

Print on Demand (POD)

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A Lightning Source Book Example

People who have worked in the publishing industry in any capacity are often dubious of the claims made for the print-on-demand publishing model, because it violates the "rules" of publishing as they know them. Our best answer to the critics is to start off with a case study of a year in the life of an actual POD book, published by the author through Lightning Source, including the actual sales, profits, and trends. It's important to get an overview of the whole process and costs at the outset. If you have trouble following the discussion the first time through, just keep an eye on the dollars.

"Start Your Own Computer Business" was published by Foner Books in December 2002. The book is a 6" x 9" paperback at 168 pages, and Lightning Source charges Foner Books \$3.09 for each copy printed for distribution. The first thing that will occur to anybody who's been involved in traditional publishing is that the same book could be printed on an offset press for around \$1.00 each in large quantity. Here's where the print-on-demand and traditional publishing models diverge. There never are "large quantities" involved with POD, no tons of books to warehouse or thousands of dollars to tie up in inventory. Even more important for a small publisher using Lightning Source, there's no shipping cost for books sold into distribution.

Publishers sell books to distributors and bookstores at a discount off the cover price, enabling the final retail outlet and any middlemen to make a profit. The normal discount rate that distributors require from publishers, the percentage off the cover price the publisher gives the distributor for a book that they resell to a retail outlet, is 55% or more. Small offset publishers who qualify for Ingram distribution may be charged 60%, and other distributors can charge 70% or more of the cover price to stock and distribute your books. In other words, the only time a publisher is ever paid the cover price on their books is if they sell them directly to the customer, usually by mail order.

Ingram will carry Lightning Source print-on-demand books on a "short-discount" basis, a discount less than 55%. Foner Books assigned a 35% discount on the \$14.95 cover price of "Start Your Own Computer

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Business" so the book is sold by Lightning Source to Ingram, Amazon, and other wholesale customers, for \$9.72. Here's where the math really departs from the traditional publishing model: \$9.72 - \$3.09 (the printing fee) leaves the publisher with \$6.63, which happens to be 44% of the cover price. This price was chosen to correspond with the average net for a trade publisher before expenses such as book development, author royalties, etc. This 44% of the cover is entirely hands-off, with no inventory or storage costs, no shipping and handling, and virtually no returns since the book is only printed in accordance with demand.

Foner Books also chose to sell books direct from our website at a 20% discount. The delivered cost for short run of 25 books is \$93.66 or \$3.74 each. Our 20% off mail order price of \$11.95 leaves a profit of \$8.21 per book, and customers pay a \$2.25 shipping and handling fee which covers the average cost of a mailer and postage. Direct mail order sales during 2003 earned 55% of the cover price, while maintaining an average inventory of less than 25 books! Many authors can compare this to the 4% to 7.5% of the cover price they earn in royalties on domestic, full price sales of paperback books. An author willing to gamble on this self-publishing model can make ten times as much per book sold as compared with royalty income from a major trade house. With many books generating more than a tenth of their sales through Amazon alone, where trade publisher muscle carries little or no weight, one wonders what the trade publishers have to offer authors whose books aren't destined to become fiction bestsellers.

Compare these numbers to the traditional offset printing model. Printing the same book on offset, we would have to increase the page count to 176 (a multiple of 16 pages) for 8-up printing. The following pricing was obtained online at the print broker Rjcom.com, and doesn't include shipping or fees:

Quantity	200	500	1000	2000	5000	10000
Price	\$5.26	\$4.50	\$2.60	\$1.63	\$1.04	\$0.83

It takes a run of about 750 copies to get the offset printing cost per book down to the print-on-demand cost, and we'd still have to pay for delivery and storage. If the only sales channel was direct mail order, we'd be at break even with the POD model, but how about distribution, which generated over 80% of the sales for the case study title in 2003? Ingram might have agreed to carry the book in their small publisher program for a 60% discount, plus shipping costs. Amazon, through their Advantage program, would carry the book for a 55% discount, plus a small yearly fee and recurring shipping and handling costs. At 55% of the \$14.95 cover price, Foner Books would have netted \$6.72 per book, but would have been required to pay for shipping. Even if we had gambled on printing 10,000 books to bring the cost per book down to \$0.83, the maximum profit would have been \$5.89 per book, minus returns, warehousing,

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shipping, packing materials, and the cost of money. The hands-off \$6.63 per book earned from Lightning Source is actually more than we would have earned by gambling on a huge offset print run, thanks to the short discount that's otherwise unavailable to most small publishers.

A year in the life of a Print-on-Demand Book

2003 Sales	U.S. L.S.	Ingram ¹	U.K. L.S.	Mail Order	Total
January	63	23		12	75
February	46	34		10	56
March	81	53		18	99
April	55	45		29	84
May	87	49		25	112
June	131	69	3	18	152
July	106	59	3	32	141
August	112	49	8	21	141
September	213	101	3	41	257
October	82	96	6	24	112
November	214	75	2	7	223
December	147	131	14	10	171
2003 Total	1337	789	39	247	1623

¹Ingram sales are included in U.S. Lightning Source Total

January - The book officially became available in December of 2002, but a couple dozen orders placed through Ingram and Amazon during the holiday rush weren't printed and shipped until January. Lightning Source tripled their printing capacity during 2003, and no serious delays were apparent during the 2003 holiday season. January sales were helped by the release of a book excerpt to a number of Internet newsletters.

