

**EXHIBIT 88**



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## Bucking the Odds

### Indie publishers tap new channels to spur growth

by Jim Milliot | Mar 07, 2005

Hot topic, the rapidly expanding chain store specializing in music and related items for teenagers, is not the typical place Red Wheel/ Weiser sells its books. But the New Age publisher gambled that its *What Is Goth?* would appeal to the store's hip customers, and the gamble paid off. Sales of *Goth* at Hot Topic "gave us some momentum," says Red Wheel president Michael Kerber, and helped create a buzz that spread to traditional bookstores. Red Wheel's experience is just one example where independent publishers have gone outside the mainstream to market their titles. And that multi-channel sales strategy has helped all the indie publishers that are members of this year's fast-growing club combat difficult market conditions to build solid sales gains.

The best way to build a business, says Rudy Shur, founder of Square One Publishers, is to find titles "that straddle both the trade and non-trade markets." Sales through such nontraditional outlets as display marketers and direct-mail companies have been important contributors to the rapid growth of Square One. The biggest sales channel for Interweave Press is craft stores and other specialty retailers, which account for about 46% of the company's total revenue, says publisher Linda Stark. Bookstore accounts have grown steadily over the last three years and now represent about 31% of Interweave's sales. Ronnie Sellers notes that when he began building a book line to complement his calendar business, "the strategy from the beginning was to build distribution in both the book and nonbook trade." Michael Kerber observes that in some major areas, his company's biggest account is a gift store rather than a bookstore. And Barefoot Books has used the party plan approach to broaden its sales avenues, and now has some 200 reps selling books through their homes (see sidebar).

But while publishers agree that selling through as many sales channels as possible is critical to success, they differ on selling directly to consumers through their own Web sites. "It's not worth the effort," Byron Preiss, head of ebooks, says bluntly. Shur certainly agrees, noting he'd rather put his marketing dollars into efforts that "will sell skids of books, not ones and twos." Ronnie Sellers says his company "gets a much better return on our marketing dollars by focusing on selling to the trade than we would by selling directly to consumers via direct mail or the Internet."

Other publishers have shied away from selling directly to consumer online for fear of alienating their retail accounts. Even some publishers that do sell direct say they do so more as a convenience for consumers, rather than an effort at building a major new sales channel. "We sell direct, but we don't push it," says Red Wheel's Kerber. Still, a few publishers report that they have revamped their Web sites with an eye toward sales. Bill Pfau of Inner Traditions/Bear & Co. says a recent Web redesign "makes it easier and more fun [for consumers] to buy from us directly." Web sales now represent about 25% of Inner Traditions' direct-to-consumer sales, and the company still relies heavily on traditional direct marketing approaches, such as catalogues sent to a targeted list.

Increasing direct-to-consumer sales is a major initiative for Quirk Books in 2005, says marketing manager Jason Mitchell. Similar to Inner Traditions' strategy, direct online sales will be only one part of Quirk's d2c efforts, which also include direct-mail and e-mail campaigns. Quirk, too, is revamping its Web site, with improved functionality a top priority. The company hopes an enhanced site will make it easier to build online promotions for titles, as well as boost direct sales.

A multichannel strategy has been the key to success for Square One Publishers, says company founder Rudy Shur. Shur founded Square One in February 2000, three months after selling his former company, Avery Publishing Group, to Penguin. The company specializes in adult nonfiction titles in such niche markets as health, history and writing. The publisher has released five titles in the Square One Writers Guides line, and two more are on the way. The five books already released in its West Point Military History series have been well received, Shur says. Square One's top seller last year was *Talking with Your Hands, Listening with Your Eyes*, a \$26.95 guide to sign language that benefited from sales to colleges. Shur has high hopes in 2005 for *What You Must Know About Statin Drugs*, due out in November with a 25,000-copy printing.

Strong backlist sales combined with a successful new politically oriented line to boost sales by better than 100% at North Atlantic Books/Frog Ltd. in the 2002—2004 period. The new Terra Nova series did well with two titles, *What Does Al Qaeda Want?* and *Abu Ghraib: The Politics of Terror*. A new sports book, *When the Game Stands Tall*, about a California high-school football team, has sold more than 20,000 copies; a paperback edition is due this fall. The publisher also has had a good response to new author Renay Jackson's three urban lit books, topped by *Turf War*, in paperback with about 7,500 copies in print. North Atlantic has built a backlist of 900 titles, and Mark Ouimet, director of sales and marketing, attributed the growth in this area to consumer interest in such areas as alternative health and martial arts. And, of course, the children's book *Walter the Farting Dog* is a perennial bestseller.

