



## **Interview with Thad McIlroy**

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**KENNEALLY:** The surprises from COVID-19 aren't always unwelcome ones. The arrival of effective vaccines is one such miracle. The good health of the publishing industry is yet another, at least for now.

Welcome to Copyright Clearance Center's podcast series. I'm Christopher Kenneally for Velocity of Content.

How to account for the upbeat note coming from most sectors of publishing at the start of 2021? When the pandemic struck last spring, forecasts were dire, yet book sales in many sectors and across formats for 2020 have climbed, even soared.

Thad McIlroy is co-author with Cliff Guren and Steven Sieck of *COVID-19 and Book Publishing: Impacts and Insights for 2021*, a free downloadable report that reviews the sector's recent performance from multiple angles.

According to the industry analysts, the book business has largely benefited from fence-sitting. Trade, educational, and academic publishers serve customers with print and digital products. The publishers themselves are large and small companies. Many are profit-driven, yet a significant number are mission-directed not-for-profits. McIlroy joins me from his Vancouver office to share highlights from the report. Welcome to Velocity of Content, Thad McIlroy.

**McILROY:** Thanks very much, Chris, and happy new year.

**KENNEALLY:** Thank you for contributing this report to the ongoing discussion about the health of the publishing industry. I want to focus on this point about what we can call the split personality of the business. I think the most important part of this is that it is both a physical, analog product and a digital, virtual one. That has made all the difference.

**McILROY:** It sure has. It's something that we've been dealing with – let's call it as an issue now for about two decades or more if you take a broader view. On the trade publishing side, we've been struggling with ebooks, trying to find sort of the magic marketing formula to make them the significant outlet that they could be.



After this early surge that we had, let's say, in the first decade, then there was a leveling off on ebook sales. Everyone was kind of – oh, print's back. It was a challenge, but now it's OK. I love print. So there was that triumphalist return. What I think COVID has done is stopped that in its tracks in many ways. It's sort of slapping the publishers back in the face, saying, you were treating me like a second-class citizen here, and I'm actually right at the head of the class.

KENNEALLY: It's an interesting point. Let's focus on that, that slap in the face. You include some numbers. You're really quite comprehensive in the sources you go to to have as clear a picture of the scene as possible. I understand that ebook sales, at least up to September of 2020, the most recent numbers, were up 22% year over year and 16% year to date. So it's not that publishers have had a change of heart philosophy-wise. They've had a change in the bottom line.

McILROY: Indeed. Those are significant percentage increases. A naysayer could still come back at it and say, well, overall, they're still 25%, let's say, of our sales, and therefore we can continue to deprioritize them in the primary position. But my view is, yes, if you take a snapshot and if it's always that things are going to remain as is, that could be a strategy. But what COVID is telling us that there is a renewal going on in the industry – fortunately, a powerful one. The sales were not decimated. They were, as you noted, stronger.

So it's a great opportunity here to revisit the landscape and say, what is it that we do with physical books, and how has that changed? What is it we do with digital products, with ebooks and audio, and how is that changing? My view is that the future – it's almost a cliché, but the future is once again mastering online marketing, because that's where the growth is going to come from.

KENNEALLY: And publishers should face all those kinds of challenges with some degree of confidence, because after all, 2020 proved they can do some of this and be successful. They were successful at the shift from working in office to working from home. They were reasonably successful with the supply chain challenges that they faced, at least early on in the pandemic. So they can build on those successes.

McILROY: Indeed. Isn't that an enviable position to be in? Because for many industries, they're in very bad shape right now. There have been a large number of bankruptcies, particularly in the retail sector, over the last year that have been tragic and cost a lot of employees their livelihoods. For publishers, they've got this chance again to come up with revitalized strategies.

KENNEALLY: There are some sectors that really are poised for seizing on that opportunity in very important ways. I'm thinking of the educational sector, where you document that



there has been a significant investment made in technology and that that has already begun to bear fruit.

McILROY: Yes, that's another interesting aspect of it. I've worked in different parts of publishing for quite a long time, and I remember a seminar I gave in 1998 to a group of higher education publishers saying here is going digital very rapidly, and you've got to do X, Y, Z. The president of one of the companies that I was lecturing said, Thad, you've got to realize this industry is very conservative and very slow to move. I've seen that over the last 20 years. Indeed, it's a conservative industry. Much of publishing is.

But what that meant is that the digital transformation of both K-12 and higher ed has been, I think, moving along at a relatively leisurely pace. Everyone talks about it as if it was the thing, but you look at it in terms of the financials of these publishers, and it hasn't been the dominant force. But again, a COVID slap saying, hey there, it's a new world in education. How are you going to respond to a digital-first marketplace?

KENNEALLY: And the money is flowing. We have seen, I think you documented, \$803 million invested in the United States by venture capital – that was just for the first half of 2020 – in the ed tech sector. So we could expect that those investors are going to be looking for some strong returns in the next few years.

McILROY: Yes. I think one of the issues that comes up there is like, OK, good news. \$800 million's out there. Bad news is they're not looking at you as the place they want to hand the money to. They're looking for innovative startups. They're not looking for your next innovative idea within a stodgy old player in the market. And while this year, the existing strongest players have enjoyed a real boost in sales, over the next several years, they're going to be up against some tough innovation that they're going to have to match to remain the strong players in the marketplace.

