



# LAUGHING BEAR 129

## NEWSLETTER

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### **The Surviving Small Press: Business Modeling for Publishers**

A business model is a design concept used to describe how your business will make money and from whom. More specifically, a business model can be used to help you decide how best to market your books to reach your personal and professional goals. Once implemented, the model can be adjusted as time goes by and your experience grows and goals become more refined.

What a business model is most useful for is making you think. It helps you define your goals and find the best way to reach them. You can also analyze the business models of other publishers and apply what you learn to your own model.

The way a model is created can vary. If you are graphically oriented, you can use flow charts or other charts or graphs. If not, write it out like a business plan or use a spreadsheet. The important thing is you need to be able to establish and analyze relationships that lead from your book to the reader.

For example, if you want to sell your book in bookstores, you'll need a relationship with a distributor. That relationship will involve the quantity of books required, whether you'll have an exclusive contract with one distributor or several, how you'll deal with returns, how long you'll have to wait between shipping the books to the distributor and getting paid, and

many more details that can affect your preference for that relationship versus other means of getting the book to the reader.

By trying out various models for selling your books and then comparing them, you will be able to weigh the relative advantages and disadvantages. And by breaking down each market separately you'll be able to make more insightful choices.

The publishing business has exploded with possibilities over the last 20 years. Whereas you used to be limited to bookstores, book clubs, libraries, schools, and specialty shops – with a different business model for each – now you can sell books directly from your web site, printed as they are needed, or as eBooks or multimedia. You aren't limited in your creativity by the expense of direct mail or print advertising or by the whims of distributors or booksellers.

You can have a publishing company today that doesn't produce a printed page, and exists only on the hard drive of a computer. But, just because you can do something doesn't necessarily mean you should.

For most of us, publishing has become a hybrid of print and electronic, with traditional books as the product but in a marketplace that intertwines the real with the virtual to such an extent we've had to coin the phrase, "brick and mortar", to describe a store with a physical building.

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### **Magazine Business Models**

A few weeks ago Daniel Pink, a columnist for the Startup Journal section of WSJ.com, the online edition of the *Wall Street Journal*, interviewed me for an article he was doing about a proposed magazine startup. (You can find the article at <http://www.startupjournal.com/columnists/ideafile/20010418-pink.html>.)

The proposed startup is a magazine called *Obit* that intends to profile celebrities and other notable people who have recently died. Because the business plan calls for the magazine to fit a niche somewhere between *People* and *Biography* magazines, I suggested that it would be vital for *Obit*'s publishers to decide which of those very different business models they should use, or whether to come up with a new business model of their own.

*People* magazine has a business model built around newsstand and supermarket checkout sales, and waiting rooms. What do those markets have in common? Large numbers of people leaf through the magazine – and whether they buy it or not is incidental. The publishers certainly don't mind if you buy the magazine, but that isn't where the bulk of their revenue comes from.

*People* is designed to be browsed. It is filled with short articles, lots of pictures, and tons of advertising. The reader is meant to

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## Business Modeling

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Obviously with all those choices, you need to figure out who is going to want to read your book and where or under what circumstances they are will be likely to buy it. This is the point of modeling. It is tempting to believe that a book will appeal to everyone, but that's an expensive way to try to sell a book. On the other hand, if you've got five or ten thousand copies of a reasonably well-written and interesting book, you should be able to find a way to sell them.

The problem is that there are so many possible places and ways to market the book, that it is easy to run out of resources before you find a way to sell the books that works. Defining your business model can help avoid costly trial and error. You may still make mistakes, but you'll be able to tell why they didn't work and be prepared use that information to develop a new plan.

A book on gold panning in the Rocky Mountains *may* be of interest to people scatted all over the country, but it *will* be of interest to a more concentrated group of people in Colorado where panning is still very popular as a hobby.

It will also be of interest to people visiting the little mining towns where concessions let tourists try panning for gold themselves. So a business model for this book could be Point of Sale. Placing the book in the concessions and souvenir shops makes it available to thousands of people visiting gold mining country at exactly the time they will be most interested in buying the book.

That is not to say the publisher would not want to place the book in major bookstores or on the internet. A complete business plan can contain several models. But the publisher would be best served to concentrate their resources on the

market in which it is most likely to succeed.

A business model for a book with more universal appeal will require more analysis. It may be worth your while to examine the business models of other book publishing companies to find a way to market it.

In "Magazine Business Models" in this issue, the models of two existing magazines are compared to try to find a workable model for a new magazine. The same can be done in book publishing by analyzing how different companies go about marketing and selling books.

Finding book publishers to model after isn't hard. There are publisher organizations all over the country, and you can find links to many of them on the Laughing Bear web site. You can also join mailing lists, like Publish-L, which is mentioned in the Announcements section of this issue.

