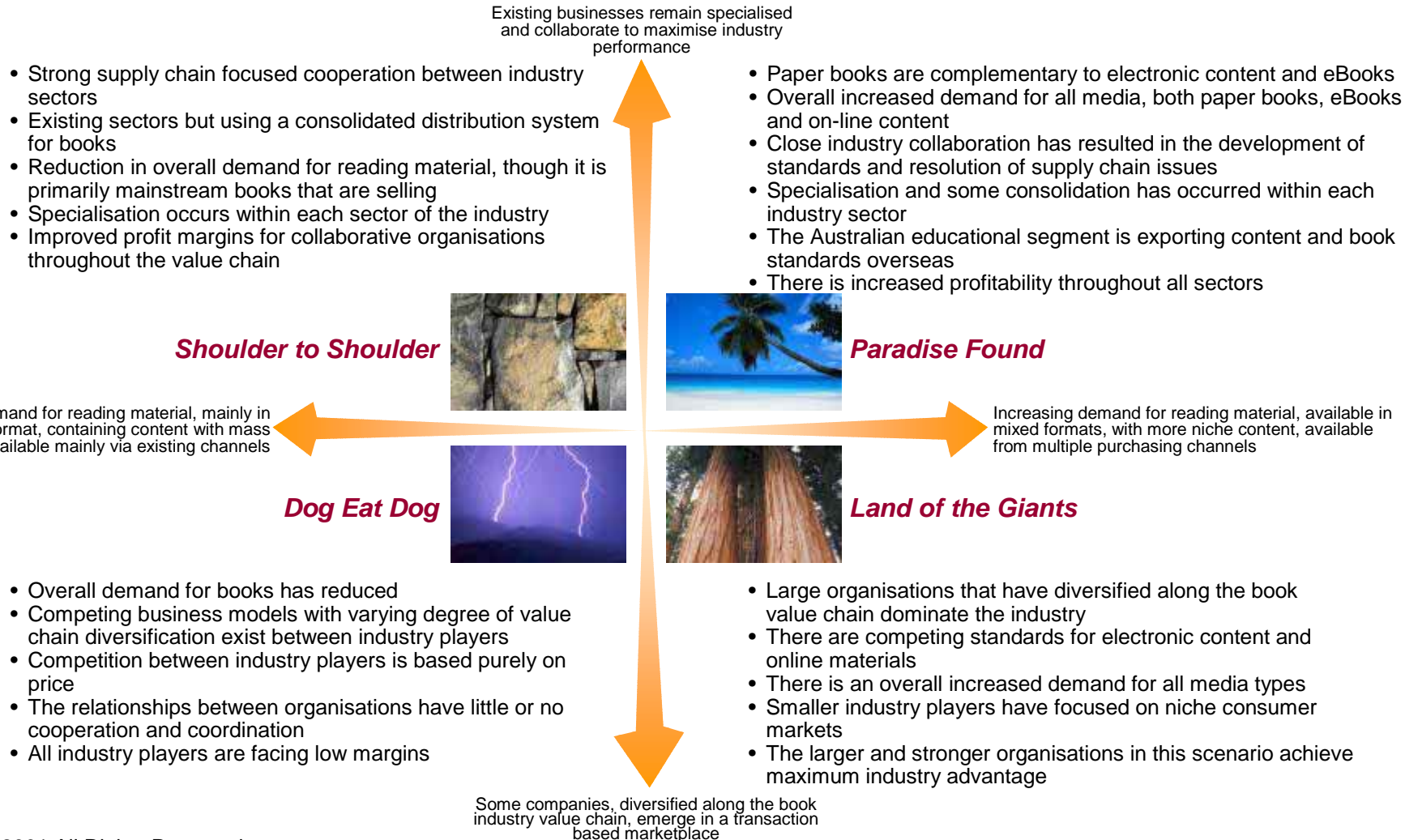


**Key uncertainties related to industry structure and supply were grouped to form the vertical axis. At one end of the spectrum industry players collaborate within the existing industry structure while new business models emerge in a more transactional marketplace at the other end**

## Supply Uncertainties



## The four resulting scenarios represent divergent and plausible futures for the Australian Book Industry



## Paradise Found

“Look at Australia. It has become one of the world’s hubs of creativity. We need to develop a similar model which combines extreme efficiency and maximum creativity in responding to the content appetites of the new economy.”

*Prime Minister, Malaysia, 2010*



The fear that the electronic age would kill books has proved unfounded. In fact, the emergence of eBooks and electronic content has actually increased demand for paper books. Customers love this new era – buying lots of books and book content from multiple outlets. The Australian book industry’s high responsiveness to customer fads and fashions is enabling a better fit between supply and demand than ever before.

The Australian book industry has transformed. Today it’s an integrated network of specialist companies each one focusing on its core skills within printing, publishing or book selling, but using the industry network benefits to extract maximum efficiency and to respond better to customer demands. It’s a profitable industry operating in a dynamic and growing market.

### **Working together**

The industry knew it had arrived when a Government-schools initiative to create exciting learning tools for Australian children turned into a world-wide publishing phenomenon in 2005. Creator James Shu says “Eco-Warrior 3 just took off! But we were pretty confident – we had a great team of expert companies backing us – they really knew what they were doing.” The integrated Eco-Warrior books, video games and e-learning software – building on existing but previously fragmented skills - put Australia on the global publishing map, and proved that it wasn’t only the mega-media companies that could create multi-format products with global appeal. In fact, the Eco-Warrior 3 hardcover outsold the final Harry Potter volume.

This now legendary industry success story was really enabled by the high degree of networking between all players. In early 2002, the book industry found a new will to collaborate, agreeing on sophisticated industry wide measuring tools, followed a couple of years later by the world’s first national e-publishing standards to enable cost-effective multiple format publishing. Taking a positive view of demand, the industry invested in online and digital skills and equipment to be at the forefront of the online and broadband revolution. And the industry worked very hard to push comprehensive copyright and digital rights management legislation.

The new industry dynamics lead to some rapid results. By investing in the new technologies, the industry found it was able to influence community uptake and usage. Real time knowledge of customer behaviour, combined with an efficient distribution system, dramatically increased productivity across the industry and reduced book return rates substantially.

When the industry took the lead in developing technical standards, the Australian government stepped in with its support, and Australia became the first country installing eBooks across all libraries based on an industry standard. The approach was soon picked up by other countries.

### **Same players, better performance**

Today, the industry superficially looks much the same as it did ten years ago. You still see the specialist companies – printers, publishers and booksellers - and they are still focused on what they do best, but there are some differences too.

Take printers. Ten years ago printing businesses were fearful of the future. Now they are booming. Using the industry’s standard supply chain software, all printers have access to real time knowledge of customer demand and are capable of managing a highly flexible printing program. They combine traditional offset with digital printing and have become powerhouses of printing innovation. The printers still provide efficient long run facilities but increasingly serve the market through more frequent, but shorter production runs produced using digital printing technologies. The changes have allowed printers to improve internal processes and take out costs. Printing has become one of the more profitable manufacturing industries in Australia.

While most printers are very high tech, some have gone the other way. Cunard Prints, for example, has several rare 17<sup>th</sup> century printing presses for the production of fine books, which have become extremely fashionable among the techno-disenchanted glitterati of the Gen Y market. Many printers have relationships with bookshops for the printing and direct distribution of short-run specialist books.

Australian publishing is also doing well. It's a very sophisticated industry, renowned for its close relationship with customers and rapid response to new customer trends. When Australian 15 year olds developed a net-initiated passion for satellites, three Australian publishers produced web-based and hard copy products within two months to meet the short-lived passion for "Satellite Fiction". Where it was once too expensive, niche publishing of this kind is now possible because customers are willing to pay premiums for specialist format versions of their favourite books. Another feature is the collaborative content development with other Australian institutions and groups such as museums, sporting clubs and comedy venues. These sorts of relationships provide a steady stream of low volume content that publishers make available through multiple media.

E-book sales are still going up. The number of titles keeps increasing and interest groups around the world are actively promoting their latest preferred title. Within Australia there's been a surge in demand for colourful online Australian histories. One publisher is developing a history of the villages of Sydney, featuring virtual walks through the Rocks area in 1790 and Kings Cross in 1930.

Self publishing has never really taken off, because most authors prefer to use the widely popular market testing service offered by Edwin & Irwin. Authors issue their first chapters and outlines on the web-site, newlit.com.au, and global and national votes on the merits of the book are taken after three weeks. That's how hit author Jane Dolittle was discovered, but of course, for every best selling romance writer, many others have quietly languished in cyberspace. Many hobbyists still like to self-publish in paper but few genuine talents are left undiscovered by one of the publishing houses. Publishers have also become more creative in offering their content to consumers with the emergence of pay-per-page, pay-per-chapter and even pay-per-minute arrangements.

And what about the smaller bookstores? Well, the cycle swung back in their favour. The most successful bookstores have adopted a niche position in the marketplace. Max's Sports Books is full every year before Father's Day, while the Beating Heart Romance Chain continues to do well. Each one relies on intimate customer relationships, including extras such as theme weekends, memorabilia and book club picnics.

The chain stores have had to work harder for their customers – offering a range of leisure experiences to draw customers in. And, while they still have the big front of store general fiction section, there are also more sub-areas to cater for niche interests. Many of them have on-line links to printers who can rapidly print and post specialist books or content to the customers. Older readers like the big print versions. Some of the big international booksellers have found a place in the Australian market, but Australian retailers are not unduly threatened. Their superior customer insights and service as well as the cost efficiency of the existing network all work in their favour. And they rapidly adopt the best international ideas in their own businesses.

Australian education publishing is thriving. Cooperation on standards and programs between State Governments, Australian education institutions and the education publishing sector has resulted in first-rate products. Primary school teaching and learning kits are particularly popular, with their combination of creativity and ease-of-use. In tertiary education, Australian educational publishers are a major source of product for the education-hungry Chinese universities and are about to launch course management solutions including testing and grading on-line. And a number of business schools are developing mixed format e-learning courses for global corporates. In all these areas, online learning and reference materials work together with printed materials to create optimal education outcomes.

### **Skills shortages?**

Looking ahead, the Australian book industry is planning to expand further, particularly in the areas of education, information and entertainment. Australia's biggest problem is keeping up with the industry's insatiable demand for IT savvy, creative and innovative people.



## Land of the Giants

*"We are delighted to be the major sponsors of Australia's Olympic team in Paris in 2012."  
Bill Gatesby, Chairman, Macroware, 2010*



Today, the giants walk the earth. Over the past ten years the book industry has seen a surge in consumer demand allied to dramatic technological change. But it was the big global players who really captured the advantage, sweeping through and buying up companies and skills along the Australian book industry value chain. With their global brands, bundled products and services, and superior price points, the big players quickly positioned themselves as the undisputed titans of the new era.

But it's not just about the giants. Demand for books in Australia is very high and diverse in terms of content, format, and delivery mechanisms. Many Australian businesses have found they can service the total needs of profitable niche segments by diversifying along the value chain.

### **The onslaught**

"A lot of people won't admit it" says Fanny Arquette, the canny head of Protest! Publishing Inc, "but there was a time when Australia really could have developed at least one home-grown book industry giant. I think there just wasn't enough willingness to collaborate and innovate using the new technologies". Others vigorously dispute this assessment, saying that the dominance of global media and software companies in Australia was inevitable, as proved by their similar dominance everywhere else from Denmark to China.

The two giants came from vastly different perspectives, but the catalyst was e-book version 5.0. Launched by Macroware, one of the companies emerging from the Microsoft break-up, it was a gorgeous object that had all the ease and beauty of a book at half the weight. In those days it had the capacity to load 10 books and cost the same as a desktop computer. Now of course, it's just known as the M-book, and it's half its original weight, carries interactive facilities including video-phones, personal organisers and access to the web and it is distributed free. Newly formed Views, arising from a consolidation of News Ltd. and Channel Ten, was quick to come out with its own e-book, and the N-book is now nearly as ubiquitous as the M-book, with some significant variations.

E-book 5.0 finally proved that e-books were not just an idea, but a practical solution. Naturally, many people were worried that e-books would simply blitz paper books out of business altogether. Instead, as we now know, e-books followed the same trajectory as video machines. They complement the thriving paper book industry just as videos, DVDs and pay-on-demand movies have proven to be compatible with packed movie houses.

In the battle for dominance, Views drew on its content strengths, including its publishing businesses, newspapers, magazines, sporting teams and movies and then expanded and transformed this content into a variety of products. Views bought one of the major Australian publishing houses and a large book chain. Its stores were completely redesigned around blitz marketing campaigns. You'll have seen the latest re-theming in the 120 stores across Australia – Empire-line dresses and golden bee brooches to coincide with Baz Luhrmann's latest production, Napoleon and Josephine. And if you look carefully, you'll notice that the set-up in each shop is quite different, reflecting each shop's demographic profile. Views has proved brilliant at cross media selling – enticing consumers to buy the hard copy or e-book, movie ticket, and relevant web-site password in a single transaction.

Starting from the technology side, Macroware invested heavily in superior ease of use and self-publishing tools. Drawing on its massive holdings, Macroware also set out to purchase content, famously paying the largest book advance in Australian publishing history for a science fiction/fantasy series. Macroware also wooed several of the major cash-strapped Australian institutions – including an art gallery and two universities who provided the foundation content for its premium Ozware label.

Today, Views and Macroware represent the world's major authors and are the engines of mass content creation in Australia. They are locked in a constant struggle for market dominance. Each of the titans has its own distribution and elaborate IT systems. Each is jealously protective of sales information so it's hard to get solid industry numbers.

But the two competitors will occasionally collaborate when they perceive a common threat. When “Bookster” technology allowed people to swap books freely on line, the two giants stepped in to quash the service. Nevertheless authors and content creators feel vulnerable. In the absence of broad rights management legislation they have to rely on the integrity of the larger players. With such power, the giants are inevitably under the constant and watchful scrutiny of the Australian Competition and Consumer Commission.

### **Room for many**

But it's not all about the giants. In fact, the size and scale of the big companies have created a real opportunity for nimble and highly focused Australian firms to service niche markets. The strength of the smaller companies lies in their superior content knowledge. These players know their customers and can provide highly specialised services or content in different formats. Some are operating within their traditional sectors while others have integrated parts of the value chain within their businesses.

One publishing house, for example, has capitalised on the growth of niche markets by creating five new labels – each one targeting specific high value segments. By adding on-line features, it has been able to produce content in a mix of formats. The Ageing Disgracefully label is doing extremely well. Some traditionalists say the publisher shouldn't charge reading fees for submissions. And purists don't like the health insurance and tropical holiday advertisements sprinkled through the books. But Ageing Disgracefully customers don't mind: they get a great range of content and feel that they are part of a reading community.

South Australia's Protest! Publishing Inc has taken a different path, and targeted a global sliver of business. It produces specialised protest-related books in multiple formats. It commissions, prints, and distributes its books direct to customers. The online magazine is a major networking opportunity for the myriad of groups organising global protest programs. With a customer base which is closely knit by values and interests, Protest! does little or no marketing and doesn't need to.

Then there's a range of passionate self-publishers, who are in it for fun, not profit. Central Sydney Leagues Club is one, as is the Progressive Outlying

Church of Geelong and the Large Bird Watchers of North Queensland. Relying largely on older audiences, these groups use digital publishing to produce small print runs which barely cover their costs. Every now and then an unlikely bestseller emerges – footy failure Joe Spike's raunchy memoirs started as a 500 print run for his local club. But, as the cynics predicted, he quickly got snapped up. Now he's one of Macroware's biggest Australian authors.

### **Creative printing**

Printers are handling this environment well, surpassing their own expectations. Even though most large publishers and universities have digital printing equipment in-house, they lack the expertise or inclination to manage and service the machines. Specialist printing companies are contracted to manage and service the digital printers. They also support the large organisations by providing the odd large scale printing run on efficient offset printing technology.

As for digital printing, the boom in formats and content has created some surprising opportunities. With the seemingly endless baby-boomer self-publishing fad, some printers have found that they can do very well by offering “production packages” including cut-rate editing and design plus a marketing advice package. Others are offering print/distribute packages to some of the smaller publishers.

And printers can thank interior-designer Johnny John for Gen-Q's latest passion— same size, same colour digital editions of all their books. (All white is very popular with the minimalists). “No-one needs to live with an unsightly mish-mash of books any more.” declares Johnny. “With digital printing, you can ensure your books blend smoothly into your design scheme. Nowadays, domestic elegance is an affordable luxury.”

At first, the books sellers were perplexed by the development of the e-book and high customer acceptance of electronic content. But when they realised that traditional books weren't running out of favour, most players refocused and surged ahead. Discounters have concentrated on ‘mass market’ paper books. Specialist and niche bookshops are doing very well; some have cheekily opened near the Views mega-stores, successfully creating book/cafe hubs in several cities.



The chain stores now operate as vibrant multimedia outlets offering paper books, e-book download and digital printing. While some consumers download content directly from the web, most don't want to print off large amounts of information on a home printer. One chain store has re-designed its floors away from mass products to create highly differentiated boutique spaces devoted to niche interests. But another has abandoned this model. Each shop is separately branded and carefully themed to match the local demographic. This chain has dumped its big name and is trying to present itself as a local community "insider" to compete against the giants.

Education and training is a huge global industry. Research has shown that students have vastly different learning styles and needs— so the best courses offer multiple formats. All reference material of course, is online, where it can be easily searched and updated.

Australia is now a net exporter of global education material. The Macroware University in Canberra, for example, is a world leader in agriculture and Asian studies and has an extensive publishing program across many formats. The university was able to draw on Macroware's unlimited resources to lever itself to the forefront globally. Other universities are simply bundling globally and locally produced education materials for their students.

In this world, the giants inevitably dominate the landscape. But there's plenty of opportunity for smaller players who can work closely with customers. While some sigh at the apparent swamping of Australian culture, others point to the global benefits offered by the big companies.

### **Looking ahead**

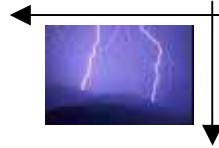
Views Corp is planning ways to crowd out Macroware's Olympic advertising blitz in 2012.



## Dog Eat Dog

“We recommend a study into the book industry in order to determine how the performance of the industry can be enhanced.”

*Government report on the state of Australian manufacturing, 2010*



The pessimists were right. Demand for reading material has progressively eroded. People have too many other attractive options in their leisure time. They watch their nostalgia episodes of Sex and the City on pay-on-demand TV, browse their magazines, or play interactive reality games.

And when people do read, it seems they are less interested in pursuing their special interests than in sharing global communal experiences. Everyone wants to have read the latest self help guide, just as everyone wants to see the latest movie blockbuster or watch Big Brother 400 when it airs next week. In the lonely world of 2010, people want to be clued-up for the Monday morning water-cooler conversation. So while there are still niche buyers with special interests, the demand is overwhelmingly for mass-experience reading in hard copy.

This is a tough market for the Australian book industry, made worse by the fact that the industry itself has become progressively less cooperative. No one clear business model has prevailed, the industry is fractured and fragmented, and competition has become less about growing the total market than about cannibalising other parts of the book industry chain.

### **Industry paralysis**

“How did we get here?” muses one book industry insider. “Well, I think we just became paralysed. Everyone was waiting for someone else to take the lead on deciding the future shape of the industry. But instead of combining to grow, we somehow progressively fragmented to take parts of each other’s business instead”.

Another commentator is less surprised by the trend. “After all, several of the major publishing houses each had a distribution system – in a market the size of Australia!” he said. “Unclear copyright control and cheap digital printing equipment meant that a few bookshops installed digital printing equipment, then a publisher opened a shopfront for its romance label – and suddenly it was dog eat dog”.

In fact, the past ten years of the book industry is possibly better explained by what didn’t happen. An industry wide book sales tracking system failed due to lack of trust and cooperation so there was no improvement in purchasing transparency across the industry. Failure to agree on distribution efficiencies meant that cost structures remained high and industry-wide technical standards were never developed. Comprehensive rights management protocols were never negotiated or legislated. All these things combined to add costs to the process without creating benefits to consumers.

Today there are many different business models as companies experiment to succeed. But it is hard to say if anyone is winning. With low margins and fierce competition, few feel like winners. Even the ever resilient discount stores have found that the ridiculously low margins on selling books made them insufficiently profitable. So the discount chain, Everything Cheaper, for example, no longer stocks books, but instead has a new section devoted to third age magazines for ageing babyboomers which are much more profitable.

Some publishers are pushing their brands very hard and even establishing shop fronts. Others are taking a low cost option and trying to cut out other supply chain members by printing and selling directly to customers.

### **Blockbuster mentality**

Everyone is looking for the next bestseller, issuing fewer titles but with a heavier marketing push behind each one. The top five authors are living like kings and are household names, while most other authors are living in benign neglect. In fact, one suburb of LA is now known as Aussieville because of the Australian authors-turned-sitcom writers living there.

The spurt in self publishing died out fairly quickly when it became clear that it was too expensive for individuals to market and distribute their books.

The mass of Australian consumers has become fairly passive, and those few Australians looking for a high level of richness and diversity in their reading have turned to global online new and second hand booksellers.

Even though everyone agrees that it's inefficient, the four largest publishers still each have their own distribution network and smaller publishers outsource their distribution to one of the large houses. Competition is so tough that at least one of the major houses is expected to collapse. But then again, they've been saying that for years.

Traditional printers serve the demand for large run offset printing. But even though they have consolidated and rationalised, they still face fierce overseas competition. In a market focused on price, Australian printers are finding it hard to thrive. In addition, printers are facing competition from publishers and booksellers who are doing their own short run digital printing. Printers complain that they could produce most books a lot more cost effectively on offset printing equipment, but there is little sympathy for their views.

### **Lifestyle bookshops**

Book shops have had to embrace "lifestyle" as a way to survive. With 50% of urban households housing only one lonely adult, some bookstores are making themselves community magnets for people wanting to share communal experiences like movies or books. The big chains and department stores no longer think of themselves as booksellers, but rather as leisure centres. Some have wine licences and jazz music; others have interactive games and youth pop appearances to entice their customers. One former bookstore is now so trendy it has re-badged itself The Final Chapter Club and after 10pm customers pay a door fee. Customers can cruise the very fast broadband Internet (so much better than the slower lines at home) in the sunken bar or watch an interview with Helen Fielding or John Grisham in the video booths. For some books, customers can order and have the book printed on-site, to their design specifications.

Niche book stores find it harder to compete. The market is just not growing sufficiently, and the competition for discretionary expenditure is fierce. Worse still, lots of specialist books are now being sold through new

channels. Men's wear shops sell men's health books, petrol stations offer car books. Still, the cooking centre is doing well with its range of books and courses, as is the gardening centre. But to survive, niche businesses have to be closer to their customers than ever. And the fact that there is no transparency across the industry means that any business trying to understand customer trends must do so on the basis of very limited information.