KENNEALLY: How do the existing players take on that innovation challenge? They can try to build it themselves. I suppose the other way of going about it, the obvious one, is to acquire companies. Partnering – collaboration, too, is a benefit.

McILROY: Yeah, I've been watching that, too, for quite some time. Indeed, for the larger players, there have been a lot of acquisitions over the years with the kind of results that you often see when large companies try and gobble up innovative smaller companies. Three years later, everyone's left, and the product is sitting in the back corner. So that innovation really has to come from within. They've got a lot of smart people working at these companies, and they've hired in a lot of strong digital talent. But it's a race to the finish line that some players are already beginning to lose, which is troubling.



KENNEALLY: Indeed. And there's another area of publishing which, as you say, has been kind of the quiet player, the shy partner in all of this, which is academic publishing. But given the highlight – the spotlight, I should say – on research and science that the pandemic has brought, academic publishing, STM publishing, has really stepped to the front and been the really obvious leader in publishing, at least as far as the public is concerned.

McILROY: Yeah, I've enjoyed that perhaps the most of all the changes I've been looking at. It's great when something radical moves into the marketplace. COVID sent out an urgent call for research to be initiated, but the call included not only do you have to find the answers, we need to hear about those answers ASAP. And the academic publishing industry has never been known for quick to market with a new piece of science. It's one year, a year and a half process ordinarily. Now, we're seeing that cut down to weeks in many cases. So again, great shot in the arm to that side of the publishing industry that shows them, oh, we really can do it faster if we do X, Y, Z. There's, again, a reenergization, a rebirth within that marketplace.

KENNEALLY: Again, publishers have a lot to feel proud about, I think, over the last year. Yet they should be concerned, because there are pressures on budgets. There are pressures on research budgets when it comes to academic publishing. There are other economic challenges – general economic challenges that they will have to face. How do you see 2021 in that regard, on the bottom line?

McILROY: A few different things there, Chris. Let's talk about libraries for a moment, because that's sort of an interesting petri dish of all of this. The libraries have in 2020 mostly emerged unscathed with their budgets. They, too, have gone significantly more towards digital than they ever had before. The question moving into 2021 is with all of the ongoing disruption in the economy, are they going to see a significant budget squeeze? On the academic side, will the challenge in enrollments cause a real squeeze on the reference library, academic library side of things? There's these little movements that we have to be watching.

Simultaneously, our overall economy, which is looking like it could have about a 6% growth this year – I'm not convinced of that, because we're still in the midst of this very dark COVID winter – but there, too, if we do get that 6% growth, that's going to be largely a positive figure. If that growth stalls, I don't know what this second year of COVID challenge to publishing is going to bring us.

KENNEALLY: That is sounding a bit grim, but there are, again, patches of light to focus on. One area – you mentioned already about online marketing. I was intrigued with some numbers you shared from the gaming industry. You said that 60% of gamers are playing



more of these so-called multiplayer games, and this social interaction is an important component of the experience there. How can publishers learn from that?

McILROY: It's really amazing to watch what's going on in the gaming industry. It's been there off to the side as an entertainment format that so many of us disdain. I'm not a big video game player. I don't want to be. Yet I realize that as a publishing analyst, I should be paying close attention to what's happening on that side, because it's attracting enormous audiences who are spending enormous amounts of money to participate in different ways, including your multiplayer online or downloads, all kinds of different ways of participating in that side of the marketplace. My general admonition to publishers is take a little time, pay attention, play a few games, see what that's like, and try and think back to your experiences as a publisher and try and find whatever kind of parallels you can see between those two industries.

KENNEALLY: I like that advice. I'm sure some publishers will as well. Play some games! (laughter) But it really does get to a good point, which is that this is a moment for experimentation, for creativity.

And it's important to read your report. We will include a link to the free downloadable report on our website. But I want to ask you the question I'm sure everybody listening is thinking about, too. OK, so that's 2020. What about 2021? What is book publishing going to look like this year?

McILROY: I guess it's going to look like what it looked like last year if we take that point of view of a conservative industry that transforms itself not at a breakneck pace. So there's that way of revisiting the industry.

I'm actually very optimistic. I'm optimistic because of digital, where I spend a lot of my time analyzing the industry, and looking at online marketing. I think the opportunities online remain ginormous, to use that scientific term, where if publishers could really get their heads around the possibilities on an international basis, reaching English as a second language speakers all around the world – there are literally a billion and a half English as a second language speakers outside of North America – there's an untapped market that's only accessible digitally. Well, you can sell a few print books, but essentially it's a digital market that's just waiting for publishers to innovate and reach out to.

KENNEALLY: On that note, we will say thank you very much, indeed, for joining us today on Velocity of Content, Thad McIlroy, coauthor with Cliff Guren and Steven Sieck of *COVID-19 and Book Publishing: Impacts and Insights for 2021*. We will, as I said, have a link to the free downloadable report. Thad McIlroy, thanks so much for joining me today.



McILROY: Thank you, Chris.

KENNEALLY: Velocity of Content is produced by Copyright Clearance Center. Our co-producer and recording engineer is Jeremy Brieske of Burst Marketing. Subscribe to the program wherever you go for podcasts and follow us on Twitter and Facebook. I'm Christopher Kenneally. Thanks for listening and join us again soon on CCC's Velocity of Content podcast.

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