February - In addition to being a short month, February was marked by higher web traffic with a lower sales to visitors ratio, or sell-through. This was due to experimenting with a subtle "soft sell" approach on the website that didn't work very well. Foner Books signed up with Ingram's iPage service, allowing us to monitor Ingram stocking, store demand and sales.

March - Foner Books signed up with PayPal to accept credit card and PayPal cash account payments for the book. Previously, we had sold mail

order only by check or through Amazon Marketplace. Web traffic in March reached double the level it had been at the start of the year, thanks to the addition of new content to the site. March also brought the first of many requests from entrepreneurial types who wanted to buy the book in quantity at a deep discount for resale at a profit, a request we politely rejected.

April - Poor availability at Amazon put a dent in April sales, though direct sales through the website rose sharply to absorb some of the loss. The estimated shipping time from Amazon during this period frequently rose to 1 - 2 weeks rather than 24 Hours or 2 to 3 days, a real turn-off for customers. The slow Amazon ship time probably resulted from their ramping up their order quantity more slowly than the increase in demand.

May - The first 100 copy month for our new title, sales were driven primarily by improving the book's Amazon standing through changing the subtitle and to increased website traffic. Originally, the book's full title was "Start Your Own Computer Business: The Unembellished Guide," but in April, we changed the subtitle to "Building a Successful PC Repair and Service Business by Supporting Customers and Managing Money." The change took several weeks to appear in the online catalogs. It was entered at BowkerLink and sent directly to Lightning Source, appearing everywhere by May.

June - Thanks to steadily increasing web traffic and building momentum, the title earned a spot in the top 10,000 books at Amazon, a level often used by trade publishers to determine a book's commercial viability. Between the strong sales and the subtitle changes, the book began placing at the top of Amazon searches for key phrases like "Computer Business" and "PC Business." Foner Books signs up for Lightning Source U.K. distribution after an e-mail request from a potential customer.

July - The relative success of the title leads to a Catch-22 where it's frequently out of stock at both Ingram and Amazon. Mail order sales hit a new high picking up some of the slack, but it's obvious that sales are being lost. Two Ingram warehouses order and stock Lightning Source books, and the book is out of stock at one or the other on 31 out of a possible 62 days, or 50% of the time.

August - Ingram and Amazon stocking problems continue, with the book out of stock at one or both warehouses a total of 34 out of 62 possible days. Web traffic is down at a time of family vacation and back-to-school preparations. Ingram sales slump to the lowest level in months.

September - Ingram stocking improves somewhat, missing 20 days out of a possible 60. Strong sales convince the Ingram buyer to order 80 books in one shot near the end of the month, overriding the automated water torture method of ordering five or six books at a time. Mail order sales hit a record high at the same time with the back-to-school increase in web

traffic.

October - The book is in stock at Ingram all but five days out of a possible 62, and is never out at both warehouses on the same day. Lightning Source sales for the month are artificially low, since Ingram ordered enough stock in September to last most of the month. Mail order slumps because both Ingram and Amazon have the book in stock almost every day.

November - In order to encourage Ingram and Amazon to continue ordering the book in quantity, we instruct Lightning Source to change the returns policy from "No Returns" to "Returnable." Foner Books takes a vacation and shuts down our mail order operation for two weeks. Mail order continues to slow as customers are able to obtain the book elsewhere and become leery of possible holiday shipping delays.

December - Sales continue steadily, though the LSI numbers are distorted by another big Ingram stocking order in mid-November. The Amazon sales rank of the book drops into the high nine-thousand range, as gift books dominate December online sales. This is the lowest mail order month since February, as customers avoid the holiday mail crunch. Ingram sales hit record high, thanks to good stocking and customers' preference to order books through stores during the holiday season.

Year in Summary - Foner Books netted a little over \$11,000 in profit during 2003 on sales of 1623 print-on-demand copies of "Start Your Own Computer Business." There were no returns reported through Lightning Source, and only two books shipped by direct mail "went missing." The book was designed from the outset for print-on-demand publication since the niche subject and low page count (168 pages) would have rendered it a poor candidate for bookstore sales. Sales momentum built throughout the year, with occasional glitches due primarily to availability issues and website traffic patterns. Sales continued to accelerate in the first quarter of 2004, proving that the demand in late 2003 was due to website traffic and word-of-mouth rather than holiday gift giving.

In stock and shipping next business day.

U.S. residents can order the 171 page paperback direct from the publisher for \$14.95 plus \$2.25 shipping and handling (media mail - normally 4 to 14 business days). The book can also be ordered through any retail store by the title "Print-On-Demand Book Publishing" or ISBN which is: 0-9723801-3-2.

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