Quirk Books was born in 2001 when the packager of the Worst-Case Scenario Survival Handbook series, David Borgenicht, decided to launch his own publishing operation. The company had an immediate hit with *The Action Hero's Handbook*, which sold 112,000 copies in 2002 and has gone on to sell a total of 163,000. A 2003 release, *The Baby Owner's Manual*, has sold 140,000 copies. Quirk's reputation and the distribution muscle of Chronicle Books has helped build Quirk's account base to just under 4,000, with sales spread across a wide variety of outlets. The company's bestseller in 2004 was *Secret Lives of the U.S. Presidents*, which sold 50,000 copies, followed by *The Dog Owner's Manual* (33,000 copies) and *Gnome and Garden* (30,000 copies). Quirk will be entering the fitness segment in 2005 with *The Stuntwoman's Workout Book* and *Yoga for Regular Guys* and will expand its cooking line with *Peanut Butter & Company Cookbook* and *The Field Guide to Meat*.

After a soft 2003, Chelsea Green Publishing Co. came roaring back in 2004 with the best year in its history, led by its biggest book ever, *Don't Think of an Elephant!* The book, a take on how Republicans have used language to shape the political debate, has sold 153,000 copies since its release last summer. Chelsea president and publisher Margo Baldwin credited an e-mail campaign orchestrated by a number of progressive organizations with getting the word out about the title, drawing the attention of independent booksellers and then the national chains. Baldwin expects *Elephant* will continue to sell well in 2005, since author George Lakoff is still making media appearances. In addition to *Elephant*, Baldwin says, Chelsea's turnaround in 2004 was due in part to improved internal operations, which included bringing the company's fulfillment in-house. Baldwin also cut "marginal" titles in 2003, and limited its title output to only five books in the year. Baldwin will continue to grow Chelsea's list in 2005, with plans to publish two books in a new religion series. The company will also publish its first PBS companion book this year, *Edens Lost and Found*, and Baldwin expects solid sales for *Unreasonable Women* by Dianne Wilson, set for release this summer.

The American public's increased interest in crafts has been the catalyst behind the explosive growth at Interweave Press over the past three years. In particular, Interweave's knitting books have done well, with many titles selling more copies in 2004 than when they were first released, says publisher Linda Stark. Such was the case with *The Knitting Companion*, first published in 1996—it sold a record 35,000 copies last year, bringing total in print to about 200,000. A number of Interweave's books are written by its editors, or by staff from one of Interweave's seven craft magazines. Pam Allen, editor of *Interweave Knits*, for example, is the author of *Scarf Style*, which sold 27,000 copies in 2004. The press also uses the magazines to promote its titles, Stark notes. The Hip To series has also done well for Interweave, with *Hip to Crochet* selling 40,000 copies last year. *Hip to Stitch* is set for release this year and *Hip to Beads* is planned for 2006. Beading will be a major focus for Interweave in 2005, says Stark, with seven titles in the works.

A big gain in book sales boosted total revenue at Ronnie Sellers Productions in 2004. Company founder Ronnie Seller boasts that five titles sold more than 20,000 copies last year, including *Cat Naps* and *The Bride's Year Ahead*, with 60,000 and 37,500 copies, respectively. Calendars remain RSP's largest category—sales in that segment increased 16%, spurred by big gains in mini calendars and pocket engagement calendars. Orders from Barnes & Noble and Borders gave a big boost to RSP's boxed note cards and holiday cards last year. Sellers is looking for book sales to increase by more than 80% in 2005. A companion to *The Bride's Year Ahead*, *Mother of the Bride*, has a 15,000-copy first printing, and a similar print run has been set for a humor book, *Biddys*. The

company's big book for the year, however, is likely to be *1001 Golf Holes You Must Play Before You Die*. The first printing of 15,000 copies for the \$35 book sold out, and the company has gone back to press for another 15,000.

Chicago Review Press's purchase of Zephyr Press in 2003 not only brought in additional revenue, it gave the publisher greater access to the educational market through Zephyr's catalogue, which now features some titles from CRP's list. In addition to higher sales to the education market, CRP has increased its publicity efforts to build sales in the trade. Top sellers in 2004 included *Backyard Ballistics*, which sold about 30,000 copies, and *Lewis and Clark for Kids: Their Journey of Discovery with 21 Activities*. CRP has also built a niche in reprinting in trade paper bestselling novels of the 1940s that have fallen out of print. It sold more than 20,000 copies of *Katharine* by Anya Seton last year, reports associate publisher Cynthia Sherry. The company's publicity team is making an all-out effort for its top title this year; *In Plain Sight* by Tom Smart, uncle of the kidnapped Elizabeth Smart, will be released April 18 with a first printing of 20,000 copies.