All in all, Australian education publishing never really took off. The States continued to develop their own curriculums, which didn't allow the educational publishers to develop first rate, globally competitive primary or secondary school materials. The universities floundered, hampered by a lack of standards and a tendency to duplicate has led to a lot of wasted and futile effort.

Some universities and educational publishers produce a mix of books and on-line content for student needs, but, without a national system for rights management, quite a few academics have found themselves on the wrong side of the legal system. Some universities have installed their own digital printers to produce course packs for students. And some education publishers have resorted to self-help book publishing to lift their margins.

But now a number of Australian students are considering doing distance courses with US universities because of their strong brand power and high quality standards. This would be inconvenient because of the high cost (even for distance learning) and the lack of face-to-face contact, but better than the dispiriting experience they have at home.

### **Crisis time**

More and more people perceive this crisis as going to the heart of Australia's future prosperity. The Government is expected to announce a major new investment push in the book industry as part of next year's budget.



## Shoulder to Shoulder

“The performance of the book industry show how much can be achieved through collaboration.”  
*Chairman, Australian Book Industry Association, 2010*



The Australian book industry today is held up as a national model of supply chain efficiency. It took a lot of work and a serious investment of management time as well as money, but the pay-offs came through quickly. Intense collaboration across the chain has resulted in lower costs and higher profits for all industry sectors.

And it's just as well. All this effort has enabled the industry to weather the lack-lustre demand for books and content. Much to some in the industry's relief, e-books never really took off as a mass market proposition. E-books are still expensive and are mainly offered by airlines for in-flight entertainment.

Nor has there been a big burst of enthusiasm for paper books. People still want the same, or even a slightly declining, supply of books. Blockbusters continue to earn the big returns but there's a reasonable amount of niche publishing as well. Through intense collaboration, the book industry has found an effective way to deal with uninspired demand levels and create an industry which is both profitable and fun.

### **Change driver**

Fear was the driver, as everyone now laughingly admits. “Are you kidding?” says one prominent publisher. “We would never have considered cooperation until the risks of non-cooperation became just too great. And once we started, there was no turning back.”

The catalyst for change proved to be the establishment of the Australian Book Industry Association (ABIA), which brought together printers, publishers and booksellers in Australia for the first time. The ABIA's first decision was to review costs along the entire industry supply chain.

That review led swiftly to the decision to form a jointly owned distribution company, BOOKMOVE Pty. Ltd. servicing all the publishing houses. At the same time, all players signed on to book tracking technology to ensure they

knew exactly what, when, and where their customers were buying. The ABIA also took the lead in developing rights management protocols, much to everyone's relief.

From these beginnings a range of new cooperative measures began to flow. Booksellers and publishers today share the risk on book sales – a risk which has been dramatically reduced by real time insights by publishers, distributors and booksellers into customer buying preferences. The window into customer buying habits also enables optimum capability to position and shift stock to meet demand. Publishers and retailers are also undertaking very sophisticated joint marketing exercises, carefully tailored to the right customer segments and markets.

Publishers today are buoyant. They know exactly what, when and where their customers are buying and can rapidly move stock to meet demand. With far fewer over-runs and stock-outs, publishers feel more in control of their businesses than ever before. In addition, the cost and risk associated with market-testing new authors is now minimised. With shorter print runs, the cost of failure is reduced, and successes can be rapidly augmented by a second print.

Most publishers still throw huge marketing weight behind their best-selling authors, a small group who continue to generate the major returns. But they are also better positioned to try new options in search of the next blockbuster author or publishing phenomenon. One publisher has revived the weekly serial with a romantic story targeted at teens. Another has commissioned collections of short stories and poetry. They will know almost immediately whether or not these experiments are successful, and can either close them down or ramp them up accordingly. While the bigger publishers will always have deeper pockets, the high level of industry efficiency allows a few smaller publishing houses as well.

In the new collaborative environment, printers are also well connected to publishers and booksellers. While a significant portion of books continue to be produced overseas, a cluster of printers has developed close to the distribution centres of BOOKMOVE, making reduced time-to-market a strong competitive advantage. Printers appreciate the greater clarity in scheduling and they have real time information on when they need to reprint. Efficient long production runs are enabled by technologically enhanced offset printing equipment and an industry wide agreement on reduced number of paper formats. Printers manage digital printing equipment to service the small, but steady demand for short run books.

Three years ago, the ABIA encouraged three publishers to tender collectively for a \$22 million program of colour printing in the Australian market. This provided the incentive for the formation of an Australian printer consortium, PrintAz. While it lost the tender, PrintAz has led to increased printer cooperation in terms of sourcing, cross learning and benchmarking. PrintAz is now confidently approaching the next tender round and, interestingly, other publishers are now expressing interest in the tender concept.

Chain booksellers have benefited hugely from the increased collaboration. Gone are the days of massive book stock in the shops and floor space is used much more efficiently. With a very clear idea of real costs across the supply chain, discounts to booksellers are now strictly on a cost-to-serve basis. Discount stores and book chains benefit from this, while independent stores face higher premiums.

For independent bookshops, life is much harder. The benefits of collaboration inevitably accrued largely scale businesses. For the independents, success depends more than ever on relating intimately to customers. Most of the survivors were already good at this – but they have had to be more creative than ever at forming a community around their shops.

Self-publishing never turned into a viable threat. Stephen King abandoned the idea years ago. Some young entrepreneurs will still self-publish, but the motive is to attract a publishing house, not to avoid one.

Prices for books came down slightly when the extent of the supply chain efficiencies became clear, but all in the chain have preferred to keep their higher margins, rather than engage in a price war. The result has been fairly constant retail prices for printed books.

### **Customer focus**

The education publishing industry has strongly benefited from the new collaborative model in Australia. It has become intensely customer focused, obsessed with providing the best content in the right mix of formats to all its customers from 7 year olds to academics. Governments agreed on national standards at school level across Australia. The universities undertook a global benchmarking study 5 years ago which re-set the standards in terms of teaching style and content. This has led to carefully targeted material being created, including paper/electronic/on-line products and services in various configurations. Schools and tertiary institutions, encouraged by government funding, now have significant on-line content in their curriculums, most, but not all, produced in Australia. Schools still operate mostly on a paper basis as a result of the breakthrough Monash Report which proved the damage caused to eyes and backs if children under ten used computers excessively. In collaboration with education publishers, tertiary institutions are now producing easy-to-use, affordable education packages.

The spirit of collaboration has also resulted in new business arrangements. The largest universities now have arrangements with PrintAz, which installs, runs and services digital print equipment on campuses. With network links to departments, PrintAz typically downloads and prints high quality course packs and short run academic research papers, for both students and academics. As a result, these universities have significantly lowered their total expenditure on printing and photocopying.

### **An exciting future**

With greater efficiency and optimism, the Australian book industry is looking for further ways to experiment for success. Consideration is being given to a major joint international marketing exercise.



## Ad Rem scenario planning

- **The scenarios and associated strategic framework developed for the Australian Book Industry support two key Ad Rem objectives and have actively engaged participants from across the industry**
- **Scenario Planning is a structured approach to facilitate long term strategic thinking and aims to determine what could happen, not what will happen**
- **The Ad Rem participants and team developed four different scenarios (Paradise Found, Land of the Giants, Dog Eat Dog, Shoulder to Shoulder) for the Australian Book Industry**
- **A range of possible strategies for the existing Book Industry players were developed for each scenario**
- **Appendices**

**Early warning signs for the scenarios were developed and a range of possible strategies for the existing Book Industry players were identified**

**Early warning signs were identified to enable the industry participants to monitor whether a particular scenario is emerging**

**Appropriate strategies in each of the scenarios were developed for existing industry sectors**

**The scenarios highlighted a range of industry implications**

**Early warning signs enable industry participants to monitor which scenario is emerging**

### **What are early warning signs\***

- Early warning signs are events/observations in the industry environment that indicate that a particular scenario is developing within the industry
- Early warning signs hold no judgement as to whether what is happening is good or bad

### **Importance and implications of early warning signs**

- Early warning signs provide industry participants with signals of what is likely to happen in the industry
- Industry players can act on early warning signs to position themselves for the future
- Different sectors of the industry can experience different early warning signs (e.g. trade and education)
- Expect to observe early warning signs for all scenarios in the current environment\*

\*) As good scenario planning will aim to have the current world in the centre of the uncertainty axes, one will expect to see early warning signs from all scenarios. However, a few years down the track monitoring the early warning signs can indicate a specific scenario developing

**Increased demand for all media, collaboration between industry sectors and Australia starting to lead the global market would signal a move towards the 'Paradise Found' scenario**



## Possible early warning signs



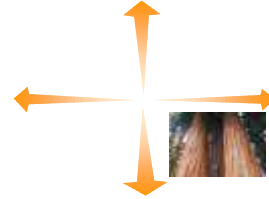
### Consumers

- Increase in number of books sold
- Significant increase in number of titles published
- eBook penetration rate resembles the early take-up of mobile phones
- More titles sold which are published by institutions that do not think of themselves as publishers (sports clubs, museums, interest groups)

### Industry

- Two major publishers agree to merge distribution
- Establishment of a cross industry body such as an ABIA (Australian Book Industry Association)
- BookTrack successfully tracks most industry sales
- Industry wide standards (paper, product numbering, electronic trading)
- Government invests in eBooks for libraries
- Australian Book Industry becomes case study for book industries in other countries

Increased demand across all media, some consolidation within the existing value chain and a few companies dominating the book industry would signal a move towards the 'Land of the Giants' scenario



## Possible early warning signs



### Consumers

- Increase in number of books sold
- Significant increase in number of titles published
- eBook penetration rate resembles the early take-up of mobile phones
- Consumer groups express anger of incompatibility between different eBook formats

### Industry

- Collapse of BookTrack
- Industry concentration increases
- Competing proprietary eBook standards
- A large media organisation diversifies into the book industry
- Major players diversified along the book value chain

Reduced demand for books, different and competing business models and fierce competition would signal a move towards the 'Dog Eat Dog' scenario



## Possible early warning signs



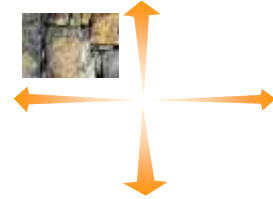
### Consumers

- Reduction in number of books sold
- Significant reduction in number of titles published
- Decrease in consumer spending on books
- Australian Society of Authors express concern about the few new Australian authors being published

### Industry

- Collapse of BookTrack
- Sale of digital printing equipment to non-printers higher than to printers
- Disputes between Industry Associations
- Falling membership rates of Industry Associations
- A major publisher sells out to a competitor and all industry sectors experience reduced profitability
- Increase in sourcing of books from overseas

**Reduced demand for books, supply chain based cooperation and a shared distribution facility would signal a move towards the ‘Shoulder to Shoulder’ scenario**



## Possible early warning signs



### Consumers

- Reduction in number of books sold
- Significant reduction in number of titles published
- Decrease in consumer spending on books
- Large proportion of book sales is derived from the world’s top 10 selling authors

### Industry

- Establishment of an Australian Book Industry Association (ABIA)
- High industry backing for BookTrack
- Industry return rates for trade books starts to fall
- One distribution network serves all players in the Australian Book Industry
- Industry agrees to limit paper formats
- Some colour printing orders won by Australian printers

**Early warning signs for the scenarios were developed and a range of possible strategies for the existing Book Industry players were identified**

**Early warning signs were identified to enable the industry participants to monitor whether a scenario is emerging**

**Appropriate strategies in each of the scenarios were developed for existing industry sectors**

**The scenarios highlighted a range of industry implications**

**Scenario planning will NOT replace the need for companies to develop their own fact based analysis and strategies supported by economic evaluations, but will help to create a framework for long term strategic planning and decision making**



*'..when people work (with scenario planning) they are actually creating a new language among themselves that expresses the knowledge they have acquired...'*

Arie de Geus, Planning as Learning, Harvard Business Review (March-April 1988)

*'The end result (of scenario planning), however, is not an accurate picture of tomorrow, but better decisions about the future.'*

Peter Schwartz, The Art of the Long View, 1991

### **What to expect from scenario planning (and what not to expect)**

- Scenario planning will develop a shared mindset for thinking about the future
- Scenario planning will use the uncertainties facing the industry, to develop different potential future pictures of the book industry
- Expect the scenarios to stretch your perceptions of the industry – do not expect to agree with everything!
- Scenario planning will identify high level strategies of how to operate in the given scenarios (not how to get there)
- The scenarios are developed for the book industry and the insights for companies are general, not company specific
- Different industry sectors can move towards different scenarios
- Scenario planning will NOT replace the need for each industry player to develop a fact-orientated strategy based on its particular position in the industry

**For each or the scenarios we will describe the strategies according to three generic groups\***



An 'Operational Excellence' strategy is focused on operating highly efficient processes. Operational excellence can be enabled through business process re-engineering, outsourcing, activity based costing, cost-to-serve pricing, continuous improvement, optimisation of sourcing and supplier structures, stock control and handling, quality assurance, etc.



A 'Customer Intimacy' strategy focuses on developing close and deep customer relationships. Customer Intimacy can be enabled by very good customer segmentation and insights and through techniques like CRM (Customer Relationship Management). Further, these strategies focus on collaborating with customers to tailor solutions or identifying solutions to unmet needs.



A 'Product Innovation' strategy aim to anticipate and respond to changing customer demands by developing and providing the right new products and services to target customers. These strategies often require companies to invest significantly in R&D and marketing as well as unlocking the creative potential of their organisations.

\*) Note: Most actual strategies tend to have elements of all three generic strategies. The important distinction is which generic strategy is dominant

For each scenario, there are a range of high level characteristics common to all industry sectors

In the 'Shoulder to Shoulder' scenario **Operational Excellence** is a critical success factor for all industry sectors to drive costs out of the collaborative supply chain. A certain degree of **Customer Intimacy** is needed to be flexible and responsive to supply chain partners. This scenario provides little opportunity for anyone to differentiate themselves through **Product innovation**.

*Shoulder to Shoulder*

*Dog Eat Dog*

In the 'Dog Eat Dog' scenario attractive strategic options for most industry players fall within **Operational Excellence**. A limited set of **Customer Intimacy** strategies are likely to be successful and they will often focus on bypassing other players in the supply chain. **Product Development** strategies are unlikely to be pursued.

In the 'Paradise Found' scenario where plentiful demand exists within the existing industry structure, most players will benefit from **Customer Intimacy** strategies. The collaborative environment also enables all players to achieve supply chain efficiencies through **Operational Excellence** strategies. Publishers, in particular, will have good opportunities within **Product Innovation**.

*Paradise Found*

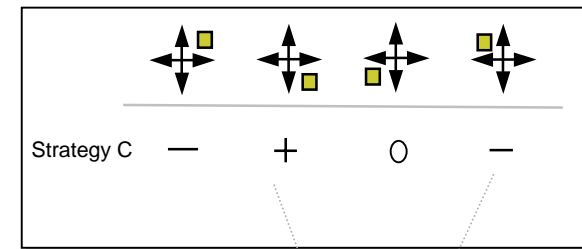
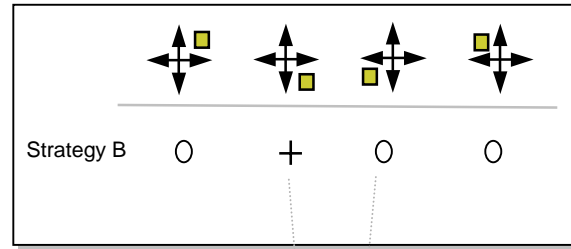
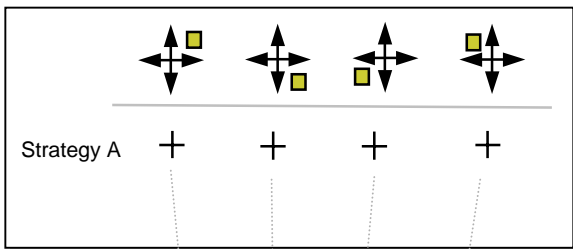
*Land of the Giants*

In the 'Land of the Giants' scenario publishers and booksellers may seek control of the supply chain and customer relationships through **Customer Intimacy** strategies. Printers may try to differentiate themselves through either **Operational Excellence** or **Product Innovation**.

# Types of Strategies

The scenarios have three types of implications - those which are positive regardless of the scenario (robust strategies), those which are positive in some and neutral in other scenarios (no regret strategies), and those whose benefits are highly contingent upon a specific scenario outcome (scenario specific strategies)\*

Illustrative



**Robust strategies**  
have a certain payoff regardless of which scenario emerges

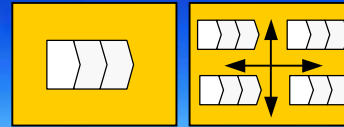
**No Regret strategies**  
have a payoff in some and are neutral in others

**Scenario specific strategies**  
have payoffs that are highly contingent upon a specific scenario outcome

+ Positive    O Neutral    - Negative

\*) See Appendix 3 for further detail

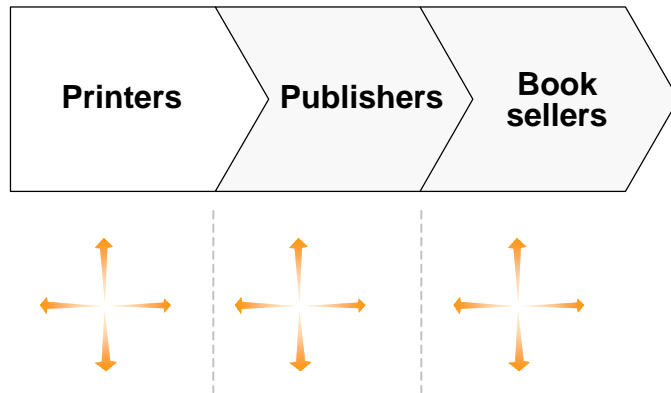
# Possible Strategies



# Ad Rem

The strategic implications of the scenarios can be described in two ways: by analysing the implications of the scenarios for each industry sector, or by analysing the implications of each scenario for the industry sectors. In the following, the strategic implications will firstly be presented by sector and subsequently by scenario

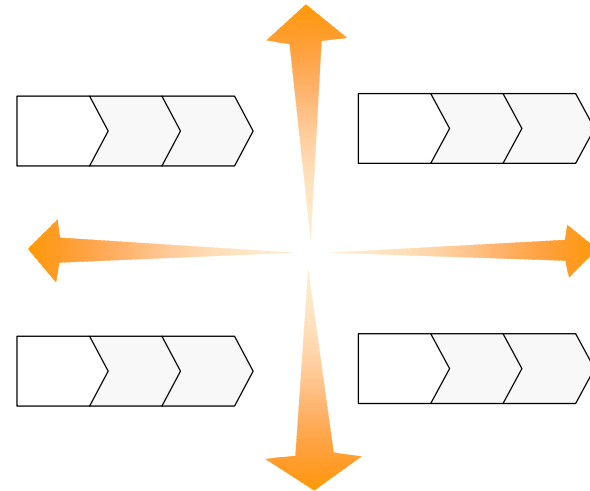
## Strategic implications by sector – *described first*



**Benefit:**

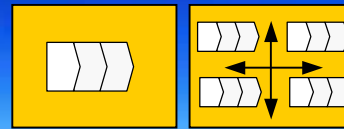
Provides overview for each of the sectors of which future strategies should be considered

## Strategic implications by scenario – *described later*



**Benefit:**

Provides overview for each of the scenarios and how the industry players will interact

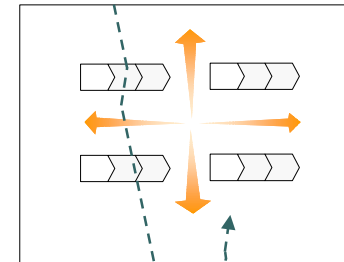
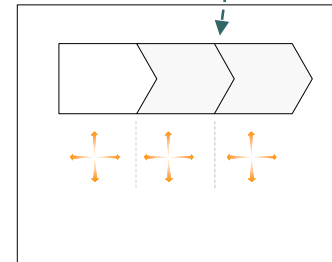


A visual aid is included to guide the reader through the strategic implication sections

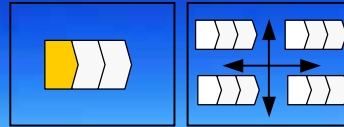
## Presentation of strategic implications

- The report will first present the strategic implications per sector:
  - Printers
  - Publishers
  - Booksellers
- The report will then present the strategic implications per scenario:
  - Paradise Found
  - Land of the Giants
  - Dog Eat Dog
  - Shoulder to Shoulder

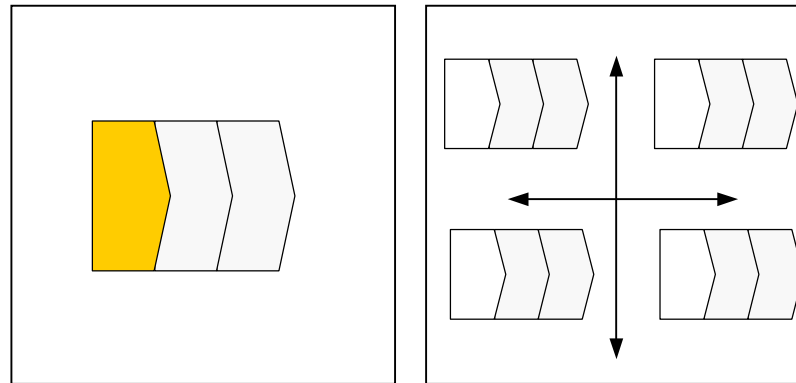
A visual aid will indicate which sector is being addressed



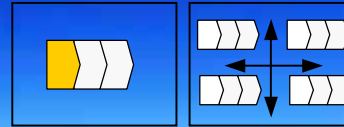
A visual aid will indicate which scenario is being addressed