I have found that small publishers (and the definition of "small publisher" can extend to those that makes as much as \$10 million a year in revenue) are usually very willing to help newcomers, especially through the forums just mentioned.

If there is a specific publisher you admire, there's no harm in asking for advice directly. Most will be flattered that you think that much of their business.

When you look at a company, pay attention to the kind of books they publish, where they are sold, how they are advertised, and what activities they are involved in.

Cook book publishers may take part in cooking shows or city food festivals, regional publishers may sponsor or participate in appropriate events, literary publishers may sponsor readings or book fairs. Interaction with a community and other businesses can have a big impact on a publisher's reputation and sales.

It is important to remember when you are looking at other companies' models that your own goals are also fundamental to your company's success. You need to find a way to market your books that meets your personal needs, and then concentrate on that instead of spreading yourself too thin.

Part of business modeling is defining the goals you have in publishing your book. Do you want to do it to make money? Or become famous? Or promote your business? Or promote a social cause? Or express yourself? Or share your enthusiasm for a hobby? Your motivation will have a huge impact on your business model. It has to do with who you want to reach and how much you'll be willing to put into it in terms of time and money.

Beginning, and even experienced, writers can be unrealistic in their expectations for a book. I can't tell you how many writers have sent me query letters promising to have the next bestseller.

Publishers can't afford that luxury. Sure it would be nice to have a runaway hit, but to set out to market a bestseller requires a very expensive business model. It is much easier to remain independent, and not go broke, with a slow but steady seller that generates a reasonable income.

It's by examining your goals, motivations, and audience that you can come up with a plan and a budget that will meet your needs with a good chance for profit. It will also provide you with a level of comfort.

There's a lot to be said for not being big. Most people get into small press to avoid the hassles of the big publishers, or to be independent, or just to do some good in the world that would not be possible in a corporate atmosphere. And there are numerous examples of

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flip through the magazine quickly, not spending too much time on any particular page. It is perfect for flipping though in a supermarket line or while you are waiting to see the dentist.

You won't find recipes, weight loss programs, or anything else readers are likely to want to clip and save. That makes it less likely copies will be stolen or disfigured. It also makes it less likely anyone will spend more than a couple minutes on each page.

The emphasis is on celebrity and entertainment news, with some human interest and feel-good stories, but the purpose of the content is to attract your attention and get you to open the magazine, then quickly move through it while being exposed to the advertising along the way.

From an advertiser's point of view, each copy of *People* has the potential to be viewed by hundreds of people, unlike a magazine marketed to single family homes where each copy may be leafed through by one or two readers. A copy of *People* on a newsstand may be picked up by dozens of people before someone buys it, and a copy in a waiting room may be read hundreds of times and have a life in the magazine rack of months. That makes advertising in *People* seem like a bargain if you are figuring your advertising budget on a dollars per set of eyeballs basis.

Magazine subscriptions are available to the public, but at \$55.00 to \$78.00 per year (depending on the deal you can find), the weekly is not competitive with other mass-market magazines. Most popular magazines, including *Rolling Stone*, which comes out every other week, cost from \$10 to \$20 a year. But then, from the publisher's standpoint, subscriptions are a secondary and expensive

market that does not support the primary business model.

I hear from a lot of potential magazine publishers who, like *Obit*, would like to do a magazine like *People*. The thing to consider is that *People* has a business model that would be very expensive to duplicate.

While *People* saves some expense by relying less on subscriptions, with their related postage and marketing costs, it has to deal with huge expenses for returns, transportation, paper waste and recycling, and selling advertising. The startup costs would run into the tens of millions of dollars, if not hundreds of millions.

There has only been one serious competitor for *People* in the 30 odd years it has been around, and that is *Us*, which uses the same business model. To take *People* and apply a different model by, say, dropping the subscription price and targeting the home market, would emphasize the magazine's shortcomings.

*People* is fun to read in the doctor's office, but really doesn't offer anything you can't find on TV. Since it does not have features like in-depth reporting or do-it-yourself projects, that add substantial value to most subscription magazines, it would not be able to maintain its subscription base. *TV Guide* offers the same kind of stories, but at least you get TV listings as well.

*Biography* uses a business model more in line with what we expect from a subscription magazine. It provides in-depth profiles of famous people. The subscription price for the monthly magazine is modest (\$14.95). It also doesn't hurt that the magazine is tied to the popular TV series it is named after.

The *Biography* business model includes newsstand sales, but more to entice readers to subscribe than to get them to flip through the

magazine. The articles require too much time and effort to read in full to facilitate the *People* model.

That's also why it doesn't work as well for waiting rooms. By and large people don't want to commit themselves to reading a long article they are unlikely to have the chance to finish.

*Biography's* advertisers are able to reach a more targeted audience than *People's*. *People* appeals to everyone, from the janitor to the CEO, so the advertisers have to offer products that appeal to everyone to get the most for their marketing dollar. *Biography* appeals to better educated, more affluent readers. *Biography* advertisers are more interested in targeting specific demographics than in sheer quantity of page views.