Easily the most unusual small publisher on this year's list is Arcadia Publishing, which focuses on books on local and regional history and released a whopping 542 titles last year through four offices. Among the surprise bestsellers last year were *Hudson's: Detroit's Legendary Department Store*, which has gone back to press four times and has 5,120 copies print; *San Francisco's Noe Valley* (three trips to press for 3,101 copies) and *Riverview Amusement Park*, which has shipped 3,900 copies after two printings. Marketing director PJ Norlander notes that increasing use of the Internet by older people has helped fuel sales, explaining that many customers who have moved to new locations like to buy books about their hometowns online.

The acquisition of two micro publishers, Phanes Press and Belle Tress Books, plus solid sales from a range of new releases, drove sales at Red Wheel/Weiser in 2004, says president Michael Kerber. Its top new title was *Darkside Zodiac*, which sold more than 20,000 copies, followed by *Dream Big* (10,000 copies) and *What Is Goth?* (9,000 copies). He is very optimistic about 2005, with a number of new titles planned from authors with solid track records. Leading the list are books by Jean Shinoda Bolen (*Urgent Message from Mother*) and Karen Casey (*Change Your Mind and Your Life Will Follow*). "If the stars align," Kerber says, "each book could sell better than 30,000 copies."

With its ability to cash in on exposure from *America's Test Kitchen* television series, no small publisher gets more bang per book than America's Test Kitchen. Although it published only six new titles in 2004, sales topped \$12 million. The revised edition of flagship title *The Best Recipe, The New Best Recipe* sold more than 140,000 copies last year; three other titles in the Best Recipe line also did well. Companion books to the ATK television show sold a total of 130,000 copies. ATK has always augmented sales through retailers with direct-response efforts, and sales through direct mail, online offerings, telemarketing and continuity programs rose to 430,000 units from 398,000 in 2003. Among the new titles planned for 2005 is what the company is calling its most ambitious book project yet: *The America's Test Kitchen Family Cookbook* will feature more than 1,200 recipes and 1,500 color photographs in a ring-bound format.

Book related to topics touched on in *The Da Vinci Code* continued to drive sales at Inner Traditions/Bear & Co. in 2004. *The Women with the Alabaster Jar* continued to do well in 2004, and has now sold more than 115,000 copies, while *The Gospel of Mary Magdalene* is closing in on the 100,000-copy mark. Some newer titles that have gained traction: *The Goddess in the Gospels* (30,000 copies sold), *Magdalene's Lost Legacy* (25,000 copies) and *The Knights Templar in the New World* (16,000 copies). But Inner Traditions is not focused only on the ancient-mystery segment. The company is pushing more into alternative health and has had hits with *The Acid-Alkaline Diet for Optimum Health* and *The Secret Teachings of Plants*, which has sold 15,000 copies since its release in September.

The heart of QuailRidge Press's publishing program is its Best of the Best State Cookbook series. The 41-volume series now covers recipes from all 50 states and sold more than 370,000 units in 2004, says the company's Lisa Flynt. Quail Ridge sells the \$16.95 ring-bound titles through a variety of outlets, ranging from gourmet shops to Cracker Barrel, and is increasing its direct-response efforts. To encourage collecting, the company established the Best of the Month Club several years ago, and sales through the program increased by 40% in the 2002—2004 period.

Ibooks president Byron Preiss attributed gains in 2004 to contributions from a wide range of initiatives. During the year, the company launched the first five books in its children's line, Milk and Cookies Press, and had higher sales in its graphic novel line. The company also saw "significant revenue" from e-book sales in 2004, Preiss says.

Independent publishers, renowned for their ability to ferret out new sales channels, will surely continue to do so. And their larger, corporate brethren—certainly those to whom a 500-outlet chain like Hot Topic is news—might well pay attention.

Publisher	Sales growth 2002—2004	Titles 2002	Titles 2004	Employees 2002	Employees 2004
Square One Publishers Garden City, N.Y.	233%	20	28	7	8
North Atlantic Books/Frogs Ltd Berkeley, Calif.	104%	53	66	15	18
Quirk Books Philadelphia, PA.	88%	7	24	10	18
Chelsea Garden Publishing Co. White River Junction, VT.	87%	15	19	10	13
Interweave Press Loveland, Colo.	80%	19	23	9	14
Ronnie Sellers Productions Portland, Maine	65%	14	30	16	24
Chicago Review Press Chicago	40%	8	10	34	47
Arcadia Publishing Mount Pleasant, S.C.	37%	437	542	55	70
America's Test Kitchen Brookline Village, Mass.	25%	4	6	38	62
Red Wheel/Weiser Boston	22%	19	20	82	63
iBooks New York City	17%	180	200	9	10
Barefoot Books Cambridge, Mass.	17%	76	65	30	26
Inner Traditions, Bear & Co. Washington, D.C.	15%	66	69	32	34
Quail Ridge Press Brandon, MO.	10%	7	10	13	13