## General strategic implications for Printers in the scenarios

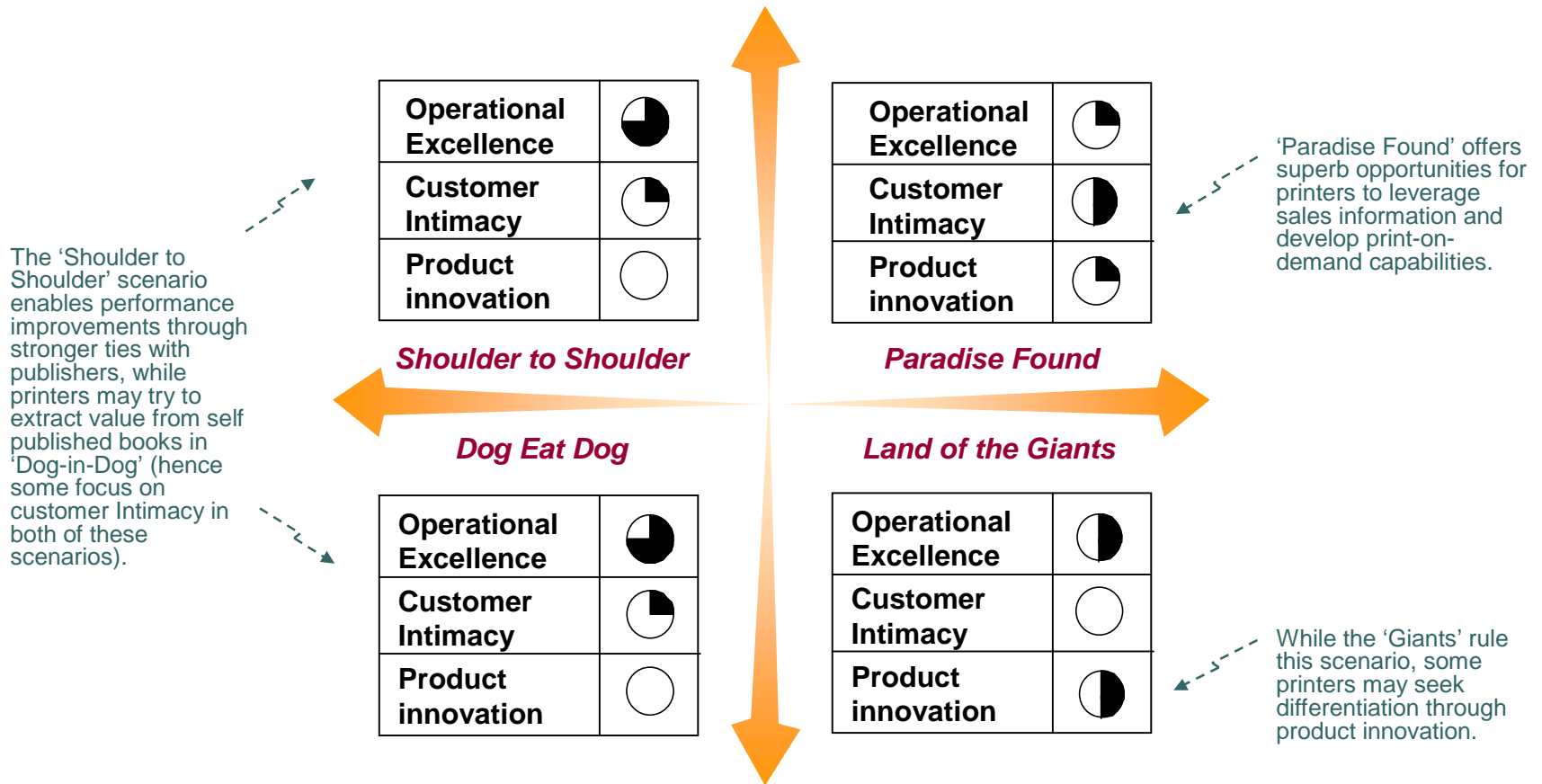


# Possible Strategies Printers



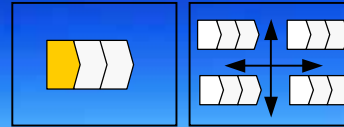
# Ad Rem

Streamlining operations is a viable strategy for Printers in all scenarios. Certain scenarios are more likely to offer opportunities for 'customer intimacy' or 'product innovation' strategies\*

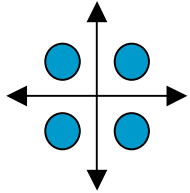


\*) See Appendix 3 for further detail (p. 110)

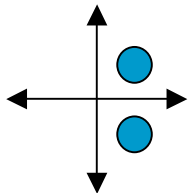
Relative importance of strategic elements  
 ○ Low    ◐ Medium    ● High



**Streamlining operations is a viable strategy for Printers in all scenarios. Certain scenarios are more likely to offer opportunities for ‘customer intimacy’ or ‘product innovation’ strategies**

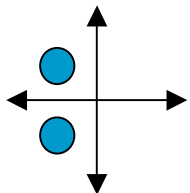


In all scenarios, printers should focus on operational excellence and responsiveness by automating processes and driving down costs as well as using whatever sales data is available to optimise production planning and scheduling.

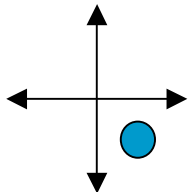


In ‘Paradise Found’ and ‘Land of the Giants’ product innovation strategies may be adopted:

- High and niche oriented demand calls for a strong focus on developing ‘print-on-demand’ capabilities, and niche players have the possibility of focusing on certain specialty types of printing such as luxury leather bound colour books.
- Digital content and distribution provide an opportunity for printers to specialise in content management services.

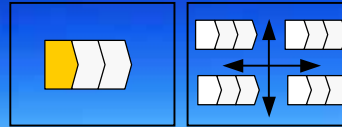


In the ‘Dog Eat Dog’ and ‘Shoulder to Shoulder’ scenarios with steady or even decreasing demand, and where reading content is oriented around mass market books, printers need to focus aggressively on improving capacity utilisation and economies of scale through industry rationalisation as well as fine-tuning their offset equipment. Further, printers must seek to strengthen ties with customers and consumers, and collaborate where possible, to stay competitive.



In ‘Land of the Giants’ where barriers between sectors are blurring and print-on-demand is more common, printers should transform from an ‘asset utilisation’ focus to offer ‘facilities management’ services at digital printing installations.

# Possible Strategies Printers



# Ad Rem

In all scenarios, Printers should focus on operational excellence and responsiveness by automating processes and driving down costs as well as using whatever sales data is available to optimise production planning and scheduling. See Appendix for details of each strategy\*

## Robust strategies

## No regrets strategies

## Scenario specific strategies\*\*

### Operational excellence

- Automate processes
- Specialise in certain products
- Develop micro understanding of costs

- Improve efficiencies through rationalisations
- Invest in digital printing equipment
- Consolidate industry procurement
- Establish printer consortium for colour printing

- Provide printing Facilities Management services (*Land of the Giants*)
- Provide printing Facilities Management services encompassing other fulfilment functions (*Land of the Giants*)
- Maintain efficient offset printing equipment (*Paradise Found, Land of the Giants, Shoulder to Shoulder*)

### Customer intimacy

- Leverage Point-of-Sale information
- Work with publishers to deliver front list books directly to booksellers

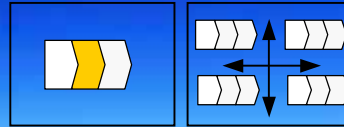
- Develop Print-on-Demand capabilities (*Paradise Found, Land of the Giants, Shoulder to Shoulder*)
- Offer long term deals (3-5 yrs) to publishers (*Land of the Giants, Dog Eat Dog, Shoulder to Shoulder*)
- Align production facilities to distribution network (*Paradise Found, Shoulder to Shoulder*)
- Increase focus on self-published books (*Land of the Giants*)

### Product innovation

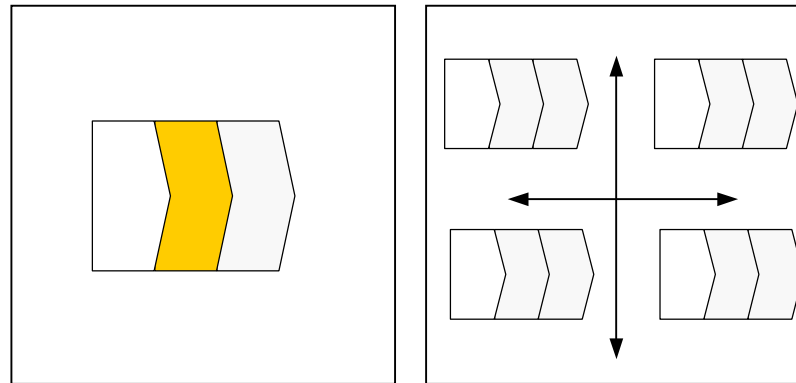
- Specialise in content management (*Paradise Found, Land of the Giant*)
- Specialise in certain types of printing (*Paradise Found, Land of the Giant*)

\*) See Appendix 3 for further detail

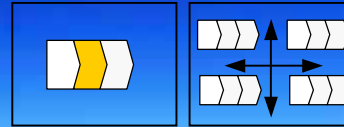
\*\*\*) Parentheses indicate which scenario(s) the strategy is applicable to



## General strategic implications for Publishers in the scenarios

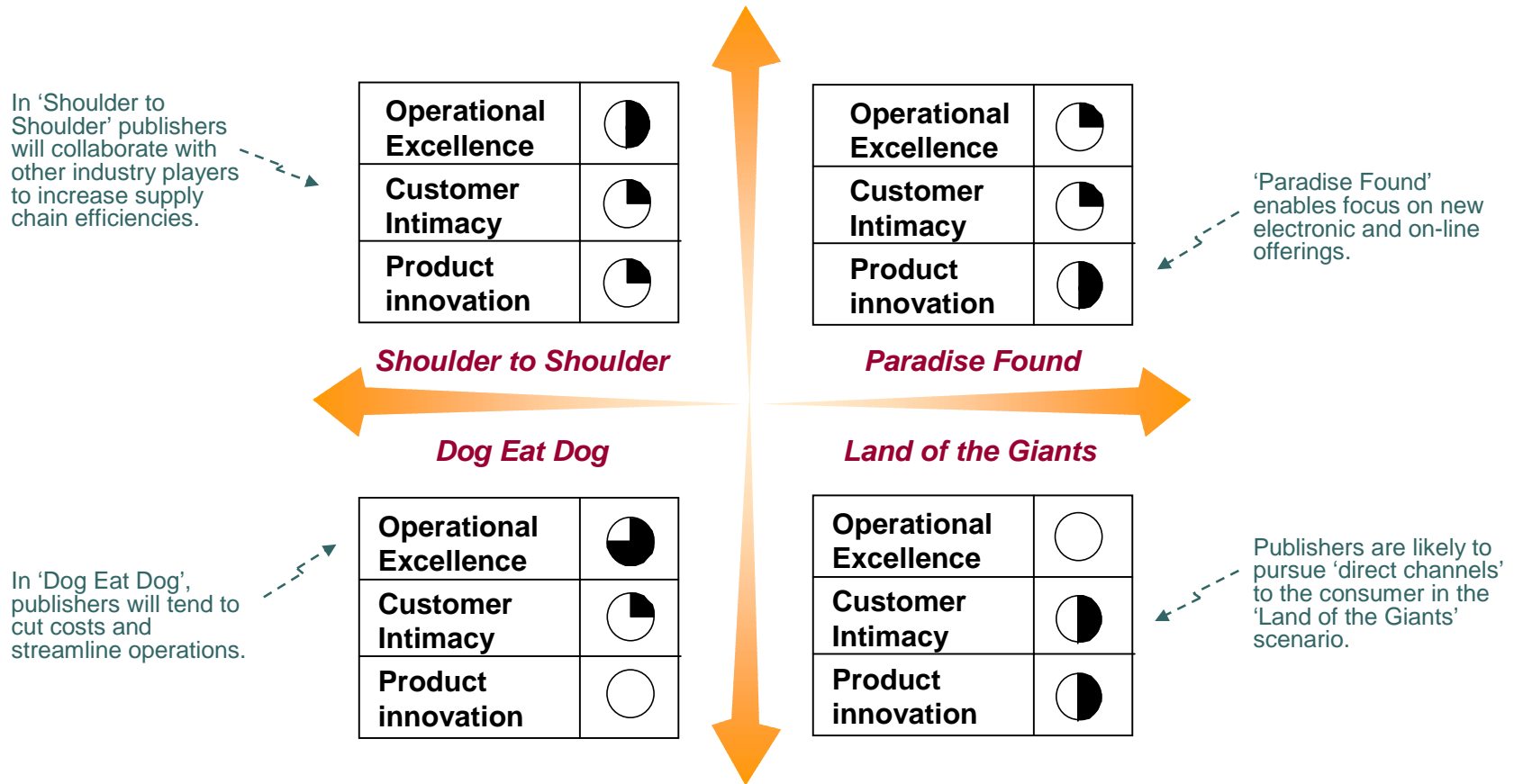


# Possible Strategies Publishers



# Ad Rem

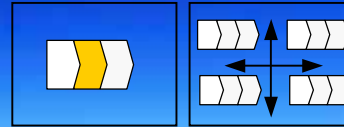
**Publishers will need to carefully choose strategies according to scenario**



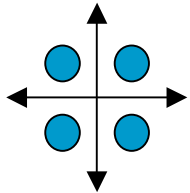
\*) See Appendix 3 for further detail (p. 110)

*Relative importance of strategic elements*

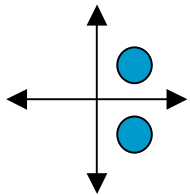
○ Low    ◐ Medium    ● High



## Publishers will need to choose strategies carefully accordingly to scenario

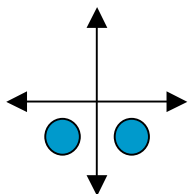


Few robust 'silver bullet' strategies for publishers emerge from the scenario planning analysis. However, publishers will have 'no regrets' about focusing more on driving costs out of the distribution system, through better demand planning and elimination of redundant networks. Publishers overall will benefit from superior sourcing of content and educational publishers can always benefit from closer working relationships with universities and faculties.

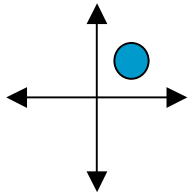


Customer intimacy and product innovation are winning strategies in the 'Paradise Found' and 'Land of the Giants' scenarios:

- Advanced customer segmentation techniques can be applied by larger players to achieve customer intimacy while smaller players can focus on particular niche markets
- Digitalisation of content should be the first consideration for publishers wanting to focus on product innovation. Subsequently eBook and various online offerings can be developed.

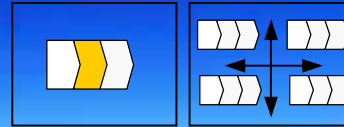


In the transactional scenarios ('Land of the Giants' and 'Dog Eat Dog'), large publishers will need to move into other parts of the value chain to remain competitive, either through investments in distribution, digital printing and/or gaining control of relationships with the end consumer.



To take full advantage of the possibilities of a collaborative world with plentiful demand, publishers should focus senior management attention on working with industry peers to encourage common standards and lobby government to provide the necessary legislative frameworks for digital rights management, etc.

# Possible Strategies Publishers



# Ad Rem

**Publishers should focus on operational excellence and customer intimacy strategies. See appendix for details of each strategy\***

## Robust strategies

## No regrets strategies

## Scenario specific strategies\*\*

### Operational excellence

- Micro-manage supply chain costs
- Coordinate and consolidate distribution

- Exclusive contracts with major authors
- Partnership/merger with major publishers

- Control the supply chain (*Land of the Giants*)
- Invest in own distribution (*Dog Eat Dog*)
- Invest in digital printing equipment (*Dog Eat Dog*)
- Launch fewer titles but increase marketing per title (*Dog Eat Dog, Shoulder to Shoulder*)

### Customer intimacy

- Leverage Point-of-Sale information
- Master demand planning

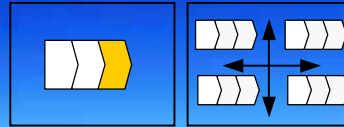
- Segment end-consumers (*Paradise Founds, Land of the Giants*)
- Focus on content within a particular niche market (*Paradise Found, Land of the Giants*)
- Implement direct selling strategy based on customer knowledge/relationships (*Land of the Giants, Dog Eat Dog*)
- Use test marketing to determine attractiveness (for front lists) (*Dog Eat Dog, Shoulder to Shoulder*)
- Provide proprietary book sales system to booksellers (*Dog Eat Dog*)
- Move closer to the end-consumer (*Land of the Giants, Dog Eat Dog*)

- Partnership with Universities

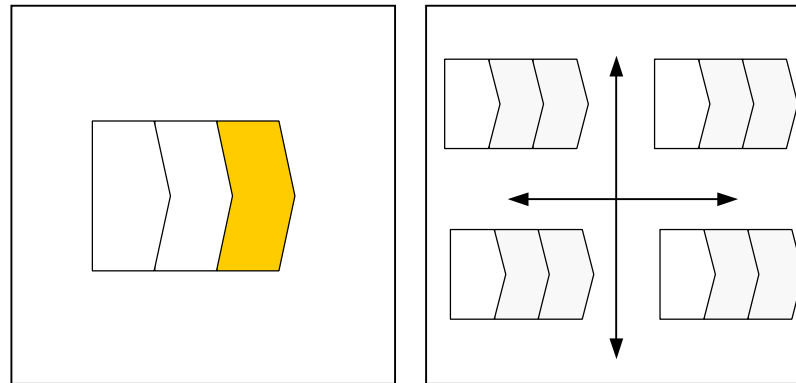
- Create leading brands (*Land of the Giants*)
- Digitise content to allow delivery across different media (*Paradise Found, Land of the Giants*)
- Develop eBook and on-line offerings (*Paradise Found, Land of the Giants*)
- Encourage joint industry effort to develop eStandards (*Paradise Found*)
- Lobby government for clear rights management regulations (*Paradise Found*)

\*) See Appendix 3 for further detail

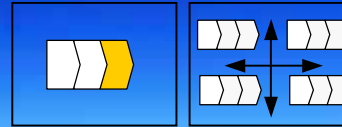
\*\*\*) Parentheses indicate which scenario(s) the strategy is applicable to



## General strategic implications for Booksellers in the scenarios

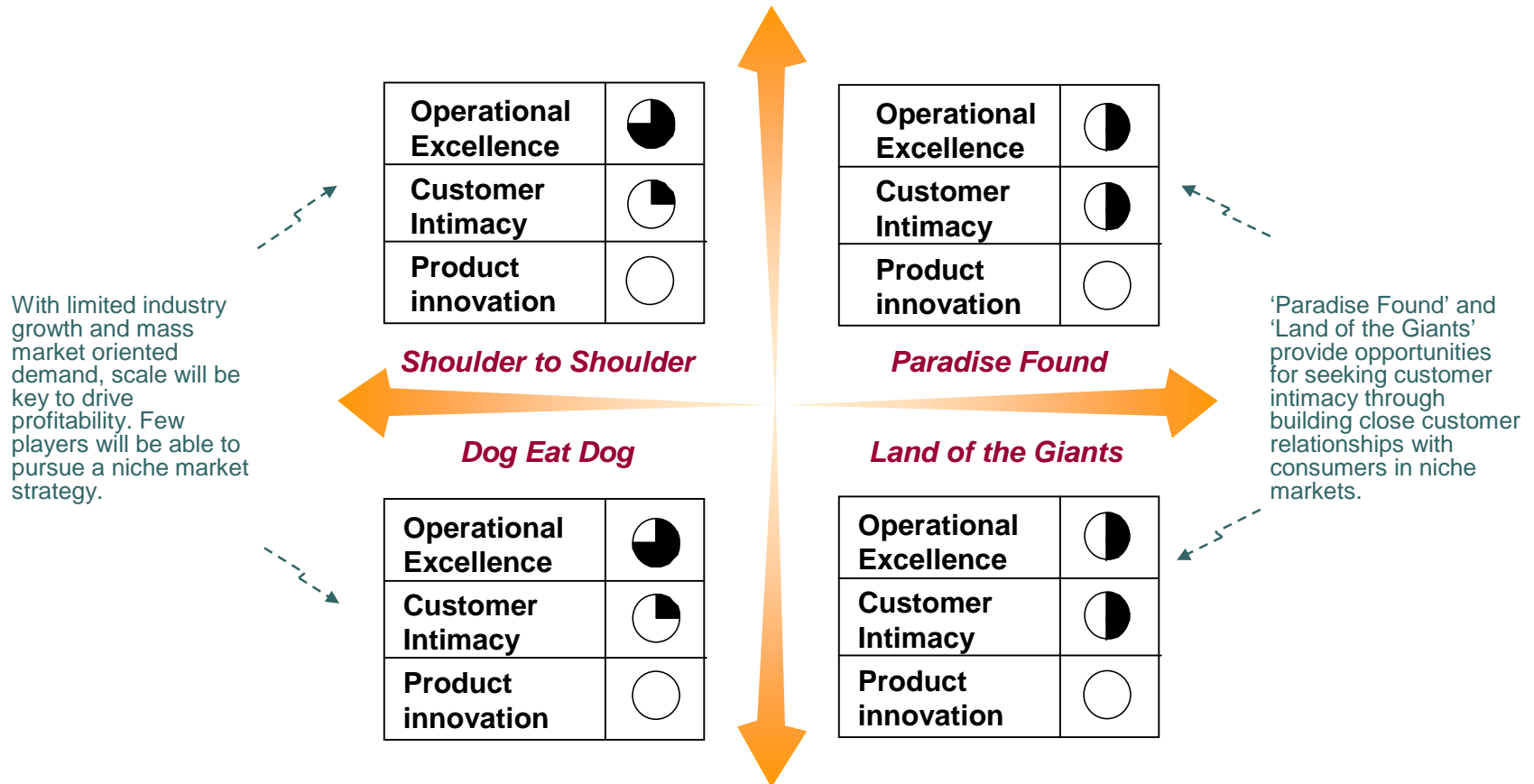


# Possible Strategies Booksellers



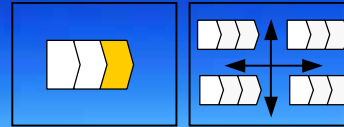
# Ad Rem

The focus of Bookseller strategies varies more according to type of demand than according to the overall structure of the industry and degree of collaboration

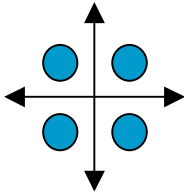


\*) See Appendix 3 for further detail (p. 110)

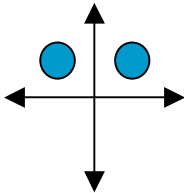
Relative importance of strategic elements  
 Low   Medium   High



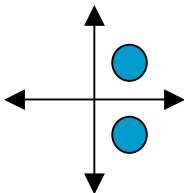
**The focus of Bookseller strategies varies more according to type of demand than according to the overall structure of the industry and degree of collaboration**



Regardless of scenario, large booksellers can increase their competitiveness by increasing their brand strength and geographical coverage. A role for smaller niche players exists in all scenarios, but it is more common in the 'Paradise Found' and 'Land of the Giants'. Product innovation aimed at providing complementary services to target customers as well as cross-mechanising strategies are also robust.



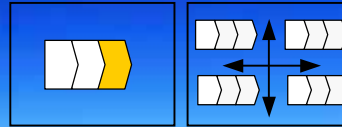
In the collaborative scenarios ('Paradise Found' and 'Shoulder to Shoulder'), booksellers have an outstanding opportunity to share sales data with publishers and other suppliers to increase demand and optimise replenishment cycles. Collaboration should also provide the basis for marketing strategies enabling promotions with more impact.