The challenge for the publishers of *Obit* will be to survive the first few years. They will need cash reserves to not only publish the first issue, but possibly a couple years' worth before they can expect to make enough to cover expenses, much less a profit. So they are going to need to have a well-researched business model and plan. They'll need it to show banks and investors and to ensure their resources are utilized efficiently.

The trouble is that to launch a new mass-market magazine, you need to attract high-paying, national advertisers or be able to obtain very large loans, and the only way to do that is to have a substantial circulation in place. Or a very powerful and convincing plan.

To find a way around the problem, the publisher can use their business model to play "what if" with the magazine. As in, "What if we try it out in selected cities at first" or "What if we start out with a modest format and market it through our web site, then grow into something more elaborate if the public shows interest". ●

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## Business Modeling

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small companies that have created superior products, built a workplace that is fulfilling to them and their employees, and made a profit.

Look at Tom's of Maine and Ben and Jerry's. Both are environmentally and socially responsible companies that started very small.

That Ben and Jerry's has been sold to a corporate giant just shows that the model it was built on could not support unlimited growth. The product became in such demand that the model had to be changed, in this case through sale of the company.

The same thing has happened with successful microbreweries, Mrs. Field's and Famous Amos Cookies, and numerous other small companies. The trade-off is early retirement or moving on to something else versus doing something you really love at a level you can manage.

Quality of life is one of the reasons that comes up most often when people are asked why they want to start a business of their own, so it would be a major oversight not to consider it in a business model.

Business modeling is an balancing act. If you have a text book, it will need to be hard bound and you will have to sell it in a relatively narrow market. On the other hand, once it is accepted you have guaranteed sales, probably for many years, and you can charge a premium price. There the balance is between cost up front and eventual return.

You could just as easily have to justify a balance between family and work, or living in the city to be close to business and living in the country to make yourself happy.

So decide what you want, and use the business model as a road map to get there. ●

## Announcements

● **Publish-L** (<http://www.Publish-L.com>) is a popular e-mail list for publishers, but it also has a useful web site. Pat Gundry, the list owner, has added a store to the site where members who have published books on publishing or marketing, or who have books they would like to recommend, can submit those titles to be listed. All books will actually be sold through Amazon.com.

● **Breathe Poetry Magazine** (<http://www.breathepoetry.co.uk>; £10.00/6 issues, £2.00/single issue) is a print literary magazine from England. I could not find a mailing address on their site, but you can submit poetry via e-mail. Submission guidelines are available on the web site.

● **The Blacklisted Journalist** (Al Aronowitz, ed.; PO Box 964, Elizabeth, NJ 07208-0964) <http://www.bigmagic.com/pages/blackj>) is a web site of articles and reviews on pop culture, politics, art, and much more. Especially interesting, and entertaining, are Aronowitz's own articles covering his 50+ year career. Aronowitz is probably best known, by his own admission, as the journalist who brought Bob Dylan and the Beatles together which lead to the Beatles first experience with marijuana. The site actively solicits articles.

● **BookTech West 2001** (<http://www.booktechexpo.com>), the conference for print and electronic publishers, will be held July 30 – August 1 at the San Francisco Marriott in San Francisco, CA. This year's conference will feature a new "Small & Independent Publishers Track" featuring sessions on book binding, digital short run and on-demand printing, book promotion online, managing freelance resources, implementing a PDF workflow, and having your book cover design evaluated by professionals.

● **Brainevent.com** (<http://www.Brainevent.com>) is a web site where 11 to 18 year olds can share their writings and views, and learn about the world by communicating with others. Online experts are available to answer teens' questions. Sections on issues like the environment, sports, and teens making a difference are written by an adult staff. Liza DiPrima, the editor-in-chief of the site, is a former editor for *Seventeen* magazine.

● **2001 National Publishing Conference** (Publishers Association of the West, PO Box 3759, Boulder, CO 80307; <http://www.pubwest.com>) will be held November 7-10 at Snowbird Resort and Conference Center (<http://www.snowbird.com>), 40 minutes from Salt Lake City's international airport. Contact Pubwest at [pubwest1@aol.com](mailto:pubwest1@aol.com) to be added to the 2001 conference mailing list.

● **Squaw Valley Community of Writers** (PO Box 2352, Olympic Valley, CA 96146; 530-583-5200; <http://www.squawvalleywriters.org>) will hold its summer workshops for fiction, nonfiction, poetry and screenwriting July 21-28 (for poetry) and August 4-11. Details are posted on their web site.

Advertising: Insert ads, in the form of flyers to be inserted in newsletter mailings, are welcome. Send 200 copies of the ad with \$50, and the ad will be mailed with the next issue of the newsletter. Contest and other events or promotions that solicit money in the form of reading or other entry fees will not be accepted.

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