

PUBLICATIONS INVENTORY MANAGEMENT STRATEGY

Branch/Section: Publications and Sales & Promotion

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Contents

1.	Introduction	4
2.	Policy Aims	4
3.	Definitions	4
4.	Policy Statement	5
5.	Key Roles and Responsibilities	6
6.	Key Outcome and Output	7
7.	Implementation Process	7
8.	Revision	8
9.	References and Related Documents	8

1. Introduction

1.1 NLA publications align with Strategic Priority 2:

2.3.2 Collaborate with Australia's leading writers and illustrators, to produce high-quality and commercially viable publications that interpret the Library's collection and contribute to the vitality of Australian culture and history.

1.2 The publishing industry and better practice inventory management frameworks recommend a model for inventory management based on a 3–4 year life cycle which includes a specified write-down formula implemented throughout the cycle.

1.3 The frameworks associated with Australian publisher inventory management practices and the content and type of books published by the National Library indicate that the life cycle of a book is 3–4 years.

2. Policy Aims

2.1 This policy aims to provide a framework for, and outline the process of management of, the NLA Publishing inventory.

2.2 This policy details the write-down process undertaken over the life-cycle of a book.

3. Definitions

3.1 NLA publications are classified under three categories.

3.1.1 **Trade titles** comprise approximately 95 per cent of commercial publications produced by the National Library and sold in the general book trade. The life expectancy of these titles is four years.

3.1.2 **Flagship titles** are defined by their initial strong sales and consistent sales history beyond the first six months, combined with their expected ability to sell through the print run.

3.1.3 **Education titles** comprise approximately 5 per cent of commercial publications produced by the National Library and sold in the general trade. These books are differentiated from trade titles as they include:

- titles shortlisted for literary awards and subsequent prize winners;
- and

- books which cover specific aspects of the National Library's collection

Education titles have a life expectancy beyond four years which is decided on a case by case basis.

- 3.2 **Inventory** refers to the physical stock held by the National Library of Australia, which includes quantities held at the NewSouth Books (NLA publications distributor) warehouse.
- 3.3 A **write-down** is the amount at which the current inventory value unit cost is reduced.
- 3.4 A **write-off** is the reduction of the unit cost to zero. This may result in the title being offered to a remainder agent or pulped.
- 3.5 A **remainder book** is a title no longer selling well and is offered to a dealer at a reduced price.

4. Policy Statement

- The Library is required to maintain accurate inventory records. This includes the reconciliation to inventories held by publication distributors at least once a year.
- In the first 12 months following publication of a book, it is expected that 50 per cent or more of the initial print run will be sold.
- The first three months of promotion are crucial to establishing the book in the market place. For lead titles, a publicist is contracted for three months to establish and implement a publicity schedule and liaise with the author, the media and other key stakeholders.
- Marketing strategies in the second and third year of a book's life are focused on offering the book to the general trade at reduced prices to correspond with promotional periods such as Mother's Day, Father's Day and Christmas.
- Remainder and discount options for sale of books are actively explored in the fourth year of the life cycle, or retained beyond this time while further disposal options are investigated.

Books retained in the NLA Publishing inventory shall be managed using the following write-down model:

	Percentage write-down of original amount	Effective percentage write-down based on the revised value
End of Year 1	0%	0%
End of Year 2	25%	25%
End of Year 3	25%	33.33%
End of Year 4	50%	100%

- At the end of the financial year inventory holdings will be assessed and the write-down model above will be implemented.
- Books which are deemed as flagship titles are retained in the inventory at their original unit cost. Sales of these titles are closely monitored to determine if and when the write-down process should commence.
- Books which are deemed as education titles are reviewed as part of the end of financial year process and are assessed on the sales of the current financial year. These titles are retained in the inventory at a unit cost of \$1.00 after the fourth year.
- Books which have been reprinted will commence their life cycle from the first year.
- Once the annual inventory write-down amount has been calculated a minute will be prepared for the delegate's approval (Delegation No 24 as at July 2014).

5. Key Roles and Responsibilities

Publications Committee Provide rigour in the assessment of titles proposed for publication in light of saleability and marketability in the general trade.

Manager, Publications Research and understand market trends for saleability of titles and remain current with changes to publishing trends and industry or market changes.

Manager, Sales & Promotion Identify and monitor titles through the various stages of the life cycle and facilitate the write-down process. Implement marketing strategies for books in the second and third year of the cycle. Negotiate sale of books with remainder agents for written-off books and arrange pulping for excess stock.

Director, As part of the preparation of the financial statements, oversee write-down

Finance and write-off processes, ensuring compliance with Australian Accounting Standards.

Financial Consider requests for approval to write-down and write-off publications stock.

Delegate No

24

6. Key Outcome and Output

- Retain the NLA Publishing inventory at the net realisable value and in keeping with the Finance Minister's Orders of compliance with applicable Australian Accounting Standards, including AASB 102 *Inventories*.
- Improved risk management as inventory levels remain at a financially appropriate level.
- Increased rigour in analysis of stock holding and sales performance.
- Improved framework for financial planning and projection.

7. Implementation Process

Implementation of the Publications Inventory Management Strategy is the responsibility of the Publications and Sales & Promotion and Finance Branches of the National Library. Implementation and methodology is assessed through the National Library's audit schedule.

To manage the publishing life cycle the following processes are in place:

- New titles are considered in light of their saleability and marketability.
- Print runs (including reprints) are determined based on current market trends, interest from the general book trade and school suppliers and the overall value for money for the Library.
- Marketing strategies are prepared for titles which have been approved for publication and are presented to the Publications Committee.
- Review and analysis of titles after the first 12 months of publication are presented to the Publications Committee for comment and include a forward strategy for marketing.
- The Inventory Management write-down framework is part of the end of financial year procedures.

- A detailed marketing plan for backlist titles is developed at the beginning of each financial year.

8. Revision

This policy will be reviewed at least every two years or more frequently if deemed necessary.

9. References and Related Documents

The following documents and/or legislation were considered when developing this policy:

- National Library of Australia Publications Policy
- Australian Accounting Standards
- Ormsby and Carter NLA Publishing Review Document 2014