Mass-merchants and discounters may opt to exit the bookselling business in 'Paradise Found' and 'Land of the Giants' due to the complexities involved in serving many small niche segments with low volume titles. Another strategic option for these players is to move their businesses to a catalogue or internet model. Lastly, mass-merchants and discounters are well positioned to 'cross-merchandise' by selling reading content integrated with other types of products (in various departments).

Educational (tertiary) booksellers may transform their businesses significantly to benefit from the growth in reading content in the 'Paradise Found' and 'Land of the Giants' scenarios. Realising that books are just a small part of the reading content consumed by students, these booksellers could work with faculties to select and compose course materials from a range of content providers.

# Possible Strategies Booksellers



# Ad Rem

The strategic implications for Booksellers differ significantly across the different types of Booksellers. See appendix for details of each strategy\*

## Robust strategies

## No regrets strategies

## Scenario specific strategies\*\*

### Operational excellence

- Cross-merchandise
- Join major players<sup>2</sup>

- Invest in brand<sup>1</sup>
- Expand geographical coverage<sup>1</sup>
- Create buying groups and share facilities<sup>2</sup>

- Establish virtual book stores (*Paradise Found, Land of the Giants*)
- Mass-customise<sup>1</sup> (*Paradise Found, Land of the Giants*)
- Abandon book business<sup>4</sup> (*Land of the Giants*)

### Customer intimacy

- Leverage Point-of-Sale information
- Diversify product offering by offering related product and services
- Develop superior customer service (defensive strategy)

- Organise bookshops around interests/lifestyle (*Paradise Found, Land of the Giants*)
- Provide content broker service (*Paradise Found, Shoulder to Shoulder*)
- Collaborate on marketing campaign<sup>3</sup> (*Paradise Found, Land of the Giants*)

### Product innovation

- Introduce products/services complementary to primary niche customer group's needs

1) Only Chains

2) Only Small players

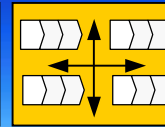
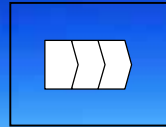
3) Only Educational

4) Only Mass merchants/discounters

\*) See Appendix 3 for further detail

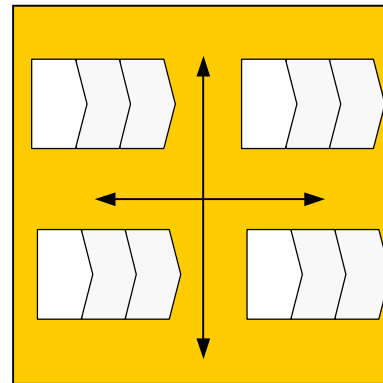
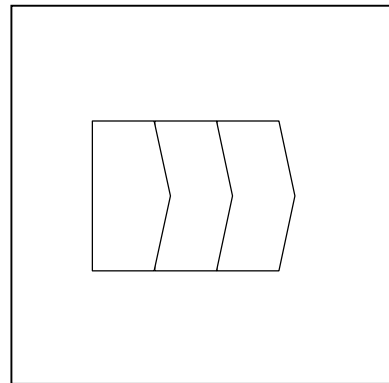
\*\* ) Parentheses indicate which scenario(s) the strategy is applicable to

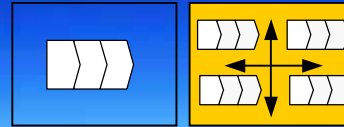
# Possible Strategies By Scenario



# Ad Rem

## General strategic implications by scenario





The following section describes the strategic implications of each of the scenarios

## Characteristics of the Australian Book industry in each of the scenarios

### *Shoulder to Shoulder*

- Reduced demand for books
- Demand for eBooks low
- Most books sold are major 'blockbuster' titles
- Industry collaboration to optimise supply chain
- Sales data captured and used across the value chain to optimise processes
- Traditional industry sectors remain

### *Paradise Found*

- Increasing demand for both paper and electronic reading content
- Consumer demand primarily oriented towards niche, community, and lifestyle content
- Content consumed through multitude of channels
- Supply chain cooperation between all industry sectors
- On-line self-publishing managed by industry players
- Standards agreed at an industry level

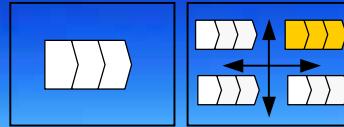
- Reduced demand for books
- Demand for eBooks low
- Most books sold are major 'blockbuster' titles
- Unattractive market with fierce competition and low profitability across all players
- Breakdown of traditional industry sectors with many different business models
- Limited industry cooperation or standards
- No aggregated data or overview of the industry

- Traditional boundaries blurring
- Global players dominating
- Most industry standards are proprietary (de-facto)
- Increased demand for both paper and electronic content
- Lack of (available) industry wide data and statistics
- Many new and well developed sales channels
- Reading devices popular
- New and well developed book formats (electronic and paper)
- Strong focus on cross-selling and merchandising of multiple products according to theme

### *Dog Eat Dog*

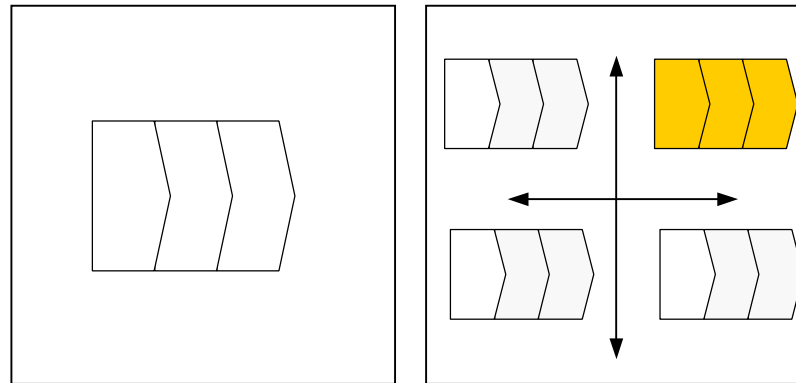
### *Land of the Giants*

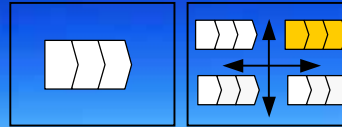
# Possible Strategies Paradise Found



# Ad Rem

## General strategic implications for 'Paradise found'





The characteristics of 'Paradise Found' have important implications for the existing players

## Characteristics of 'Paradise Found'

- Increasing demand for both paper and electronic reading content
- Consumer demand primarily oriented towards niche, community, and lifestyle content
- Reading content consumed through a multitude of channels
- Supply chain cooperation prevalent throughout all industry sectors
- On-line self-publishing managed by industry players
- Standards agreed at an industry level



## Implications of 'Paradise Found'

### Printers

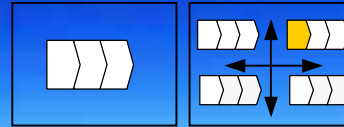
- Somewhat reduced need for long print runs due to niche demand
- Short run printing capabilities are important
- Flexibility and quick response time is critical

### Publishers

- Understanding customer needs and preferences are critical
- Content must be delivered across multiple media and channels
- Access to multiple content sources important
- Distribution offers no competitive advantage

### Booksellers

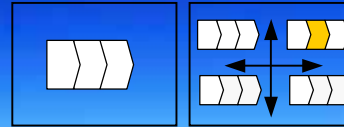
- Know your customers
- Multiple media should be available in shops
- Excellence in customer service required



## Possible strategies for Printers in a ‘Paradise Found’ scenario. Some of the strategies may be mutually exclusive

Strategy*	Description	Relevance
<b>Operational excellence</b>		
<ul style="list-style-type: none"> <li>Invest in digital printing equipment</li> </ul>	<ul style="list-style-type: none"> <li>Develop digital printing capabilities to complement offset printing</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<ul style="list-style-type: none"> <li>Automate processes</li> </ul>	<ul style="list-style-type: none"> <li>Drive down overhead and production costs to remain cost competitive even with more frequent and smaller print runs</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<b>Customer Intimacy</b>		
<ul style="list-style-type: none"> <li>Leverage Point-of-Sale information</li> </ul>	<ul style="list-style-type: none"> <li>Drive operational efficiency and flexibility through better production planning and scheduling by exploiting aggregated and up-to-date market and sales data</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<ul style="list-style-type: none"> <li>Develop Print-on-Demand capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Develop printing capabilities to serve demand for short print runs in a timely and cost effective manner through a flexible production platform primarily based on digital printing facilities</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<b>Product Innovation</b>		
<ul style="list-style-type: none"> <li>Specialise in content management</li> </ul>	<ul style="list-style-type: none"> <li>Develop content asset management services for publishers by developing the capabilities to support different types of outputs, conversion between different types of formats etc.</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>

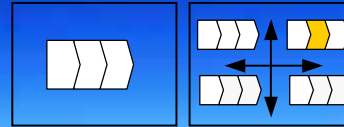
\*) Some strategies may be mutually exclusive



## Possible strategies for Publishers in a 'Paradise Found' scenario. Some of the strategies may be mutually exclusive

Strategy*	Description	Relevance
<b>Operational excellence</b>		
<ul style="list-style-type: none"> <li>• Micro-manage supply chain costs</li> </ul>	<ul style="list-style-type: none"> <li>• Develop detailed awareness about supply chain costs, channel and sector profitability, and base pricing strategies on required customer service levels and cost-to-service information</li> </ul>	<ul style="list-style-type: none"> <li>• General</li> </ul>
<ul style="list-style-type: none"> <li>• Coordinate and consolidate distribution</li> </ul>	<ul style="list-style-type: none"> <li>• Work with competitors and alliance partners to consolidate redundant distribution networks in the industry</li> </ul>	<ul style="list-style-type: none"> <li>• Large publishers</li> </ul>
<b>Customer Intimacy</b>		
<ul style="list-style-type: none"> <li>• Master demand planning</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage supply chain visibility in demand planning to increase sales and reduce returns and write-offs</li> </ul>	<ul style="list-style-type: none"> <li>• General</li> </ul>
<ul style="list-style-type: none"> <li>• Better segmentation of end-consumer base</li> </ul>	<ul style="list-style-type: none"> <li>• Invest in consumer research and develop segmentation strategies to capture value from target consumer segments</li> </ul>	<ul style="list-style-type: none"> <li>• General</li> </ul>
<ul style="list-style-type: none"> <li>• Leverage Point-of-Sale information</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage aggregated and up-to-date market and sales data to understand changes and trends in customer behaviour</li> </ul>	<ul style="list-style-type: none"> <li>• General</li> </ul>

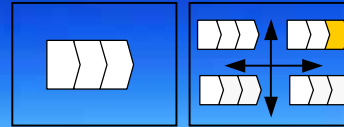
\*) Some strategies may be mutually exclusive



## Possible strategies for Publishers in a 'Paradise Found' scenario (continued). Some of the strategies may be mutually exclusive

Strategy*	Description	Relevance
<b>Product Innovation</b>		
<ul style="list-style-type: none"> <li>Digitise content to allow delivery across different media</li> </ul>	<ul style="list-style-type: none"> <li>Digitise content to allow delivery in different formats and through different channels to reach customers in target markets on their terms</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<ul style="list-style-type: none"> <li>Develop eBook and on-line offerings</li> </ul>	<ul style="list-style-type: none"> <li>Invest in developing new products and services to harvest value from all sub-segments of target markets</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<ul style="list-style-type: none"> <li>Encourage joint industry effort to develop eStandards</li> </ul>	<ul style="list-style-type: none"> <li>Support development of required industry wide agreements to pave the way for more new products and services to reach more consumers through new technology</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<ul style="list-style-type: none"> <li>Lobby government for clear rights management regulations</li> </ul>	<ul style="list-style-type: none"> <li>Support efforts to enable a robust legislative infrastructure for marketing and distribution of new products and services to reach more consumers through new technologies</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>

\*) Some strategies may be mutually exclusive

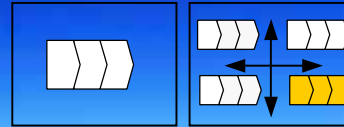


## Possible strategies for Booksellers in a 'Paradise Found' scenario. Some of the strategies may be mutually exclusive

Strategy*	Description	Relevance
<b>Operational excellence</b>		
<ul style="list-style-type: none"> <li>Establish virtual book stores</li> </ul>	<ul style="list-style-type: none"> <li>Serve broader ranges of titles and interests through a catalogue/internet channel rather than through a store to reduce costs associated with merchandising, stock holding etc.</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<ul style="list-style-type: none"> <li>Mass-customise</li> </ul>	<ul style="list-style-type: none"> <li>Focus on (mass-)customisation of stock/content specifically to the local demographics</li> </ul>	<ul style="list-style-type: none"> <li>Chains</li> </ul>
<b>Customer Intimacy</b>		
<ul style="list-style-type: none"> <li>Leverage Point-of-Sale information</li> </ul>	<ul style="list-style-type: none"> <li>Provide sales data to publishers to enable faster demand response and stock reductions</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<ul style="list-style-type: none"> <li>Organise bookshops around interests/lifestyle</li> </ul>	<ul style="list-style-type: none"> <li>Customise individual bookshops to a particular niche, customer segment or theme to allow deeper specialisation</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<ul style="list-style-type: none"> <li>Diversify product offering by offering related product and services</li> </ul>	<ul style="list-style-type: none"> <li>Develop concept shops offering a range of goods and merchandise supporting a particular customer segment</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<b>Product Innovation</b>		
<ul style="list-style-type: none"> <li>Introduce products/services complementary to primary niche customer group's needs</li> </ul>	<ul style="list-style-type: none"> <li>Engage in customisation of products centred around reading content (e.g. paper based or electronic course packs) to meet special needs of highly specialised user groups</li> </ul>	<ul style="list-style-type: none"> <li>Educational</li> </ul>

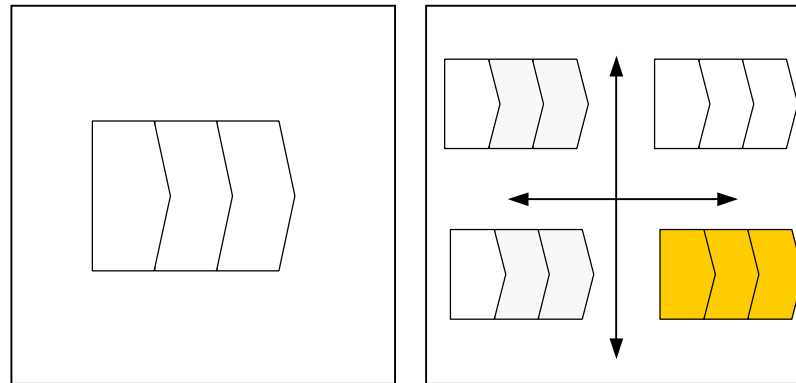
\*) Some strategies may be mutually exclusive

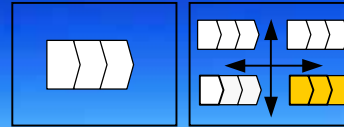
# Possible Strategies Land of the Giants



# Ad Rem

## General strategic implications for 'Land of the Giants'





The characteristics of 'Land of the Giants' have important implications for the existing players

## Characteristics of 'Land of the Giants'

- Traditional boundaries blurring
- Global players dominating
- Most industry standards are proprietary (de-facto)
- Increased demand for both paper and electronic content
- Strong focus on knowledge management
- Lack of (available) industry wide data and statistics
- Many new, well developed sales channels
- Reading devices popular
- New, well developed book formats (electronic and paper based)
- Strong focus on cross-selling and merchandising of multiple products according to theme etc.



## Implications of 'Land of the Giants'

### Printers

- Need for long print runs somewhat reduced due to niche market demand
- Print-on-demand capabilities are key to compete
- Main market players will rely on their own printing capabilities

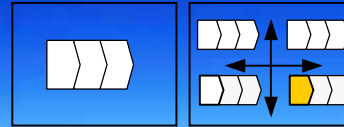
### Publishers

- Need to be able to manage (and make money) from many low volume titles with short life-cycles
- Detailed knowledge and understanding of target customers is key

### Booksellers

- Understanding customer needs and preferences critical for survival
- Must have ability to (mass-) customise
- Reading content will only be one part of winning consumer offerings

# Possible Strategies Land of the Giants Printers

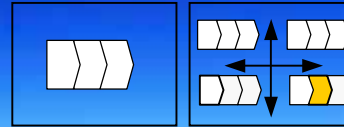


# Ad Rem

**Possible strategies for Printers in a 'Land of the Giants' scenario. Some of the strategies may be mutually exclusive**

Strategy*	Description	Relevance
<p><b>Operational excellence</b></p> <ul style="list-style-type: none"> <li>• Provide Digital Printing Facility Management services</li> <li>• Provide Facilities Management services encompassing other fulfilment functions</li> </ul>	<ul style="list-style-type: none"> <li>• Offer facilities management services of digital printing installations (in warehouses, bookstores, etc.)</li> <li>• Offer a full suite of fulfilment functions (logistics, distribution, billing, etc.) to content and customer relationship owners by focusing on streamlining processes to provide superior service and drive out cost</li> </ul>	<ul style="list-style-type: none"> <li>• General and equipment manufacturers</li> <li>• General and equipment manufacturers</li> </ul>
<p><b>Customer Intimacy</b></p> <ul style="list-style-type: none"> <li>• Develop offering for self-published books</li> </ul>	<ul style="list-style-type: none"> <li>• Tap into the revenue stream of printing 'self-published' books by working directly with the content creators as an alternative to focusing on the competitive bids for work from publishers.</li> </ul>	<ul style="list-style-type: none"> <li>• General</li> </ul>
<p><b>Product Innovation</b></p> <ul style="list-style-type: none"> <li>• Specialise in certain types of printing and supply services to large organisations</li> <li>• Specialise in content management</li> </ul>	<ul style="list-style-type: none"> <li>• Derive premium margins from developing and enhancing printing techniques enabling production of certain formats and qualities</li> <li>• Develop content asset management services to publishers through development of the capabilities within the technologies needed to support different types of outputs, conversion between different types of formats etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Niche players and equipment manufacturers</li> <li>• General and equipment manufacturers</li> </ul>

\*) Some strategies may be mutually exclusive

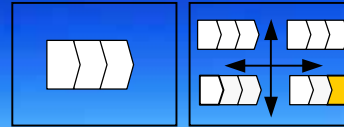


**Possible strategies for Publishers in a ‘Land of the Giants’ scenario. Some of the strategies may be mutually exclusive**

Strategy*	Description	Relevance
<p><b>Operational excellence</b></p> <ul style="list-style-type: none"> <li>Control the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Develop/acquire capabilities to own, integrate, and manage the supply chain end-to-end by owning and/or controlling most elements, from content to customer relationships</li> </ul>	<ul style="list-style-type: none"> <li>Large publishers</li> </ul>
<p><b>Customer Intimacy</b></p> <ul style="list-style-type: none"> <li>Focus on content generation within a particular niche market</li> <li>Implement direct selling strategy based on customer knowledge/relationships</li> </ul>	<ul style="list-style-type: none"> <li>Create or aggregate specific content within a particular niche market catering for a certain theme or customer segment</li> <li>Increase customer intimacy and control by developing communication and distribution channels directly to customers in target markets</li> </ul>	<ul style="list-style-type: none"> <li>Small publishers</li> <li>General</li> </ul>
<p><b>Product Innovation</b></p> <ul style="list-style-type: none"> <li>Create leading brands</li> </ul>	<ul style="list-style-type: none"> <li>Invest heavily in building brands (and concepts) to stimulate demand and decrease the importance of the particular content creator</li> </ul>	<ul style="list-style-type: none"> <li>Large publishers</li> </ul>

\*) Some strategies may be mutually exclusive

# Possible Strategies Land of the Giants Booksellers



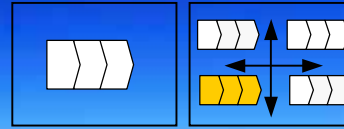
# Ad Rem

**Possible strategies for Booksellers in a ‘Land of the Giants’ scenario. Some of the strategies may be mutually exclusive**

Strategy*	Description	Relevance
<p><b>Operational excellence</b></p> <ul style="list-style-type: none"> <li>Establish virtual book stores</li> <li>Mass-customise</li> <li>Cross-merchandise</li> <li>Abandon book business</li> </ul>	<ul style="list-style-type: none"> <li>Serve broader ranges of titles and interests through a catalogue/internet channel rather than through a store to reduce costs associated with merchandising, stock holding etc.</li> <li>Focus on (mass-)customisation of stock/content specifically to the local demographics</li> <li>Sell reading content integrated with other merchandise/ departments</li> <li>Free up shelf space dedicated to paper books if the complexities of titles and demand patterns in the industry are not compatible with the overall (department) store concept</li> </ul>	<ul style="list-style-type: none"> <li>General</li> <li>Chains</li> <li>Mass merchants/ discounters</li> <li>Mass merchants/ discounters</li> </ul>
<p><b>Customer Intimacy</b></p> <ul style="list-style-type: none"> <li>Specialise within niche</li> <li>Provide content broker service</li> </ul>	<ul style="list-style-type: none"> <li>Specialist store(s) to focus on a particular niche market – theme or customer segment</li> <li>Provide service to University faculties regarding selecting and composing course materials from multiple sources and authors</li> </ul>	<ul style="list-style-type: none"> <li>Independents or chains</li> <li>Education</li> </ul>
<p><b>Product Innovation</b></p> <ul style="list-style-type: none"> <li>N/A</li> </ul>		

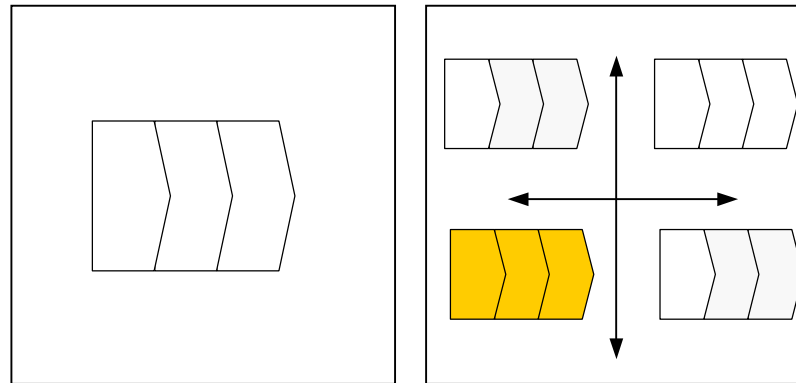
\*) Some strategies may be mutually exclusive

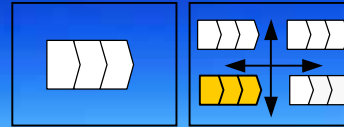
# Possible Strategies Dog Eat Dog



# Ad Rem

## General strategic implications for 'Dog Eat Dog'





The characteristics of 'Dog Eat Dog' have important implications for the existing players

### Characteristics of 'Dog Eat Dog'

- Reduced demand for books
- Demand for eBooks low
- Most books sold are major 'blockbuster' titles
- Unattractive market with fierce competition and low profitability across all players
- Breakdown of traditional industry sectors with many different business models prevalent
- Limited industry cooperation or standards
- No aggregated data or overview of the industry



### Implications of 'Dog Eat Dog'

#### Printers

- A market focused primarily on price and with strong competition from overseas
- Printing focused on efficient long run production
- Some digital printing undertaken by various players in the value chain
- Need to develop stronger ties with customers

#### Publishers

- Focus on attracting and retaining the 'blockbuster' authors
- Several competing distribution networks
- Little or no sales or customer information available
- Scale and control key to success

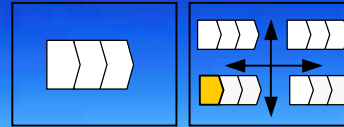
#### Booksellers

- Brand and geographical reach important for success
- Be large or unique or else you will struggle!

