Planning: Keeping in Mind the Total Cost of the Lifecycle of the Book
Panelists

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Life Cycle of a Book

What are the Key Decisions you make that affect the life of the book?
Scenarios

Thinking about costs, time, inventory, sales, etc...

1. The complete unknown (might sell 1, might sell 1,000)
2. The known commodity
3. The best seller

What are questions you should be asking your print partner?
How will your sales channels affect delivery?
What if you look at it in terms of back list, mid-list and front list?
Life Cycle of a Book

Efficient book production technologies will change through the life cycle of the book & it’s target audience.
**TCO Model Summary**

### Assumptions

<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>TCO model</th>
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</thead>
<tbody>
<tr>
<td><strong>Cost per book</strong></td>
<td>1.88</td>
<td>1.98</td>
</tr>
<tr>
<td><strong>Avg. Quantity Per Job</strong></td>
<td>6,700</td>
<td>4,700</td>
</tr>
<tr>
<td><strong>Avg. Inventory Per Job</strong></td>
<td>3,000</td>
<td>2,100</td>
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<tr>
<td><strong>Cost of Capital</strong></td>
<td>12%</td>
<td>12%</td>
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</tbody>
</table>

### Inventory Reduction

- Traditional: 30%
- TCO model: 30%

### Cost Comparison

<table>
<thead>
<tr>
<th>Obsolete Ratio %</th>
<th>Traditional</th>
<th>TCO model</th>
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<tbody>
<tr>
<td></td>
<td>5</td>
<td>15</td>
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<table>
<thead>
<tr>
<th>Cost of Obsolete Inventory (000 $)</th>
<th>Traditional</th>
<th>TCO model</th>
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<tbody>
<tr>
<td></td>
<td>20</td>
<td>60</td>
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<table>
<thead>
<tr>
<th>Total Warehousing Cost (000 $)</th>
<th>Traditional</th>
<th>TCO model</th>
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<tr>
<td></td>
<td>100</td>
<td>300</td>
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<table>
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<tr>
<th>Total Non Inventory Cost (000 $)</th>
<th>Traditional</th>
<th>TCO model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100</td>
<td>300</td>
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</tbody>
</table>

### Savings from TCO Model

- 30% reduction in inventory balance
- 7% reduction on the TCO unit cost per book sold

### Total Cost per Book Ordered (Production + Non Production costs)

- Traditional: $2.69
- TCO model: $2.72

### Total Cost per Book Sold (Production + Non Production costs)

- Traditional: $3.02
- TCO model: $2.82

### Total Cost of Production ($000)

- Traditional: $500, $1000, $1500
- TCO model: $100, $300, $500, $700

### Total Non Production Cost ($000)

- Traditional: $100, $300, $500, $700
- TCO model: $100, $300, $500, $700

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- 30% reduction in inventory balance
- 7% reduction on the TCO unit cost per book sold
Other Questions

• What happens when you do different print models?
• Are there inconsistencies when you go from offset to POD?
• Do things like embellishments, trim, etc all the sudden become an issue?
• As we get settled in to hear about pre-press, paper, finishing, fulfillment, are there any things that people should be thinking about that will help make their manufacturing relationships more successful?
Thank you!