32nd International Supply Chain Seminar
Frankfurt Book Fair
October 5th 2010

“The Dutch book industry and the distribution of books in a changing perspective”

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Profile Centraal Boekhuis

- The logistic partner in the Dutch language book market.

- We deliver logistic services (distribution, transportation, storage and information/data processing) to publishers, booksellers and suppliers of office supplies.

... but today it is not only logistics.......although this is still our core business
Centraal Boekhuis strives to contribute to the succes of our clients through excellence in the supply of logistics
1871: As it began....
Profile Present

- In 1973 foundation of Centraal Boekhuis B.V. (limited company)

- In cooperation with the then existing NUV (Dutch publishers association) and KBb (Royal booksellers association) and KVB.

- Shares are certificated and placed in a shareholders foundation, the “Stichting tot beheer van aandelen Centraal Boekhuis B.V.”

- Management of the shareholding foundation is provided by NUV and the KBb
Structure

- **NUV**
  - Dutch Publishers Association

- **KBb**
  - Royal Booksellers Association

- **KVB**
  - Royal Booktrade Association

- Foundation of shareholders Centraal Boekhuis

- Supervisory Board (7 boardmembers)

- CEO
  - Centraal Boekhuis B.V.

Together we are a bestseller
... and this is how it still works

80,000 active titles
17,000 new titles a year
44 mio copies in stock
74 mio copies a year

80 contract shippers
750 publishers

2,400 booksellers

Customers of > 100 web shops
15,000 addresses

High degree of automation
3,500 orders a day

Culemborg

DC

X-dock

Together we are a bestseller
Business profile

- Distribution of Dutch language publications in the Dutch speaking territory

- Central Book House; the wholesaler for foreign language books

- Distribution of other products in the Logistic Service Centre (office supplies Benelux)

- Transportation of books and other products “in and around the bookshop”
....Core competences of CB

- Distribution
- Financial services; invoicing, cash collection
- Information services; CB Online & Sales, Mangm. & Marketinformation
- Transportation

............. But we are expanding our competences, but why...???
Importance of innovation

Development booktrade

Innovate and invest before market is down sizing....

shrinkage of market is expected but question is when and how fast..

..... Or wait until you are sure that down sizing has taken place ???

Together we are a bestseller
2009: eBoekhuis

publishers
	online shops

Together we are a bestseller
Conversion services for publishers (PDF to EPUB)
Digital distribution, financial and information services
Support of Adobe Digital Right Management
All services integrated with paper book services
Easy to start for publishers and web shop (low ICT investment)
Billing of services

Together we are a bestseller
CB market accelerator

Year target 2010: 200.000 downloads already achieved in June!
Supplychain is evolving

Author → Publisher → CB → Bookseller → Consumer

content – information – books – money

internet

digital content

Web shops

Discovering/reading increase selling folio (shops & web shops) and Print to order

eBook readers

Selling eBooks And eBook readers

Together we are a bestseller
eBook leads to new opportunities

- Sales through Web shops: browse inside increases sales (folio also)
- A promotion change in the direction of the customer (where is the customer shopping?)
- More titles available → improved title information and a good browser is necessary
- Reduction of sales prices and costs
- High sales tax
- No fixed-prices for eBooks
- Numerous potential providers, even a chance/risk of internationalisation
- Reduction of off set runs publisher: more **printing on demand** (PTO)
2010: Printing on Demand

Netherlands and Flanders
- Sharp sales grow Book-on-Demand
- Printing companies take big share
  - Direct for publishers
  - Short runs
  - Direct for book sellers (Bol!)
  - Develop their own distribution channel
- Increased printing quality
- Impact eBooks on impression
- Self publishing authors
- Demand for backlist titles
- Working capital expensive
2010: Printing on Demand

Publishers
❖ Confirm strong increase printing quality
❖ Design books for print

Stock volume of books
❖ Grows every day, built a new warehouse?
❖ At least 20 million copies superfluous!

<table>
<thead>
<tr>
<th>2008</th>
<th>Number of titles</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>701-1000/jr</td>
<td>3,669</td>
<td>100%</td>
</tr>
<tr>
<td>501-700/jr</td>
<td>3,817</td>
<td>96%</td>
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<tr>
<td>301-500/jr</td>
<td>6,501</td>
<td>92%</td>
</tr>
<tr>
<td>101-300/jr</td>
<td>15,831</td>
<td>85%</td>
</tr>
<tr>
<td>1-100/jr</td>
<td>48,649</td>
<td>69%</td>
</tr>
<tr>
<td>0</td>
<td>17,021</td>
<td>18%</td>
</tr>
</tbody>
</table>

Sold in 2008 12,1 million
On stock 21,5 million

Stock 15,4 million

Number of titles new in 2008 < 1,000 | 15,844
Number of publishers                | 347
deliveries in 2008                  | 2,341,424
Stock primo 2009                     | 10,820,110

Together we are a bestseller
“We can and will not base our growth strategy on building new warehouses”

And why not???

Because a digital warehouse in combination with POD will do !!!
Long tail!

- introduction
- X de printrun

Production costs
Logistal costs
Financing
Returns
Storage costs
Destruction

Together we are a bestseller
Printing on Demand at CB

- Joint Book Services; JV with Océ, Euradius, Scan Laser and CB
- On the shop floor of CB
- Elimination of transport and packaging
- Full integration in logistic flow of CB
- Fast delivery: order today before 18:00, delivery tomorrow
3 Pillars of CB

Centraal Boekhuis

eBook

book

Pod

Together we are a bestseller
But this is not the end...

Who adds value??

Publisher → Author → CB → Consumer → Bookseller

traditional room for innovation

Together we are a bestseller
But this is not the end...

Who adds value??

A radical change of the supply chain principle:

Market characteristic: “fixed” volume
Traditional print: high costs for low volume

Old: minimize number of titles, maximize number of sold copies per title
     oppose “overproduction” = discourage authors

New: large number of different titles with low number of copies per title is possible

An author believes in his own content, creation!
50,000 authors are disappointed by not entering the market!
Redesign supply chain

Who adds value??

From very much to very much

How to find the consumer?

How to find his favourite book?

1 million
Hobby-authors
+ 1.5 million
dreamers
4% works on a roman
96,000 romans
to be expected
to be found
make the difference
platforms

pass from mouth
to mouth!
social media!

search engines
recommendations
social networks

Together we are a bestseller
Redesign supply chain

Who adds value??

Consumer buys direct from author; author gets the sales prices and pays service provider for added value.
Why CB?

- Unique combination of physical books, eBook, browse inside and Printing to Order possibilities
- Good experiences of publishers and booksellers with CB as a trusted third party
- Integration into the current financial- and information flow
- Independent, a semi-commercial position in the booktrade
- Service provider for more than 100 digital booksellers
- Central role in investing in innovation and business development
- Reliability and a powerful network player
Centraal Boekhuis

Together we are a bestseller