# Possible Strategies

## Dog Eat Dog

### Printers



# Ad Rem

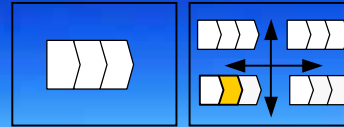
## Possible strategies for Printers in a 'Dog Eat Dog' scenario. Some of the strategies may be mutually exclusive

Strategy*	Description	Relevance
<b>Operational excellence</b>		
<ul style="list-style-type: none"> <li>Improve efficiencies through industry rationalisation</li> </ul>	<ul style="list-style-type: none"> <li>Scan market for attractive take-over partners to extract additional scale advantages</li> </ul>	<ul style="list-style-type: none"> <li>Large players</li> </ul>
<ul style="list-style-type: none"> <li>Automate processes to reduce costs</li> </ul>	<ul style="list-style-type: none"> <li>Ensure cost competitiveness against both local and foreign competition, by taking part of the labour component out of production</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<ul style="list-style-type: none"> <li>Maintain efficient offset printing equipment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure cost competitive long run volumes by maintaining modern offset equipment</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<b>Customer Intimacy</b>		
<ul style="list-style-type: none"> <li>Develop direct delivery capability (for front lists)</li> </ul>	<ul style="list-style-type: none"> <li>Offer direct delivery to booksellers for front lists as an additional service that can reduce costs and enhance lead time</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>
<ul style="list-style-type: none"> <li>Offer long term deals (3-5 yrs) to publishers</li> </ul>	<ul style="list-style-type: none"> <li>Aim to lock-in publishers and avoid constant price competition through long term contracts</li> </ul>	<ul style="list-style-type: none"> <li>General</li> </ul>

\*) Some strategies may be mutually exclusive

# Possible Strategies

## Dog Eat Dog Publishers



# Ad Rem

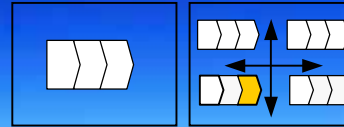
**Possible strategies for Publishers in a 'Dog Eat Dog' scenario. Some of the strategies may be mutually exclusive**

Strategy*	Description	Relevance
<b>Operational excellence</b>		
<ul style="list-style-type: none"> <li>Invest in own distribution</li> <li>Invest in own digital printing equipment</li> <li>Launch fewer titles but increase marketing per title</li> <li>Establish exclusive contracts with major authors</li> <li>Establish partnership/merger with major publishers</li> </ul>	<ul style="list-style-type: none"> <li>Develop an efficient distribution channel that can provide competitive advantage and offer distribution services to smaller players</li> <li>Manage production of short run books (e.g. certain back lists) by own digital equipment in the warehouse</li> <li>Support each title with increased marketing spend to stimulate demand</li> <li>Aim to lock-in providers of future block-busters</li> <li>Achieve access to scale advantages and distribution through partnership or merger</li> </ul>	<ul style="list-style-type: none"> <li>Large players</li> <li>Large players</li> <li>General</li> <li>Larger players</li> <li>Smaller players</li> </ul>
<b>Customer Intimacy</b>		
<ul style="list-style-type: none"> <li>Use test marketing to determine attractiveness (for front lists)</li> <li>Provide proprietary book sales system to booksellers</li> <li>Move closer to the end-consumer</li> </ul>	<ul style="list-style-type: none"> <li>Determine market potential of new books before substantial sales and marketing spend is assigned</li> <li>Provide software to booksellers to capture own book sales data to support marketing and distribution</li> <li>Consider involvement in retail operations (buy into larger existing player) and/or develop strong on-line presence</li> </ul>	<ul style="list-style-type: none"> <li>General</li> <li>Large players</li> <li>Large players</li> </ul>
<b>Product Innovation</b>		
<ul style="list-style-type: none"> <li>Partnership with Universities</li> </ul> <p>*) Some strategies may be mutually exclusive</p>	<ul style="list-style-type: none"> <li>Work with Universities and faculties to offer content in multiple formats (books and on-line)</li> </ul>	<ul style="list-style-type: none"> <li>Larger Educational players</li> </ul>

# Possible Strategies

## Dog Eat Dog

### Booksellers



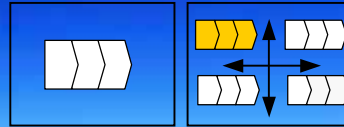
# Ad Rem

**Possible strategies for Booksellers in a 'Dog Eat Dog' scenario. Some of the strategies may be mutually exclusive**

Strategy*	Description	Relevance
<b>Operational excellence</b>		
<ul style="list-style-type: none"> <li>Invest in brand</li> </ul>	<ul style="list-style-type: none"> <li>Build brand awareness and loyalty among end-customers and coordinate marketing with publishers</li> </ul>	<ul style="list-style-type: none"> <li>Book chains</li> </ul>
<ul style="list-style-type: none"> <li>Expand geographical coverage</li> </ul>	<ul style="list-style-type: none"> <li>Maximise value of brand and improve negotiation position with suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Book chains</li> </ul>
<ul style="list-style-type: none"> <li>Join major players</li> </ul>	<ul style="list-style-type: none"> <li>Give up independence to share the scale benefits of the larger players</li> </ul>	<ul style="list-style-type: none"> <li>Small players</li> </ul>
<b>Customer Intimacy</b>		
<ul style="list-style-type: none"> <li>Develop superior customer service</li> </ul>	<ul style="list-style-type: none"> <li>Create a superior shopping experience through design and customer service</li> </ul>	<ul style="list-style-type: none"> <li>Small players</li> </ul>

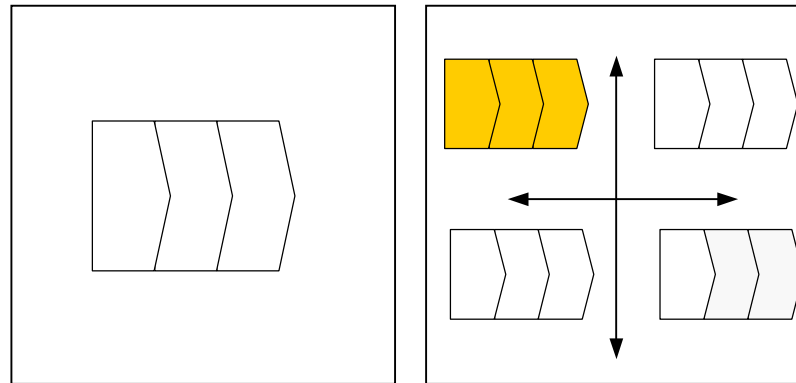
\*) Some strategies may be mutually exclusive

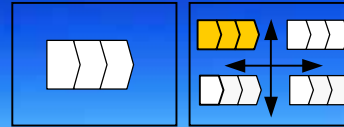
# Possible Strategies Shoulder to Shoulder



# Ad Rem

## General strategic implications for 'Shoulder to Shoulder'





The characteristics of 'Shoulder to Shoulder' have important implications for the existing players

## Characteristics of 'Shoulder to Shoulder'

- Reduced demand for books
- Demand for eBooks low
- Most books sold are major 'blockbuster' titles
- Industry collaboration to optimise supply chain
- Sales data captured and used across the value chain to optimise processes
- Traditional industry sectors remain



## Implications of 'Shoulder to Shoulder'

### Printers

- Long run efficiencies remain important
- Benefits to be derived from collaboration with and across industry sectors
- Flexible and fast delivery key to success

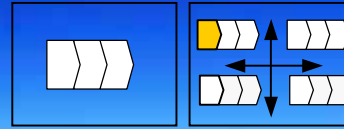
### Publishers

- Focus on fewer titles with higher volume
- Benefits to be derived from industry wide supply chain information
- Consolidation of distribution networks

### Booksellers

- Establish processes to enable quick and cost effective service
- Ability to leverage industry wide information key to success

# Possible Strategies Shoulder to Shoulder Printers

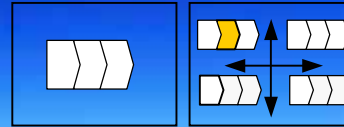


# Ad Rem

**Possible strategies for Printers in a ‘Shoulder to Shoulder’ scenario. Some of the strategies may be mutually exclusive**

Strategy*	Description	Relevance
<b>Operational excellence</b>		
• Specialise in certain products	• Develop specialisation in certain product types or formats to increase production economies	• General
• Automate processes	• Ensure cost competitiveness by reducing the labour component of production	• General
• Maintain efficient offset printing equipment	• Ensure cost competitive long run volumes by maintaining modern offset equipment	• General
• Consolidate industry procurement	• Achieve cross industry cost advantages through shared procurement either through pooling or an eMarketplace	• General
• Establish printer consortium for color printing	• Develop an Australian based alternative for colour printing by shared commitment and investment in suitable equipment	• Large players
• Micro-manage supply chain costs	• Use micro understanding of costs to enable pricing based on cost-to-serve	• General
<b>Customer Intimacy</b>		
• Leverage Point-of-Sale information	• Drive operational efficiency and flexibility through better production planning and scheduling enabled by supply chain transparency	• General
• Increase flexibility and delivery performance *) Some strategies may be mutually exclusive	• Reduce delivery time and increase flexibility by locating close to main centres of the distribution network and/or offer direct delivery to booksellers for front lists	• General

# Possible Strategies Shoulder to Shoulder Publishers



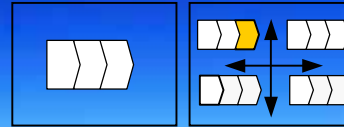
# Ad Rem

**Possible strategies for Publishers in a ‘Shoulder to Shoulder’ scenario. Some of the strategies may be mutually exclusive**

Strategy*	Description	Relevance
<b>Operational excellence</b>		
• Coordinate and consolidate distribution	• Develop one efficient distribution channel that services all players in the Australian Book industry	• General
• Micro-manage supply chain costs	• Use micro understanding of costs to offer prices to booksellers based on cost-to-serve	• General
• Launch fewer titles but increase marketing spend per title	• Support each title with increased marketing and develop joint marketing campaigns with booksellers	• General
• Exclusive contracts with major authors	• Aim to lock-in providers of future block-busters	• Larger players
• Leverage Point-of-Sale information	• Use aggregated industry sales data to improve decision making, reduce stock levels and reduce returns	• General
<b>Customer Intimacy</b>		
• Use test marketing to determine attractiveness (for front lists)	• Determine market potential of new titles before substantial sales and marketing spend is assigned	• General
• Master demand planning	• Leverage supply chain visibility in demand planning to increase sales and reduce returns and write-offs	• General
<b>Product Innovation</b>		
• Partnership with Universities	• Work with Universities and faculties to offer content in multiple formats (books and on-line)	• Larger Educational players

\*) Some strategies may be mutually exclusive

# Possible Strategies Shoulder to Shoulder Booksellers



# Ad Rem

**Possible strategies for booksellers in a ‘Shoulder to Shoulder’ scenario. Some of the strategies may be mutually exclusive**

Strategy*	Description	Relevance
<b>Operational excellence</b>		
• Invest in brand	• Build brand awareness and loyalty among end-customers and coordinate marketing with publishers	• Book chains
• Expand geographical coverage	• Maximise value of brand and improve negotiation position with suppliers	• Book chains
• Create buying groups and share facilities	• Offset scale disadvantage by pooling procurement and sharing facilities	• Small players
• Join major players	• Give up independence to share the scale benefits of the larger players	• Small players
<b>Customer Intimacy</b>		
• Leverage Point-of-Sale information	• Provide sales data to publishers to enable faster demand response and stock reductions	• General
• Develop superior customer service	• Create a superior shopping experience through design and customer service	• Small players
• Collaborate on marketing campaigns	• Better sales data will allow high impact marketing campaigns. Campaigns executed with publishers	• General

\*) Some strategies may be mutually exclusive

**Early warning signs for the scenarios were developed and a range of possible strategies for the existing Book Industry players were identified**

**Early warning signs were identified to enable the industry participants to monitor whether a scenario is emerging**

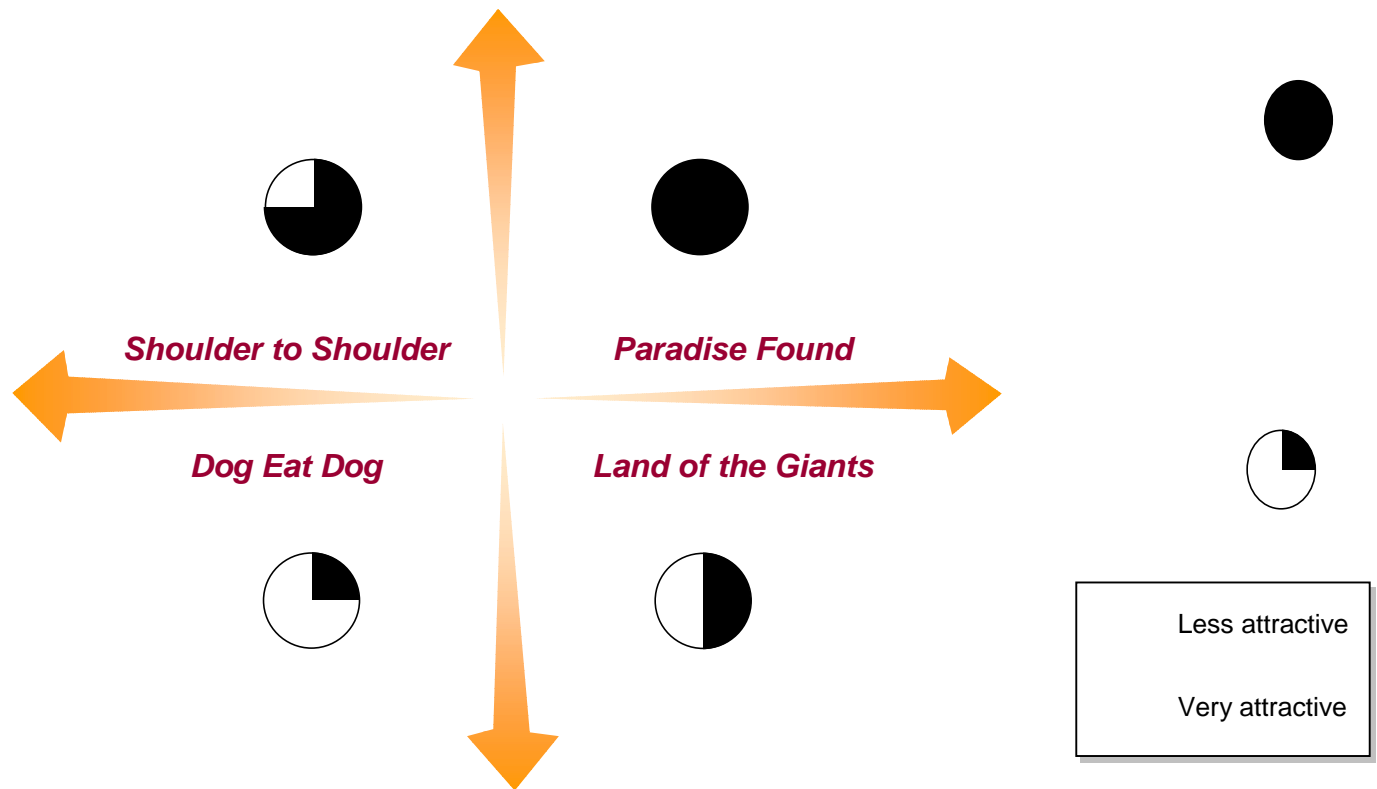
**Appropriate strategies in each of the scenarios were developed for existing industry sectors**

**The scenarios highlighted a range of industry implications**



Whilst the industry participants in the scenario planning workshops agree that all scenarios are plausible, the scenarios clearly differ in attractiveness to the *current* industry participants.

Industry attractiveness of scenarios\*

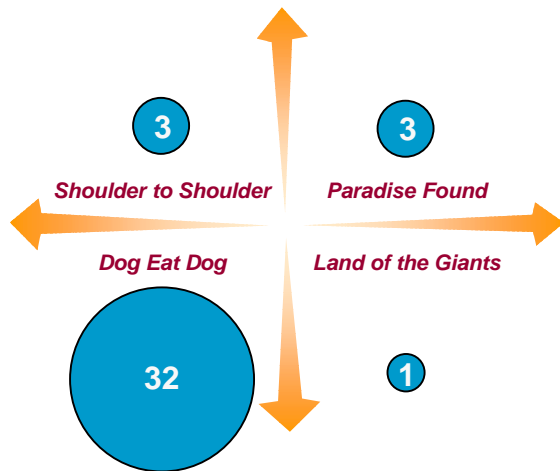


\*) Source: Accenture analysis.

**Most industry participants are clear on the current state of the industry and many believe that a more attractive industry structure will emerge\***

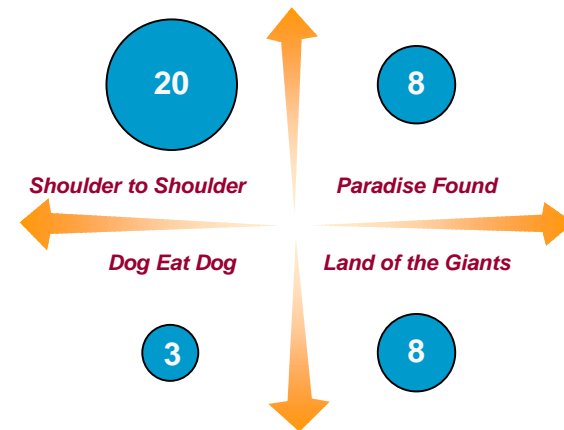
### Where are we now?\*

'If you were to describe the current industry in terms of one of the scenarios'



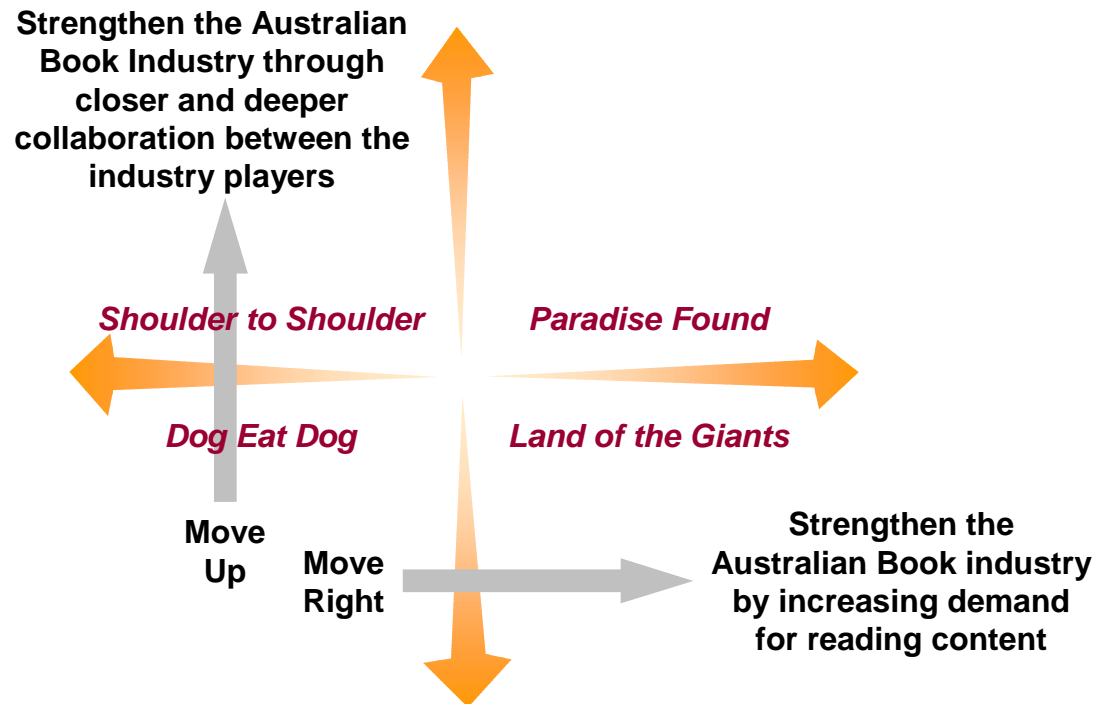
### Where will we be in 10 years?

'If you were to describe the industry in 10 years in terms of one of the scenarios'

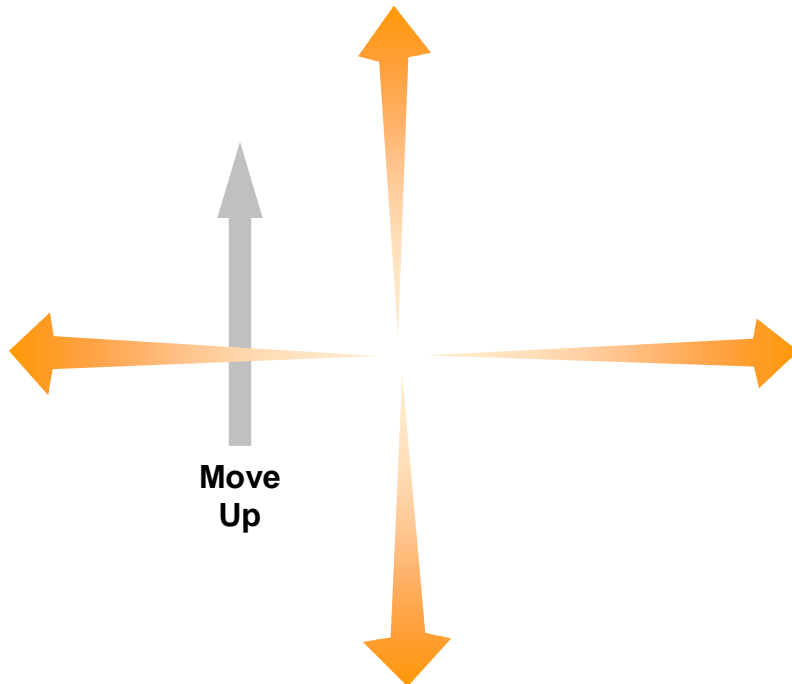


\*Source: The 39 industry participants in Scenario Planning Workshop 3 in Sydney and Melbourne.

To develop from the current state to a more attractive scenario, existing industry players and the industry as a whole will need to pursue initiatives to move 'up' or 'right' in the scenario framework



A range of ideas have been identified in order to help create a more attractive industry environment through closer and deeper collaboration



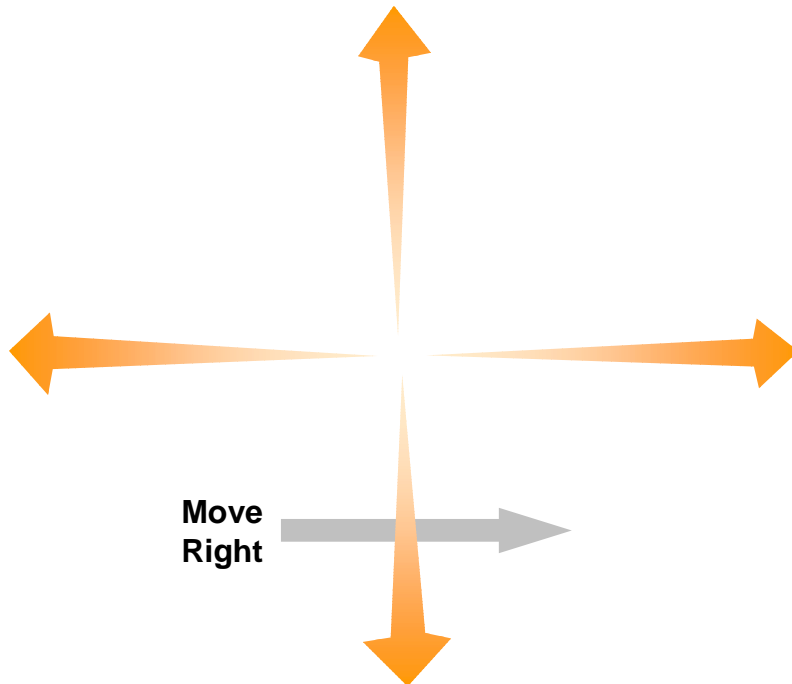
### Potential initiatives:

- Establish nation wide *forum(s)* to support industry participants in establishing collaborative business practices:
  - Collaborative Production Scheduling
  - Collaborative Demand Forecasting
  - Collaborative Replenishment
  - Collaborative Logistics Optimisation
- Instigate a number of specific *pilot programs* to showcase collaborative business practices.
- Set-up a system to measure *performance indicators* related to collaboration in the value chain on a periodic basis, eg. penetration of electronic ordering and EPOS, stock turns by channel and book segment, etc.

### Barriers:

- Lack of trust between industry players
- Competing short term objectives
- Desire to protect proprietary information
- Difficulty in institutionalising new collaborative behaviours
- Honest differences of opinion

**A range of ideas have been identified that potentially can affect the demand for reading content**



### **Potential initiatives:**

- Found a nation wide literature council composed of influential Australians from various fields within arts and industry with the purpose of promoting reading.
- Conduct research into consumer reading patterns within various age groups, social segments, etc. to enable creation of targeted book reading campaigns.
- Run national and local events to engage potential book readers in a way that is compelling and meaningful to their interests.
- Reduced inefficiencies in the supply chain could be used to reduce general retail prices of books which, assuming high price elasticity, will increase demand for books
- Nurture and foster a centre of excellence for content in Australia

### **Barriers:**

- Strong competition with other media (television, video, etc.)
- Competing interests amongst industry players
- Limited existing knowledge about reading behaviours
- Sources for funding of initiatives and campaigns
- Lack of optimism

## Ad Rem scenario planning

- **The scenarios and associated strategic framework developed for the Australian Book Industry support two key Ad Rem objectives and have actively engaged participants from across the industry**
  - **Scenario Planning is a structured approach to facilitate long term strategic thinking and aims to determine what could happen, not what will happen**
  - **The Ad Rem participants and team developed four different scenarios (Paradise Found, Land of the Giants, Dog Eat Dog, Shoulder to Shoulder) for the Australian Book Industry**
  - **A range of possible strategies for the existing Book Industry players were developed for each scenario**
- **Appendices**

**Appendix 1: Participation in the Scenario Planning Workshops**

**Appendix 2: Scenario Planning Process**

**Appendix 3: Robustness Analysis of Strategies**

**Appendix 4: Industry Uncertainties**

# Appendix 1: Participation in the Scenario Planning Workshops



## More than 80 individuals representing over 44 organisations attended the Scenario Planning Workshops

David Martin	<i>Allen &amp; Unwin</i>	Simon Lane	<i>dbooks</i>	George Gatehouse	<i>McPherson's Printing Group</i>
Patrick Gallagher	<i>Allen &amp; Unwin</i>	Deborah Knight	<i>DISR</i>	Warren Griffin	<i>McPherson's Printing Group</i>
Peter Eichhorn	<i>Allen &amp; Unwin</i>	Dr. Jason Ashurst	<i>DISR</i>	Jim McGrath	<i>Monash University Bookshop</i>
Arthur Williamson	<i>APIS Business Services</i>	Mike Perri	<i>DISR</i>	Greg Brown	<i>Nelson</i>
Bryan Price	<i>Australian Book Prod'n Industry Study</i>	Christine Simmons	<i>Dymocks Booksellers</i>	Kit Andrews	<i>Océ</i>
Kathleen Mapperson	<i>Australian Booksellers Association</i>	Peter Knock	<i>Dymocks Booksellers</i>	Gary Pengelly	<i>PacStream</i>
Anne Keenan	<i>Australian Paper</i>	Patrick Bernau	<i>Fuji Xerox</i>	Barbara Cullen	<i>Page One</i>
Tony Duncan	<i>Australian Paper</i>	Sue Threlfo	<i>Fuji Xerox</i>	Siv Toigo	<i>Pan Macmillan</i>
David Aizenstros	<i>Australian Paper Industry</i>	Phil Brierley	<i>Macmillan</i>	Andrew Goldsmith	<i>PIAA</i>
Barrie Hitchon	<i>Australian Publishers Association</i>	Roger Mackell	<i>Gleebooks</i>	Philip Andersen	<i>PIAA</i>
Susan Bridge	<i>Australian Publishers Association</i>	Adam Crouch	<i>Griffin Press</i>	Phillip Boyle	<i>PIAA</i>
Alicia Humeniuk	<i>Big W Discount Stores</i>	Graham Jowett	<i>Harlequin Mills &amp; Boon</i>	Richard Vines	<i>PIAA</i>
Paul Barrett	<i>Big W Discount Stores</i>	Michelle Laforest	<i>Harlequin Mills &amp; Boon</i>	Tony Freeman	<i>PIAA</i>
Kirsty Ward	<i>Booktrack</i>	Siena Paul	<i>Harlequin Mills &amp; Boon</i>	Simon Cameron	<i>Paperlinx Merchants</i>
Michael Webster	<i>Booktrack</i>	Brian Murray	<i>HarperCollins</i>	Juliet Rogers	<i>Random House Australia</i>
Jerry Bell	<i>Business Advice</i>	Lil Velis	<i>HarperCollins</i>	Brian Davies	<i>Random House Int.</i>
Bill Cope	<i>Common Ground Publishing</i>	Malcolm Edwards	<i>Hodder Headline</i>	Guy Romeo	<i>Scholastic</i>
Dean Mason	<i>Common Ground Publishing</i>	Peter Donoghue	<i>John Wiley &amp; Sons</i>	Malcolm Tindale	<i>Scholastic</i>
Brian Reiter	<i>Consultant to McPherson's</i>	Chris Burgess	<i>Leading Edge Books</i>	Richard Parslow	<i>SeekBOOKS.com.au</i>
Ron Fisher	<i>Consultant to PIAA</i>	Richard Celarc	<i>Ligare</i>	Tony Horgan	<i>Shearer's Bookshops</i>
Kevin Mark	<i>D.W. Thorpe</i>	Peter Huntley	<i>Macmillan Education Australia</i>	Michael Schulz	<i>The SOS Printing Group</i>
Lorien Kaye	<i>D.W. Thorpe</i>	Shane Armstrong	<i>Macmillan Education Australia</i>	Di Robinson	<i>University Co-op Bookshop</i>
Paulene Morey	<i>D.W. Thorpe</i>	Terry White	<i>Macmillan Education Australia</i>	Greg Bain	<i>University of QLD Press</i>
Rina Afflitto	<i>D.W. Thorpe</i>	Andy Palmer	<i>Macmillan Publishers Australia</i>	Laurie Muller	<i>University of QLD Press</i>
Gillian Coutts	<i>David Jones</i>	Ross Gibb	<i>Macmillan Publishers Australia</i>	Ian Draper	<i>Whitcoulls</i>
Renee Byrne	<i>David Jones</i>	Bill Hastings	<i>McGraw-Hill Book Co. Australia</i>	Lucinda Holdforth	<i>Writer</i>
Stephen Whittam	<i>David Jones</i>	Ken Croft	<i>McPherson's Printing Group</i>		

## Appendix 1: Participation in the Scenario Planning Workshops

# Ad Rem

**Whilst some found the concept of scenario planning unappealing, most industry participants recognised value in participating in the Scenario Planning workshops**

### Selected quotes from some of the workshop participants

“This interaction was a rare opportunity to share views, in a reasonably non-pressured environment, and to see a broad range of perspectives. While I found the scenario planning difficult to appreciate at first, it turned out to be a useful way to bring these perspectives out into the open.”

**Dean Mason, Business Development Manager  
Common Ground Publishing**

“...my key reason for not attending further workshops was the implicit understanding that Australian Printing was an essential piece of the information/education value chain in this country.”

**Name Withheld, Publisher**

“I personally found the scenario discussions quite stimulating, especially interacting with a broad spectrum of my industry colleagues, this certainly helped to create a most realistic view of our trading future.”

**Peter Knock, Dymocks**

“...the requirement of all participants to consider and defend propositions in and out of traditional business perspective's has been valuable in creating fresh thoughts and general new scenario possibilities...”

**Patrick Bernau, Marketing Manager  
Xerox**

“The workshops were useful by forcing us all to come together and think about the really important common issues and goals.”

**Michael Schulz, Chief Information Officer  
The SOS Printing Group**

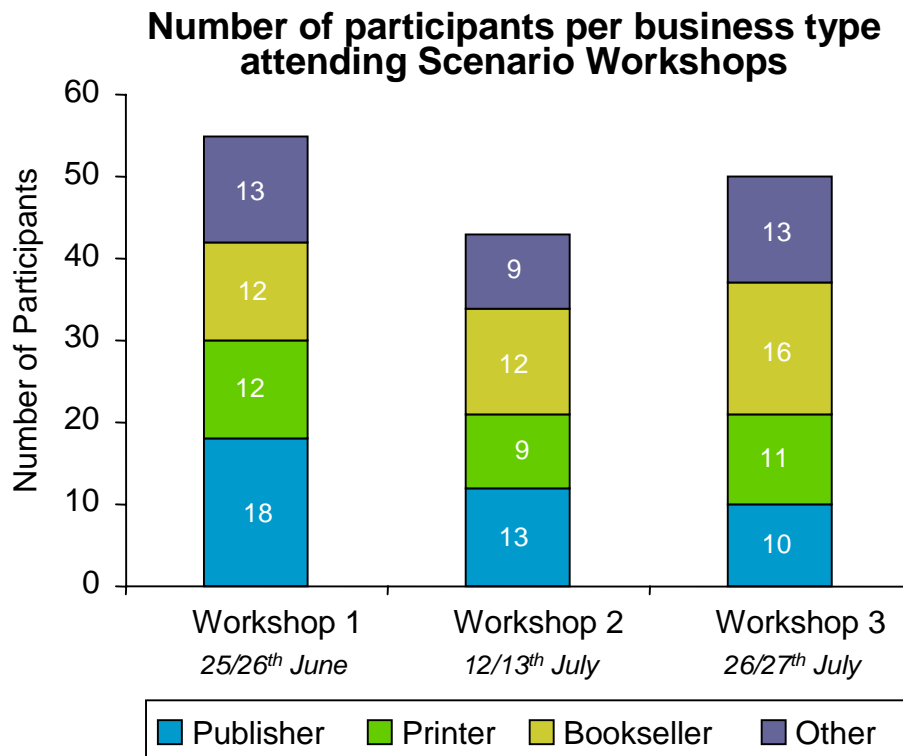
“Excellent sessions and was great to share thoughts with those from other parts of the industry chain. It broadened the focus from your own niche of ideas to encompass how your ideas would impact on others”

**David Martin, Finance  
Allen & Unwin**

# Appendix 1: Participation in the Scenario Planning Workshops



Overall, industry participation has remained fairly consistent over the duration of the workshops

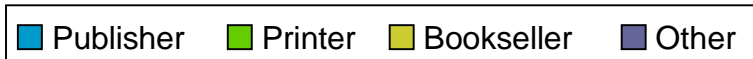
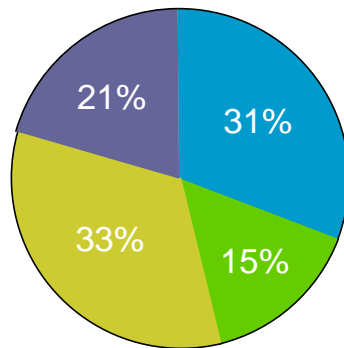


- More than 600 working hours have been put into the Ad Rem workshops by the industry participants
- Bookseller interest in the project grew as the Workshops progressed
- Organisations that fall under 'Other' include the Department of Industry, Science and Resources and technology companies

## Appendix 1: Participation in the Scenario Planning Workshops

**A wide range of industry organisations were represented at the workshops**

### Organisations attending workshop (total 44)

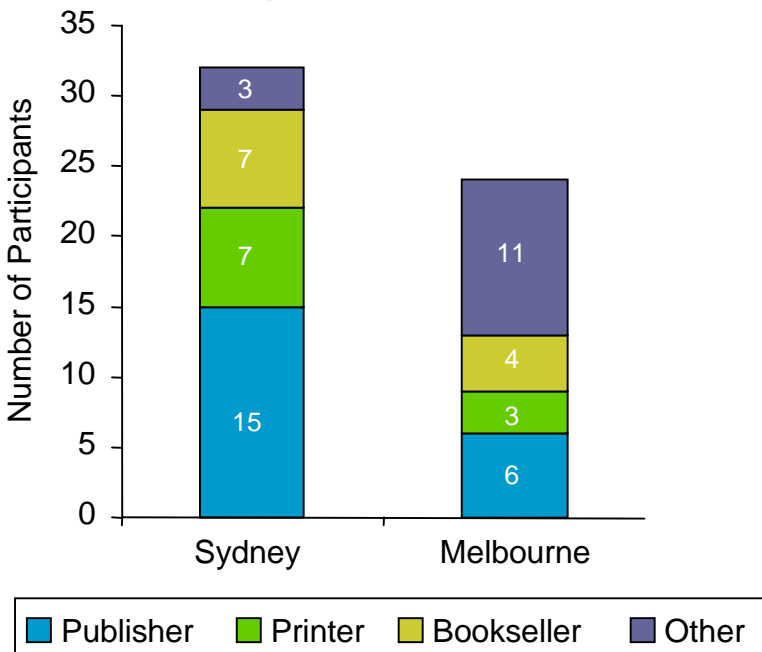


- More than 40 organisations were represented at the Workshops
- Broad industry participation across all major stakeholders
- All major Industry Associations (APA, PIAA, ABA) participated actively in the Workshops, ensuring broad industry involvement

## Appendix 1: Participation in the Scenario Planning Workshops

The two workshop locations (Sydney and Melbourne) were each more attended by certain sectors in the industry due to the geographical spread of the industry participants

Number of participants per business type attending Scenario workshops



- More publishers were able to attend Sydney workshops.
- Printers and Booksellers were equally represented in both Melbourne and Sydney relative to total attendance
- The large number of 'Other' in Melbourne was mainly due to representation of technology companies, government and D. W. Thorpe

**Appendix 1: Participation in the Scenario Planning Workshops**

**Appendix 2: Scenario Planning Process**

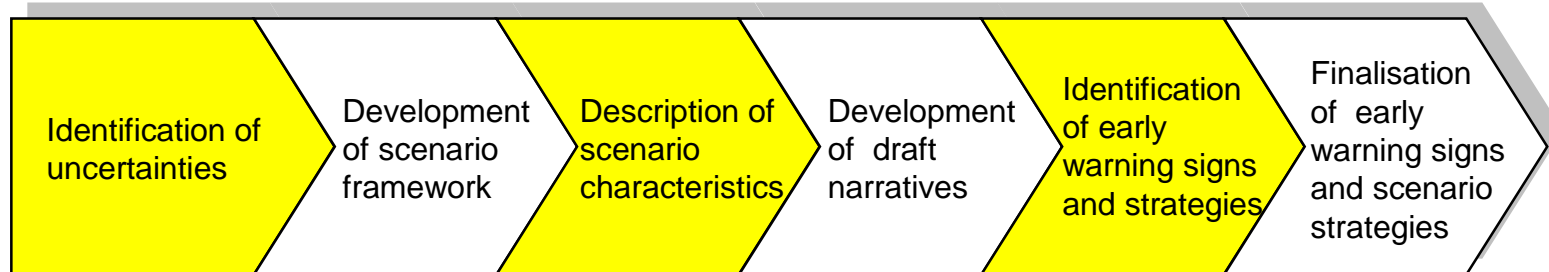
**Appendix 3: Robustness Analysis of Strategies**

**Appendix 4: Industry Uncertainties**

# Appendix 2: Overview of the Scenarios - Process



Ad Rem has followed a rigorous process involving a significant number of industry participants to generate four scenarios for the Australian Book Industry

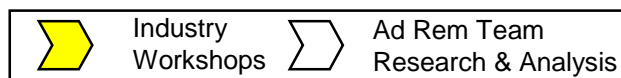


**Key Activities:**

- Uncertainties identified by industry participants
- Uncertainties grouped within the areas of:
  - New entrants
  - Consumer buyer power
  - Substitutes
  - Supplier dynamics
  - Competitive situation
- Complete list of uncertainties categorised into demand and supply concerns
- Four different combination of uncertainties evaluated with respect to plausibility, consistency, etc.
- Industry participants analysed each scenario, ensuring that all industry stakeholders were included
- Examples, industry trends and events in each scenario were developed
- Transformation of scenario characteristics into four narratives
- Narratives developed in collaboration with a professional writer
- Identification of early warning signs for each scenario
- Articulation of relevant strategies for printers, publishers and booksellers in each scenario
- Categorisation of all identified strategies in operational excellence, customer intimacy and product innovation
- Robustness analysis performed to identify 'robust' 'no regrets' and 'scenario specific' strategies

**Key Outcomes:**

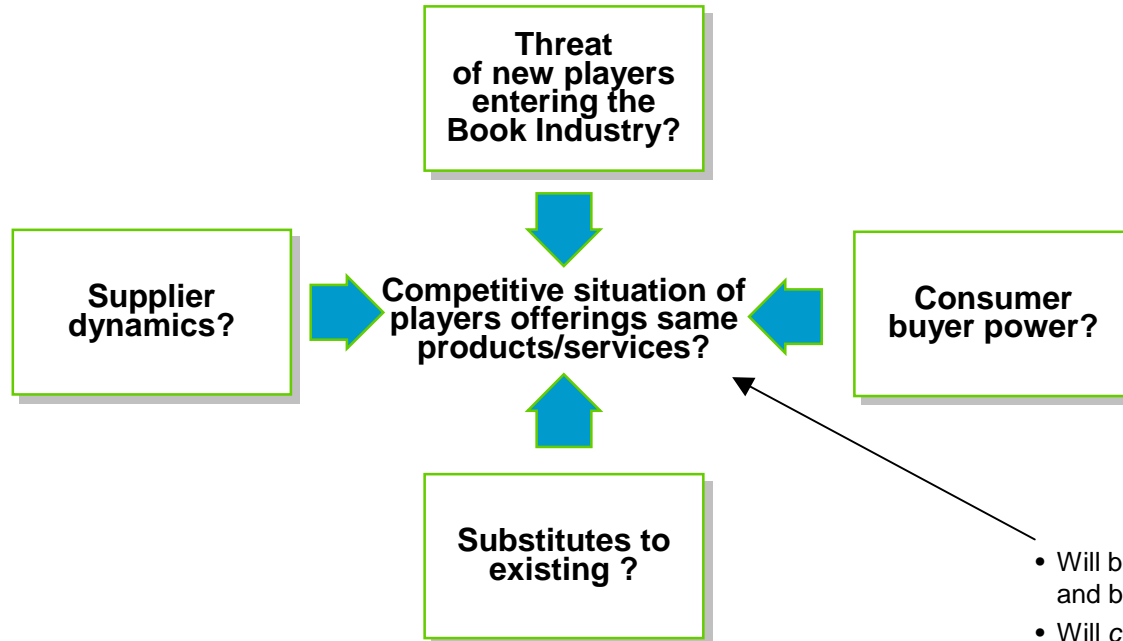
- 160 industry uncertainties identified
- Recommendation of one set of scenarios
- Detailed characteristics for each scenario
- Four detailed scenario narratives
- Early warning signs and strategies by scenario
- Final Scenario Planning report



## Appendix 2: Scenario Planning Process - Uncertainties

### Industry participants focused on identifying the principal uncertainties that will affect the Australian Book Industry over the next 10 years

- Will the industry be significantly affected by changes in the regulatory regime? How?
- Will digital printing dramatically affect traditional industry barriers? How?



- Will self-publishing increase in volume and scope? And how will it affect the traditional industry?
- Will large scale colour book printing be feasible in Australia? How?

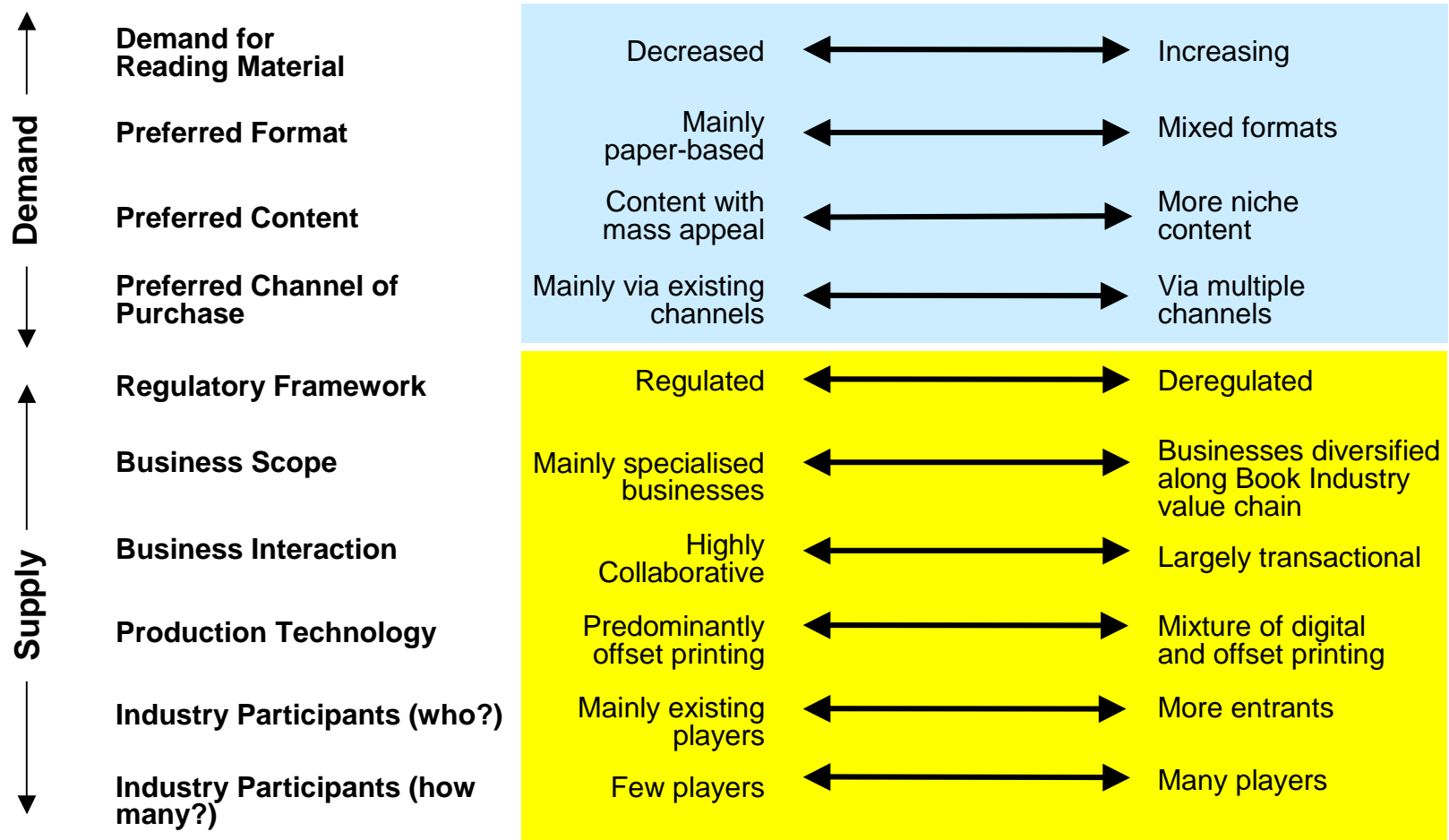
- Will changes in demographics extensively affect the Book Industry? How?
- Will changes in the retail market significantly affect the Book Industry? How?

- Will new delivery mechanisms (e.g. the Internet, eBooks) considerably challenge the industry structure? How?
- Will book reading remain an important activity? (competition from electronic games, Internet, etc.) How?

- Will book printing, book publishing and book selling converge? How?
- Will *collaboration* (rather than competition) be the key to superior performance - and maybe survival? How?

## Appendix 2: Scenario Planning Process - Framework

The first workshop generated more than 160 uncertainties which were condensed into 10 high level concerns for the Industry. These concerns were categorized by demand and supply\*



# Appendix 2: Scenario Planning Process - Framework



Various combinations of the high level uncertainties were tested to form the most compelling scenario planning framework

## Nature and scope of demand

*Decreased demand for reading material, mainly in paper-based format, containing content with mass appeal, available mainly via existing channels*



*Increasing demand for reading material, available in mixed formats, with more niche content, available from multiple purchasing channels*

## Nature of business interaction (No 1)

*Business interaction is highly collaborative*



*Business interaction is largely transactional*

## Nature of Industry structure (No 2)

*Existing businesses remain specialised and collaborate to maximise industry performance*



*Some companies, diversified along the book industry value chain, emerge in a transaction based marketplace*

## Nature of Industry function (No 3)

*Many specialised businesses consisting of mainly existing players*



*A few businesses emerge, diversified along the book industry value chain*

## Nature of Industry function (No 4)\*

*Few specialised businesses consisting of mainly existing players*



*Many businesses emerge, diversified along the book industry value chain*

## Appendix 2: Scenario Planning Process - Framework

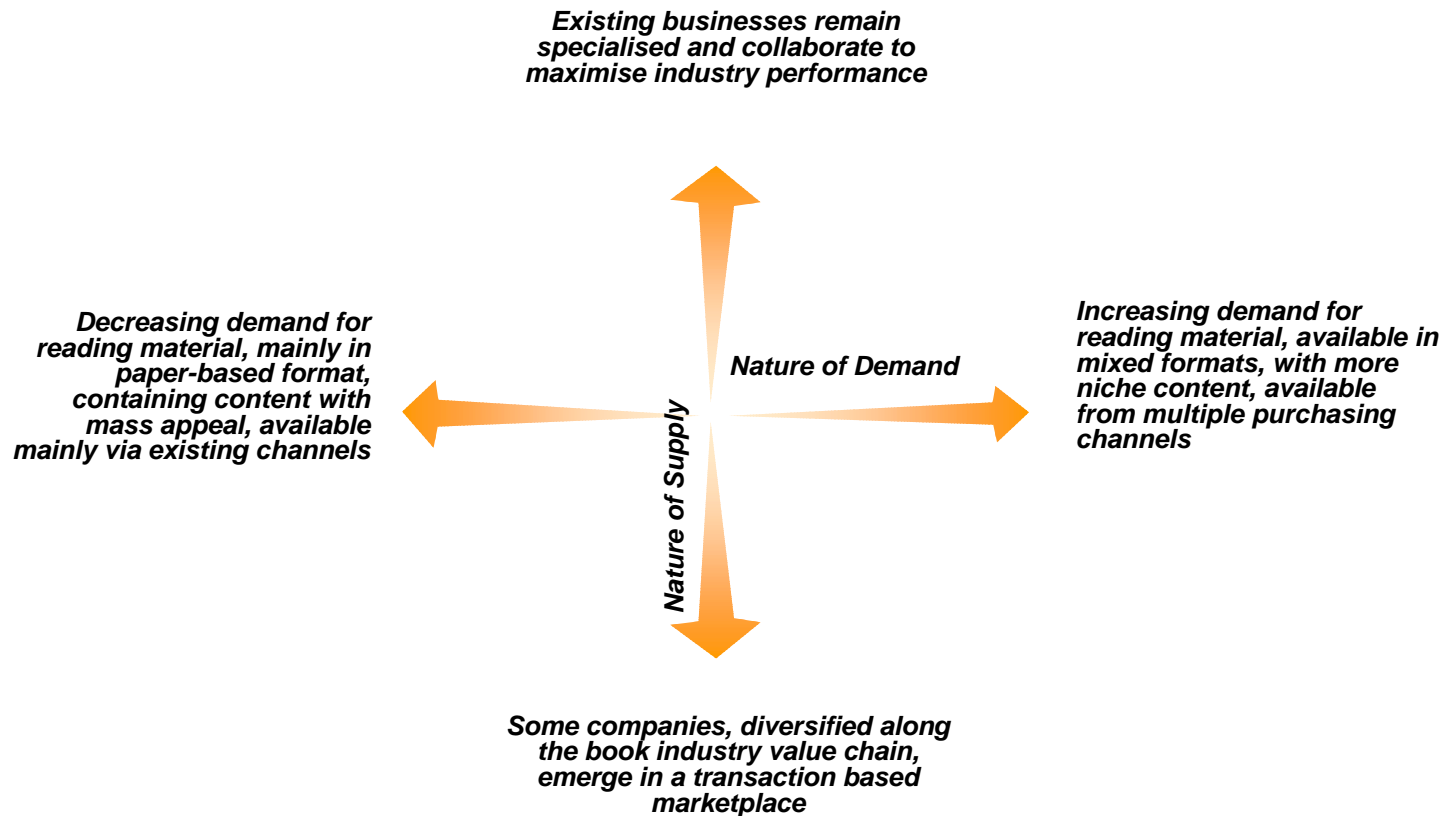
Each combination of the uncertainties was evaluated according to the Scenario Planning Guidelines in order to determine the most suitable scenario planning framework

<i>Scenario planning criteria:</i>	Nature of Business Interaction	Nature of Industry Structure	Nature of Industry Function (a)	Nature of Industry Function (b)
<b>Plausible</b>	●	●	●	●
<b>Internally consistent</b>	●	●	◐	○
<b>Generate useful, comprehensive and challenging ideas</b>	●	●	◐	◐
<b>Test conditions, against which the industry can consider future plans, strategies and direction</b>	◐	◐	◐	◐
<b>Produce a new and original perspective</b>	○	●	◐	◐

High ●
Medium ◐
Low ○

## Appendix 2: Scenario Planning Process - Framework

The result was a scenario planning framework that encompassed the key uncertainties facing the Australian Book industry



# Appendix 2: Scenario Planning Process - Framework



**The demand axis encompassed the key uncertainties identified by the workshop participants**

Decreasing demand for reading material, mainly in paper-based format, containing content with mass appeal, available mainly via physical bookshops



Increasing demand for reading material, available in mixed formats, with more niche content, available from multiple purchasing channels

## Demand for Reading Material

Decreasing ← *Demand for Reading Material* → Increasing  
 Mainly older readers ← *Target market* → Mainly younger readers

## Preferred Format

Mainly paper-based ← *Preferred Format* → Mixed formats  
 Threat of other Media ← *Media complementarity* → Opportunity of other Media  
 Textbooks based ← *Preferred media for learning* → eLearning  
 Highly credible ← *Credibility of content* → Reduced credibility  
 No industry agreement on eBooks ← *Electronic Standards* → eBooks standard

## Preferred Content

Content with mass appeal ← *Preferred Content* → More niche content  
 Mass Marketing ← *Type of marketing* → One-to-one Marketing

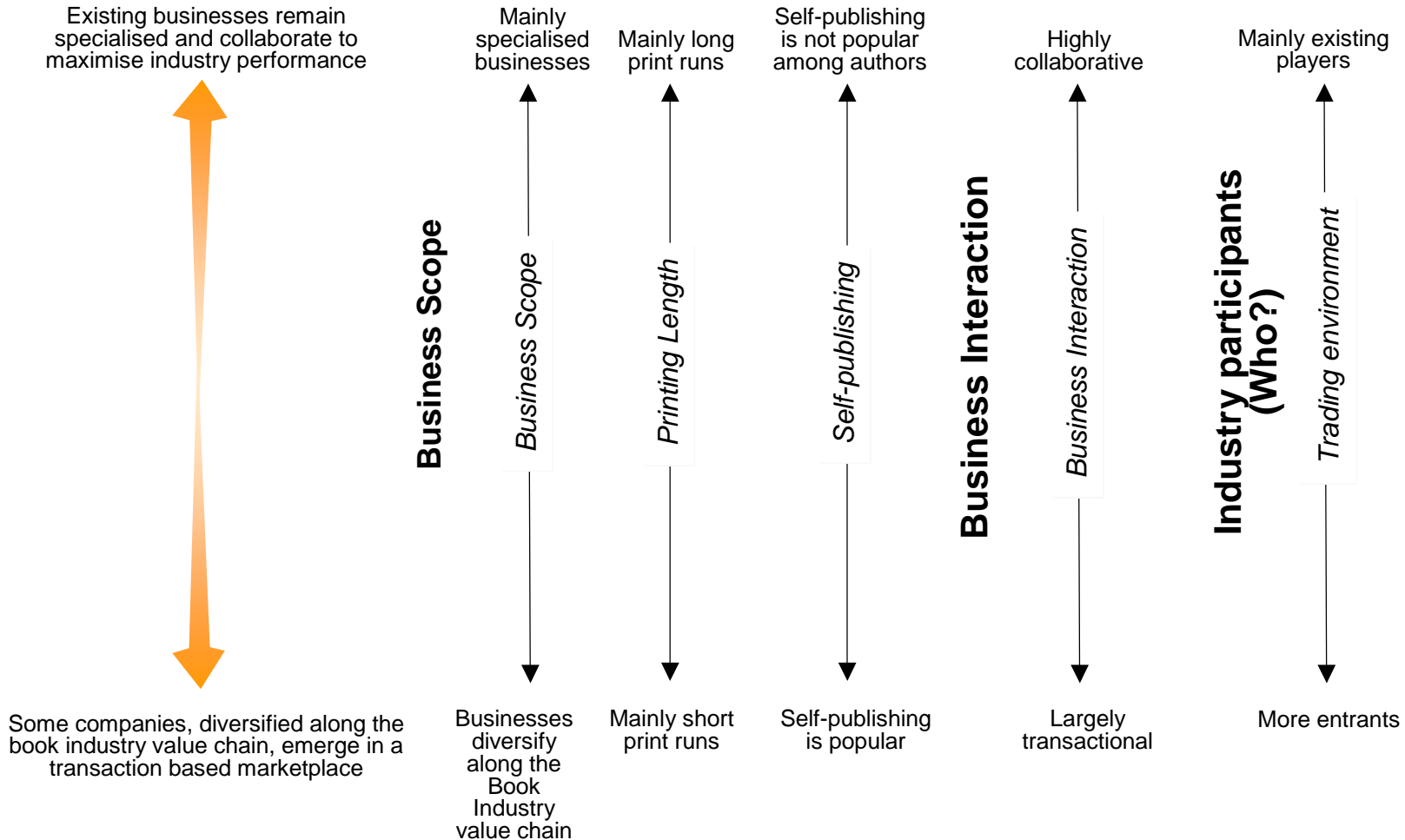
## Preferred Channel of Purchase

Mainly via physical bookshops ← *Preferred channel of purchase* → Via multiple channels

# Appendix 2: Scenario Planning Process - Framework



The supply axis encompassed the key uncertainties identified by the workshop participants



## Appendix 2: Scenario Planning Process – Draft Narratives

Workshop participants developed a high level characteristic of each of the scenarios which were later turned into detailed narratives describing the scenarios

Illustrative

### Brainstorming on scenario characteristics

- What will each scenario look like (industry structure, technology, degree of fragmentation, etc)
- What are the implications for the industry stakeholders of the scenario
- Issues that were considered
  - Industry Structure
  - Segment Consolidation
  - Printing Technology
  - Self Publishing
  - Industry collaboration

### Scenario characteristics were turned into scenario narratives\*

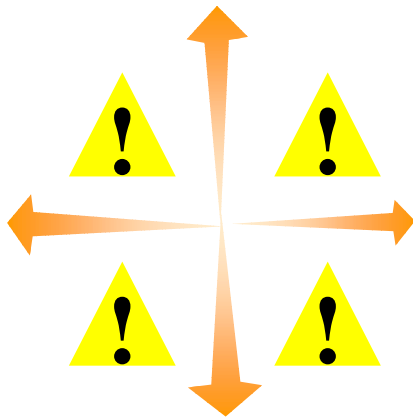
“...When Australian 15 year olds developed a net-initiated passion for satellites, three Australian publishers produced web-based and hard copy products within two months to meet the short-lived passion for “Satellite Fiction”...”

\*) Narratives can be found on pp. 16-24

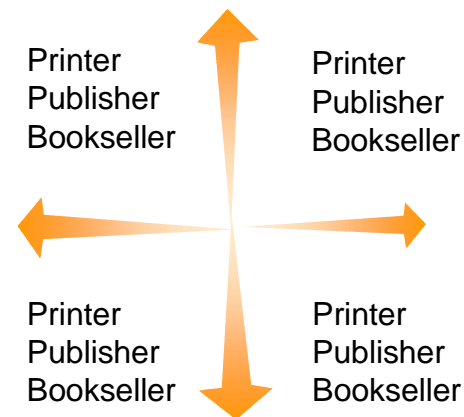
## Appendix 2: Scenario Planning Process - Early Warning Signs and Strategies

Workshop participants identified the key factors that would indicate which scenario is developing. In addition, participants suggested specific strategies to adopt in order to succeed in each of the scenarios

**Possible early warning signs were identified for each scenario\***



**Possible strategies were developed that described how stakeholders should operate in each scenario**



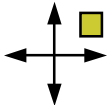
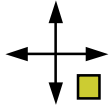
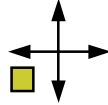
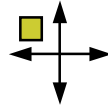
Some of the points discussed were:

- How should industry sectors invest?
- What key skills should be build? And how?
- Which new organisations/companies should be established
- What should the value proposition be? And what are the implications for the organisation, cost structure, etc?
- What are the implications for partnerships and alliances?

\*) Refer to p. 28 for details of Early Warning Signs and Strategies

# Appendix 2: Scenario Planning Process - Robustness of Strategies

The robustness of the identified strategies were tested across the scenarios

				
<b>Strategy 1</b>	<b>+</b>	<b>+</b>	<b>+</b>	<b>+</b>
<b>Strategy 2</b>	<b>0</b>	<b>+</b>	<b>+</b>	<b>0</b>
<b>Strategy 3</b>	<b>+</b>	<b>+</b>	<b>0</b>	<b>-</b>

**Robust strategies**  
have a certain payoff regardless of which scenario emerges

**No Regret strategies**  
have a payoff in some and are neutral in others

**Scenario specific strategies**  
have payoffs that are highly contingent upon a specific scenario outcome

**+** Positive    **0** Neutral    **-** Negative

**Appendix 1: Participation in the Scenario Planning Workshops**

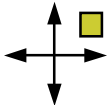
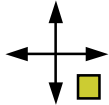
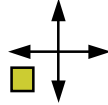
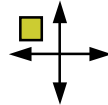
**Appendix 2: Scenario Planning Process**

**Appendix 3: Robustness Analysis of Strategies**

**Appendix 4: Industry Uncertainties**

## Appendix 3: Robustness of strategies





The robustness of the identified strategies were tested across the scenarios. See following section for details

				
<b>Strategy 1</b>	<b>+</b>	<b>+</b>	<b>+</b>	<b>+</b>
<b>Strategy 2</b>	<b>0</b>	<b>+</b>	<b>+</b>	<b>0</b>
<b>Strategy 3</b>	<b>+</b>	<b>+</b>	<b>0</b>	<b>-</b>

**+** Positive   **0** Neutral   **-** Negative

# Appendix 3: Printers – Operational Excellence

A range of possible Operational Excellence strategies have been identified

Possible strategies - Printers				
<ul style="list-style-type: none"> <li>• <b>Automate processes</b> <ul style="list-style-type: none"> <li>• Drive down overhead and production costs to remain cost competitive even with more frequent and smaller print runs</li> </ul> </li> <li>• <b>Provide Digital Printing Facilities Management services</b> <ul style="list-style-type: none"> <li>• Offer facilities management services of digital printing installations (in warehouses, bookstores, etc.)</li> </ul> </li> <li>• <b>Provide Printing Facilities Management services encompassing other fulfilment functions</b> <ul style="list-style-type: none"> <li>• Offer a full suite of fulfilment functions (logistics, distribution, billing, etc.) to content and customer relationship owners by focusing on streamlining processes to provide superior service and drive out cost</li> </ul> </li> <li>• <b>Rationalise and improve efficiencies through M&amp;A</b> <ul style="list-style-type: none"> <li>• Scan market for attractive take-over partners</li> </ul> </li> <li>• <b>Specialise in certain products</b> <ul style="list-style-type: none"> <li>• Develop specialisation in certain product types or formats to increase production economies</li> </ul> </li> <li>• <b>Invest in digital printing equipment</b> <ul style="list-style-type: none"> <li>• Develop digital printing capabilities to complement offset printing</li> </ul> </li> <li>• <b>Maintain efficient offset printing equipment</b> <ul style="list-style-type: none"> <li>• Ensure cost competitive long run volumes by maintaining modern offset equipment</li> </ul> </li> <li>• <b>Consolidate industry procurement</b> <ul style="list-style-type: none"> <li>• Achieve cross industry cost advantages through shared procurement either through pooling or development of a eMarketplace</li> </ul> </li> <li>• <b>Establish printer consortium for colour printing in Australia</b> <ul style="list-style-type: none"> <li>• Develop an Australian based alternative for colour printing by shared commitment and investment in adequate equipment</li> </ul> </li> <li>• <b>Micro understanding of costs</b> <ul style="list-style-type: none"> <li>• Use micro understanding of costs to enable pricing based on cost-to-serve</li> </ul> </li> </ul>	<p>++</p> <p>-</p> <p>-</p> <p>0</p> <p>+</p> <p>++</p> <p>0</p> <p>+</p> <p>+</p> <p>+</p> <p>+</p> <p>+</p>	<p>+</p> <p>++</p> <p>++</p> <p>0</p> <p>+</p> <p>-</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p> <p>+</p>	<p>++</p> <p>0</p> <p>0</p> <p>++</p> <p>0</p> <p>++</p> <p>0</p> <p>0</p> <p>+</p> <p>+</p>	<p>++</p> <p>--</p> <p>--</p> <p>++</p> <p>++</p> <p>+</p> <p>++</p> <p>++</p> <p>++</p> <p>++</p>

Operational excellence

Customer intimacy

Product innovation

0 Neutral  
 - Negative  
 + Positive  
 Black Originating scenario

# Appendix 3: Printers – Customer Intimacy

A range of possible Customer Intimacy strategies have been identified

Possible strategies - Printers				
<ul style="list-style-type: none"> <li>• <b>Develop direct delivery capability (for front lists)</b> <ul style="list-style-type: none"> <li>• Offer direct delivery to booksellers for front lists</li> </ul> </li> </ul>	++	+	0	++
<ul style="list-style-type: none"> <li>• <b>Offer long term deals (3-5 yrs) to publishers</b> <ul style="list-style-type: none"> <li>• Aim to lock-in publishers and avoid constant price competition through long term contracts</li> </ul> </li> </ul>	-	0	++	+
<ul style="list-style-type: none"> <li>• <b>Align production facilities to distribution networks</b> <ul style="list-style-type: none"> <li>• Reduce delivery time and increase flexibility by location close to main centres of the distribution network and/or offer direct delivery to booksellers for front lists</li> </ul> </li> </ul>	+	-	-	++
<ul style="list-style-type: none"> <li>• <b>Leverage Point-of-Sale information</b> <ul style="list-style-type: none"> <li>• Drive operational efficiency and flexibility through better production planning and scheduling by exploiting aggregated and up-to-date market and sales data</li> </ul> </li> </ul>	++	0	0	++
<ul style="list-style-type: none"> <li>• <b>Develop Print-on-Demand capabilities</b> <ul style="list-style-type: none"> <li>• Develop printing capabilities to serve demand for short print runs in a timely and cost effective manner through a flexible production platform based on, primarily, digital printing facilities</li> </ul> </li> </ul>	++	+	-	0
<ul style="list-style-type: none"> <li>• <b>Develop offering for self-published books</b> <ul style="list-style-type: none"> <li>• Tap into the revenue stream of printing 'self-published' books by working directly with the content creators as an alternative to focusing on the competitive bids for work from publishers.</li> </ul> </li> </ul>	0	++	0	-





Operational excellence

Customer intimacy

Product innovation

- Negative  
 + Positive  
 Black Originating scenario

A range of possible Product Innovation strategies have been identified

Possible strategies - Printers				
<ul style="list-style-type: none"> <li>• <b>Specialise in content management</b> <ul style="list-style-type: none"> <li>• Develop content asset management services to publishers through development of the capabilities within the technologies needed to support different types of outputs, conversion between different types of formats etc.</li> </ul> </li> </ul>	++	++	--	-
<ul style="list-style-type: none"> <li>• <b>Specialise in certain types of printing and supply services to large organisations</b> <ul style="list-style-type: none"> <li>• Derive premium margins from developing and enhancing printing techniques enabling production of certain formats and qualities</li> </ul> </li> </ul>	+	++	-	-

Operational excellence





Customer intimacy

Product innovation

0 Neutral  
 - Negative  
 + Positive  
 Black Originating scenario

# Appendix 3: Publishers – Operational Excellence

A range of possible Operational Excellence strategies have been identified

Possible strategies - Publishers				
<ul style="list-style-type: none"> <li>• <b>Micro manage supply chain costs</b> <ul style="list-style-type: none"> <li>• Develop detailed awareness about supply chain costs, channel and sector profitability, and base pricing strategies on required customer service levels and cost-to-service information Coordinate and consolidate distribution</li> </ul> </li> </ul>	++	+	+	++
<ul style="list-style-type: none"> <li>• <b>Coordinate and consolidate distribution</b> <ul style="list-style-type: none"> <li>• Work with competitors and other alliance partners to consolidate redundant distribution networks in the industry</li> </ul> </li> </ul>	++	+	+	++
<ul style="list-style-type: none"> <li>• <b>Control the supply chain</b> <ul style="list-style-type: none"> <li>• Develop/acquire capabilities to own, integrate, and manage the supply chain end-to-end by owning and/or controlling most elements from content to customer relationships</li> </ul> </li> </ul>	-	++	0	-
<ul style="list-style-type: none"> <li>• <b>Invest in own distribution</b> <ul style="list-style-type: none"> <li>• Develop an efficient distribution channel that can provide competitive advantage and offer distribution services to smaller players</li> </ul> </li> </ul>	--	0	++	--
<ul style="list-style-type: none"> <li>• <b>Invest in digital printing equipment</b> <ul style="list-style-type: none"> <li>• Manage production of short run books (e.g. certain back lists) by own digital equipment in the warehouse</li> </ul> </li> </ul>	--	+	++	--
<ul style="list-style-type: none"> <li>• <b>Launch fewer titles but increase marketing per title</b> <ul style="list-style-type: none"> <li>• Support each title with increased marketing spend to stimulate demand</li> </ul> </li> </ul>	--	--	++	++
<ul style="list-style-type: none"> <li>• <b>Establish exclusive contracts with major authors</b> <ul style="list-style-type: none"> <li>• Aim to lock-in providers of future block-busters</li> </ul> </li> </ul>	+	0	++	++
<ul style="list-style-type: none"> <li>• <b>Establish partnership/merger with major publishers</b> <ul style="list-style-type: none"> <li>• Achieve access to scale advantages and distribution through partnership or merger</li> </ul> </li> </ul>	0	0	++	+

Operational excellence

Customer intimacy

Product innovation

- 0 Neutral
- Negative
- +
- Black Originating scenario

# Appendix 3: Publishers – Customer Intimacy

A range of possible Customer Intimacy strategies have been identified

Possible strategies - Publishers				
<ul style="list-style-type: none"> <li>• <b>Better segmentation of the end-consumer base</b> <ul style="list-style-type: none"> <li>• Invest in consumer research and develop segmentation strategies to capture value from target consumer segments</li> </ul> </li> <li>• <b>Use sales information to build customer knowledge</b> <ul style="list-style-type: none"> <li>• Leverage aggregated and up-to-date market and sales data to understand changes and trends in customer behaviour</li> </ul> </li> <li>• <b>Focus on content generation within a particular niche market</b> <ul style="list-style-type: none"> <li>• Create or aggregate specific content within a particular niche market catering for a certain theme or customer segment</li> </ul> </li> <li>• <b>Implement direct selling strategy based on customer knowledge/relationships</b> <ul style="list-style-type: none"> <li>• Increase customer intimacy and control by developing communication and distribution channels directly to customers in target markets</li> </ul> </li> <li>• <b>Use test marketing to determine attractiveness (for front lists)</b> <ul style="list-style-type: none"> <li>• Determine market potential of new books before substantial sales and marketing spend is assigned</li> </ul> </li> <li>• <b>Provide proprietary book sales system to booksellers</b> <ul style="list-style-type: none"> <li>• Provide software to booksellers to capture own book sales data to support marketing and distribution</li> </ul> </li> <li>• <b>Move closer to the end-consumer</b> <ul style="list-style-type: none"> <li>• Consider involvement in retail operations (buy into larger existing player) and/or develop strong on-line presence</li> </ul> </li> <li>• <b>Master Demand Planning</b> <ul style="list-style-type: none"> <li>• Leverage supply chain visibility in demand planning to increase sales and reduce returns and write-offs</li> </ul> </li> <li>• <b>Leverage Point of Sale Information</b> <ul style="list-style-type: none"> <li>• Use aggregated industry sales data to improve decision making, reduce stock levels and reduce returns</li> </ul> </li> </ul>	<p>++</p> <p>++</p> <p>+</p> <p>0</p> <p>0</p> <p>--</p> <p>-</p> <p>++</p> <p>++</p> <p>++</p> <p>++</p>	<p>++</p> <p>-</p> <p>++</p> <p>++</p> <p>-</p> <p>0</p> <p>+</p> <p>+</p> <p>0</p>	<p>-</p> <p>-</p> <p>--</p> <p>+</p> <p>++</p> <p>++</p> <p>++</p> <p>0</p> <p>0</p>	<p>-</p> <p>+</p> <p>-</p> <p>-</p> <p>++</p> <p>--</p> <p>--</p> <p>++</p> <p>++</p>

Operational excellence

Customer intimacy

Product innovation

0 Neutral  
 - Negative  
 + Positive  
 Black Originating scenario

# Appendix 3: Publishers – Product Innovation

A range of possible Product Innovation strategies have been identified

Possible strategies - Publishers				
<ul style="list-style-type: none"> <li>• <b>Digitise content to allow delivery across different media</b> <ul style="list-style-type: none"> <li>• Digitise content to allow delivery in different formats and through different channels to reach customers in target markets at their terms</li> </ul> </li> </ul>	++	++	-	-
<ul style="list-style-type: none"> <li>• <b>Develop eBook and on-line offerings</b> <ul style="list-style-type: none"> <li>• Invest in developing new products and services to harvest value from all sub-segments of target markets</li> </ul> </li> </ul>	++	++	-	-
<ul style="list-style-type: none"> <li>• <b>Encourage joint industry effort to develop eStandards</b> <ul style="list-style-type: none"> <li>• Support development of needed industry wide agreements to pave the way for more new products and services to reach more consumers through new technology</li> </ul> </li> </ul>	++	-	0	0
<ul style="list-style-type: none"> <li>• <b>Lobby government for clear right management regulations</b> <ul style="list-style-type: none"> <li>• Support efforts to enable a robust legislative infrastructure for marketing and distribution of new products and services to reach more consumers through new technology</li> </ul> </li> </ul>	++	-	0	0
<ul style="list-style-type: none"> <li>• <b>Create leading brands</b> <ul style="list-style-type: none"> <li>• Invest heavily in building brands (and concepts) to stimulate demand and down-valuing the importance of the particular content creator</li> </ul> </li> </ul>	0	++	0	-
<ul style="list-style-type: none"> <li>• <b>Partnership with Universities</b> <ul style="list-style-type: none"> <li>• Work with Universities and faculties to offer content in multiple formats (books and on-line)</li> </ul> </li> </ul>	+	+	++	++

Operational excellence

Customer intimacy

Product innovation

0 Neutral  
 - Negative  
 + Positive  
 Black Originating scenario

# Appendix 3: Booksellers – Operational Excellence

A range of possible Operational Excellence strategies have been identified

Possible strategies - Booksellers				
<ul style="list-style-type: none"> <li>• <b>Establish virtual book stores</b> <ul style="list-style-type: none"> <li>• Serve broader ranges of titles and interests through a catalogue/internet channel rather than through a store to reduce costs associated with merchandising, stock holding etc.</li> </ul> </li> </ul>	++	++	-	-
<ul style="list-style-type: none"> <li>• <b>Mass-customise</b> <ul style="list-style-type: none"> <li>• Focus on (mass-)customisation of stock/content specifically to the local demographics</li> </ul> </li> </ul>	++	++	--	--
<ul style="list-style-type: none"> <li>• <b>Cross-merchandise</b> <ul style="list-style-type: none"> <li>• Sell reading content integrated with other merchandise/ departments Invest in own distribution</li> </ul> </li> </ul>	+	++	+	+
<ul style="list-style-type: none"> <li>• <b>Abandon book business</b> <ul style="list-style-type: none"> <li>• Free up shelf space dedicated to books if the complexities of titles and demand patterns in the industry are not compatible with the overall (department) store concept</li> </ul> </li> </ul>	+	++	0	--
<ul style="list-style-type: none"> <li>• <b>Invest in brand</b> <ul style="list-style-type: none"> <li>• Build brand awareness and loyalty among end-customers and coordinate marketing with publishers</li> </ul> </li> </ul>	0	0	++	++
<ul style="list-style-type: none"> <li>• <b>Expand geographical coverage</b> <ul style="list-style-type: none"> <li>• Maximise value of brand and improve negotiation position with suppliers</li> </ul> </li> </ul>	0	0	++	++
<ul style="list-style-type: none"> <li>• <b>Create buying groups and share facilities</b> <ul style="list-style-type: none"> <li>• offset scale disadvantage by pooling procurement and sharing facilities</li> </ul> </li> </ul>	+	0	0	++
<ul style="list-style-type: none"> <li>• <b>Join major players</b> <ul style="list-style-type: none"> <li>• Give up independence to share the scale benefits of the larger players</li> </ul> </li> </ul>	+	+	++	++

Operational excellence

Customer intimacy

Product innovation

0 Neutral  
 - Negative  
 + Positive  
 Black Originating scenario

# Appendix 3: Booksellers – Customer Intimacy

A range of possible Customer Intimacy strategies have been identified

Possible strategies - Booksellers				
<ul style="list-style-type: none"> <li>• <b>Organise bookshops around interests/lifestyle</b> <ul style="list-style-type: none"> <li>• Customise individual bookshops to a particular niche, customer segment or theme to allow deep specialisation</li> </ul> </li> </ul>	++	++	--	--
<ul style="list-style-type: none"> <li>• <b>Diversify product offering</b> <ul style="list-style-type: none"> <li>• Develop concept shops offering a range of goods and merchandise supporting a particular customer segment</li> </ul> </li> </ul>	++	++	0	0
<ul style="list-style-type: none"> <li>• <b>Provide content broker service</b> <ul style="list-style-type: none"> <li>• Provide service to University faculties regarding selecting and composing course materials from multiple sources and authors</li> </ul> </li> </ul>	++	++	-	-
<ul style="list-style-type: none"> <li>• <b>Develop superior customer service</b> <ul style="list-style-type: none"> <li>• Create a superior shopping experience through design and customer service</li> </ul> </li> </ul>	0	0	++	++
<ul style="list-style-type: none"> <li>• <b>Collaborate on marketing campaigns</b> <ul style="list-style-type: none"> <li>• Better sales data will allow high impact marketing campaigns. Campaigns executed with publishers</li> </ul> </li> </ul>	+	-	-	++
<ul style="list-style-type: none"> <li>• <b>Leverage Point-of-Sale information</b> <ul style="list-style-type: none"> <li>• Provide sales data to publishers will enable faster demand response and stock reductions</li> </ul> </li> </ul>	++	0	0	++

Operational excellence





Customer intimacy

Product innovation

0 Neutral  
 - Negative  
 + Positive  
 Black Originating scenario

# Appendix 3: Booksellers – Product Innovation

A range of possible Product Innovation strategies have been identified

Possible strategies - Booksellers					
<ul style="list-style-type: none"> <li>• Introduce products/services complementary to primary niche customer group's needs                             <ul style="list-style-type: none"> <li>• Engage in customisation of products centred around reading content (eg. paper based or electronic course packs) to meet special needs of highly specialised user groups</li> </ul> </li> </ul>		++	+	+	+

Operational excellence

Customer intimacy

Product innovation

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 Black Originating scenario

## Appendix 3: Strategic focus

The relative weight of the strategic options within ‘operational excellence’, ‘customer intimacy’, and ‘product innovation’ is derived based on the number of identified strategies marked with ‘++’ in the robustness analysis

	Number of ‘++’ strategies			Relative weight of strategic options		
	<i>Operational Excellence</i>	<i>Customer Intimacy</i>	<i>Product Innovation</i>	<i>Operational Excellence</i>	<i>Customer Intimacy</i>	<i>Product Innovation</i>
<b>Paradise Found</b>						
Printers	2	3	1			
Publishers	2	3	4			
Booksellers	3	3	1			
<b>Land of the Giants</b>						
Printers	2	1	2			
Publishers	1	3	3			
Booksellers	4	3	0			
<b>Dog Eat Dog</b>						
Printers	4	1	0			
Publishers	5	3	1			
Booksellers	3	1	0			
<b>Shoulder to Shoulder</b>						
Printers	7	3	0			
Publishers	4	2	1			
Booksellers	5	2	0			

**Appendix 1: Participation in the Scenario Planning Workshops**

**Appendix 2: Scenario Planning Process**

**Appendix 3: Robustness Analysis of Strategies**

**Appendix 4: Industry Uncertainties**

### Workshop 1 identified more than 160 uncertainties

#### Consumer Preferred Media:

Will books be the preferred media for teaching in the future?

Will particular media be suited to particular type of reading?

Will online learning material be the preferred method of teaching in the future?

Will people pay for content that is timely in any form rather than content in the format of the traditional book?

When will eLearning take hold?

Will students buy books in the traditional format if they have other options for gathering the same information?

Will there be a particular media with which students will learn more effectively that will compete with the paper book?

Will consumers pay more for paper or screen content?

Will a paper based book be considered expensive and not worth its price compared to other media in the future?

Will the printed form be a sign of credibility in the future?

Will creditability of content be compromised as a result of purchase price or media used for distribution?

Will eBooks be the preferred media of the future?

What media will people be using in the future?

How will books be consumed in the future (P vs. E books vs. PDAs)

How will books mainly be printed in the future (P books vs. D books)

To what degree will CDs replace books?

How is paper going to feature in the future? Will paper be essential to books or will alternative methods evolve (ePaper, eBooks, etc.)

What will the delivery mechanism of educational content look like?

Will digital content substitute for printed matter?

Will the market for printed matter in education disappear?

Are low cost high bandwidth methods of delivery a threat to the industry?

How will E Book Readers take off?

Will course notes be an alternative to printed books?

Will there be an integration of educational tools?

Will there be different needs for the method of content delivery?

How will the distribution of books to customers change?

Will personal aids such as mobile phones be used as delivery devices?

Will print still be on paper or some other form of media?

How significant will development and distribution of digital content be in the future?

Will the traditional printed form of books be the best format to satisfy demand for content?

To what extent will delivery of electronic content supplement and/or substitute delivery of physical books?

Will changing reading behaviours change the way content is formed and distributed?

In which format will content be delivered in?

What format will the book have in the future?

What will be the predominant form of reading media?

Will preferred reading locations change in the future?

#### Demand for Books

Are the reasons why people read going to change?

### Workshop 1 identified more than 160 uncertainties

Will books remain the cornerstone for successful learning?

Will people prefer one style of text to another? (e.g. short story to novel)

What impact will other leisure activities have on the demand for books?

Who is it that will be buying books in the future?

Will there be less demand for books in the next generation despite the fact that more books are being sold around the world than ever before?

Will there be a change in time spent reading based on generational changes?

Will large floor space in a bookstore and strong marketing be of real importance in the future?

With the demand for timely information in the education segment, will printers be able to cope?

Will changes in the GST affect the demand for books in the future?

How will changes in demographics affect reading behaviour?

Will the trend towards fragmented demand for information continue? (people buying a few chapters from a book )

Will reduction in leisure time affect book reading?

How well will publishers be able to forecast/determine demand?

Will digital printing enable extension of books' life cycles?

Will there a limit on the availability of consumer time to read?

Will there be a need for Australian content or will offshore content suffice?

What is the future of educational institutes?

Will a revolution in education, as in 3rd world countries, happen in industrial countries as well?

Will there be more competition in leisure activities?

Will the book as it is known today be able to compete with other entertainment attractions?

Will people be prepared to spend money on books in the future?

How will the structure of the family unit affect the purchasing behaviour of book buyers in the future?

Will the purchaser of a book be the actual person reading it?

Will consumers demand more books for educational purposes or for leisure?

Will the attention span of consumers affect the popularity of the printed book in its current form?

Will consumers' attitudes towards books change?

Will people be willing to spend their money on books or on other leisure activities?

Will reading be popular and of perceived value in the future?

Will the industry change from a (supply) 'push' to a (demand) 'pull' model?

Will the book market for children and teenagers be largely substituted by other entertainment options?

How will the changing political environment change the way people consume books?

#### Type of Demand

Will the consumer demand specific books for specific times and places?

Will there be a need for a certain degree of customisation?

Will book buyers of the future purchase already knowing what they want or will they purchase impulsively?

Will it become cost ineffective to service smaller markets?

### Workshop 1 identified more than 160 uncertainties

Will consumers seek fewer and broader titles or will they demand increasingly more and specialised titles?

#### Preferred Channel for purchase

Will people prefer to print a book on demand in their own homes which will compete against the books purchased over the counter?

Which retail channel will be preferred? (dedicated bookshops vs. mega stores)

To which degree will book sales move on-line?

Will people prefer to purchase books in bookshops or via other means such as the Internet or direct mail?

Will people purchase books via the Internet or by more traditional means?

Will consumer's purchase books in bookstores, or will different methods become popular?

#### Legal Framework

Will the industry see regulatory changes that will affect it significantly (30 day rule – and will it lead to dumping or better terms for the bookseller?)

Will regulatory changes affect the degree of O/S printing? (30 day rule)

How will changes to the current environment such as the introduction of overseas competitors affect the market and the industry?

Will Australia move towards an Open Market for books?

Is Australia likely to move towards an open market model for books?

Will the Australian Book Industry move towards an open market model?

Will books be directly supplied from overseas?

Who will own the end-consumer interface? (bookseller, publisher, author, etc.)

Who will own IP?

Who manages the book asset? (copyrights)

Will Digital Rights Management standards/systems support the industry to enable widespread retail digital printing?

Who will hold the rights to the content?

How will copy right rules affect the industry?

Will the legal framework (Copyright Laws) have an impact on Print On Demand and the Industry as a whole?

Will Copyright rules determine the effectiveness of digital content management?

Who will own reading content in the future?

Will management of digital content play a significant role in the future?

Will the role of the printer change significantly? Eg. by moving up the chain taking a role in digital content management and distribution?

Will globalisation threaten the entire Australian book industry?

Will growth and subsidisation continue in South East Asia?

Will color printing be viable in Australia?

Will globalisation increase and the Australian publishing and printing industries eventually be owned by overseas markets?

Will books predominately be printed locally in Australia or Overseas?

Will Australian authors remain a priority for publishers or will globalisation take over?

Will digital content be directly supplied from overseas?

### Workshop 1 identified more than 160 uncertainties

#### Changing structure across Industry

Will self-publishing become a threat to publishing houses in the future?

To what extent will authors want to self-publish?

What will be the extent of self-publishing?

How will self-publishing for both Individuals and Institutions affect the Industry?

What will the future value chain look like? Who will perform printing operations (printers, publishers, retailers)?

Will book publishers sell on-line?

Is the future of bookshops at risk?

Will Australian booksellers take up digital printing?

How will power change across the supply chain?

Will the industry consolidate?

Will the Australian book market adopt a wholesaler model?

Will publishers distribute books (content) directly to the end users?

Will consolidation of the book industry have positive or negative implications?

Can the current industry structure be expected to be changed significantly with respect to who is doing what?

Are publishers likely to distribute directly to the end user?

Will the current structure with three industry sectors be replaced by a much more fluid industry structure comprising many different roles carried out by both existing and new players?

Will printing be carried out closer to the point of demand?

Will the book printing sector survive and will overseas investors become involved?

Will publishing of books be predominantly online?

Will the editorial and design process continue to be of importance?

Will the process of marketing and sales change due to technological changes?

Will the quality of materials and the editorial process continue to exist if self-publishing comes into effect?

Will changes in the discounting structure driven by the entrants of discounters in the industry affect the range and mix of books available to the consumer?

How big will ePublishing become and what is its potential for growth?

Will retailers adhere to the RRP in the future? Will adherence to RRP increase or decrease the range of books in stores?

Where will investments in the book industry provide the best return?

Is risk likely to be distributed differently across the value chain?

Will the strong loyal relationship between Australian authors and publishers weaken with a greater emphasis on profits?

How is the information lifecycle going to be managed?

#### Consolidation or separation Within Industry Segments

Will there be an integration or specialisation of printers?

Will there be a consolidation of publishers?

Will there eventually be a small number of larger players?

Will printers differentiate themselves by specialising in either short or long run productions?

Will there be a rationalisation of publishers in Australia?

Will consolidation take place of the current parallel distribution networks operated by the publishers?

### Workshop 1 identified more than 160 uncertainties

#### Industry Collaboration

- Will the book industry be able to work together?
- Will collaboration along the value chain become a necessity?
- Is there sufficient trust in the supply chain to enable collaboration?
- What will be the standard sale conditions – firm sale or return based?
- Can the industry agree on standards, formats, etc.?
- Can the industry cooperate?
- Who will carry the risk of new processes?
- Where will competition in each sector come from?
- Will interaction and cooperation between the players in the industry increase or decrease?
- Could everyone work together to improve our chance in going to the market?
- Will the industry as a whole move towards more or less collaboration?
- Is there a need to develop and maintain standards in cross media publishing?
- Will systems be developed that will reduce wastage (returns) without reducing demand?

#### Production Technology

- Will printers remain on top of the technology demands of the industry?
- How quickly will the unit cost decrease for short run printing and the digital print run?
- When will printing go digital?

- Will economically feasible PoD technology create significantly new demand?
- How will the alternative of short run production impact on the industry?
- What technology and equipment should printers invest in?
- What is the best application of digital printing?
- Will the speed and delivery from suppliers to consumers be enhanced?
- Will the future market support long production runs (or will it move to short production runs)?
- Will Print On Demand become the predominant way of printing?