

Simba Information's 2011 Forecast Snapshot

Introduction

As the leading authority for market intelligence and forecasts in the media industry, Simba Information has strived since 1989 to serve the needs of both traditional and new media organizations with timely news, analysis and exclusive statistics. In an effort to better assist our partners through these tumultuous times, Simba has sampled this expertise and compiled an overview of forecasts and predictions for 2011's markets, from the professional, yellow pages, trade and education book markets—each of which is briefly introduced to ensure at least passing familiarity with the subject at hand.

Business/Professional Books

Simba Information has built a reputation as one of the foremost authorities on the business and professional content arena worldwide. Our *Professional Content Report* newsletter delivers a blend of exclusive industry metrics, analysis and forecasts that help top executives stay one step ahead of their competitors. Through our various research reports, Simba also provides accurate, in-depth analysis of the global trends and market dynamics within the industry, covering aspects from the scientific, technical and medical information markets to legal and business, including the latter's seven major verticals, such as current awareness news & research, financial news & research and credit information services.

M&A Market Expected to be Active in 2011

Analysts are bracing for a robust stretch of deals between 2011 and 2012 after strong merger and acquisition activity and steady deal-making in the online information market throughout 2010.

"We are on the verge of entering a very active time in the mergers and acquisitions market which we have not seen in several years," said Baran Rosen, Whitestone Communications president. "I am very confident that 2011 will be a very strong year."

"We are looking for a very active and positive 2011-2012," speculated Tom O'Connor, managing director of Berkery Noyes, an independent investment bank that provides M&A financial consulting services to middle-market leaders in the global information, media, marketing services and technology industries. "Certain sectors will be more active such as health care and digital media. Overall, I think we will see a lot of niche bolt-on acquisitions."

Simba tracked a number of deals throughout 2010, the largest of which was consummated in June when MSCI Inc., a provider of investment decision support tools to investment institutions, purchased RiskMetrics for \$1.55 billion. The deal combined RiskMetrics' risk advisory content with MSCI's Barra business, which provides risk management and portfolio analysis tools to fund managers for managing equity, fixed income and multi-asset class portfolios.

"The addition of RiskMetrics will only increase the relative weighting of subscription revenue, and the increased diversity of our revenue stream should reduce the volatility," said MSCI CEO Henry Fernandez.

In May, Google made its biggest acquisition with AdMob, a mobile advertising start-up purchase for \$681 million, though it also acquired social networking app developer Slide for \$179 million. Google is committed to invest heavily in new technologies that are expected to enable the company to maintain its lead in the search market and push into new emerging opportunities. According to an SEC filing, the search giant plans to expand into areas other than its mainstay online-advertising business, which accounts for about 97% of Google's revenue. The filing also stated that the company plans to continue investing in systems infrastructure, increase hiring, adjust compensation programs and continue its current pace of acquisitions.

An M&A expert said Google is likely to make some big deals moving forward similar to past acquisitions like the \$1.65 billion YouTube acquisition of 2006 and 2008's \$3.1 billion purchase of DoubleClick. However, Google will also be active in buying cloud-computing companies to build its presence in the cloud-based services industry.

IHS Inc. also had a busy 2010 after it acquired CSM Worldwide in March for \$27 million and Quantitative Micro Software in May for \$40 million. In October, the company acquired Atrion Inc. and Syntex Management Systems Inc. for a combined purchase price of approximately \$80 million. IHS said the acquisitions significantly enhance existing capabilities within the environmental health, safety and sustainability arena by complementing and expanding the company's existing health and safety compliance, product stewardship and incident/crisis management solutions.

Not to be outdone, Morningstar Inc., an independent investment research company, in May acquired the Seeds Group, a leading provider of investment consulting services and fund research in France for an undisclosed amount and Realpoint LLC, a ratings organization that

specializes in structured finance for \$42 million. Morningstar also purchased the annuity intelligence business of Advanced Sales and Marketing Corp. for \$14.1 million in November.

Other deals include the May 2010 purchase of Interactive Data Corp.—a provider of financial market data, analytics and related solutions to financial institutions, active traders and individual investors—by two private equity funds, Warburg Pincus and Silver Lake Partners, for \$3.4 billion in an all-cash transaction.

Infogroup, a data, research and marketing company that offers e-mail and other marketing services, was acquired in March by CCMP Capital Advisors for \$635 million, taking the company private. Infogroup has had its share of troubles in recent years after its founder and former CEO, Vinod Gupta, was found to have been billing personal expenses to the company. Gupta stepped down as CEO in 2008, shortly after he was removed as chairman.

In February 2010, the Financial Times acquired Medley Global Advisors LLC, a premier provider of macro policy intelligence to the world's top investment banks, hedge funds and asset managers. The acquisition strengthens the FT's position as a leader in financial information services geared toward major global financial institutions and asset managers.

For More Information...

Professional Content Report, spiritual successor to both *Professional Publishing Report* and *Electronic Information Report* and updated continuously at Professional Content Report.com, is essential reading for all those who need to keep up to date on the latest developments in professional publishing, scholarly and research communications, as well as technology's impact on information delivery.

Global Science, Technical and Medical (STM) Publishing 2009-2010 provides a comprehensive overview and financial outlook for the global scientific, technical and medical publishing markets, segmented by content delivery channels including books, journals, directories, online services, newsletters/looseleaves, audio, video and CD-ROM.

Global Professional Publishing 2009-2010 provides an overview and financial outlook for the \$28 billion global market for legal, business, scientific, technical and medical publishing and uncovers trends including the transition of print into electronic publishing, the impact of the open access movement and the protection of copyrights in the digital age.

STM Online Services Market 2009-2010 breaks the A&I/Online Services market into four segments, including abstracting & indexing services, content providers, healthcare software services and health science market research, and provides revenue estimates for STM competitor products and services in those segments.

Trade Books

There's no better source for information on the trade book publishing industry than Simba Information, whose analysts have been gathering news and providing perspective specifically on events impacting the trade book market for more than 35 years—making us the industry's foremost independent, objective authority.

Our monthly *Book Publishing Report* newsletter is a touchstone to the inner workings of trade publishing houses large and small, with insights into the latest trends in book marketing and retailing. For even greater depth and perspective, Simba publishes research reports and white papers that provide strategic business information on various niches in the trade book market, as well as a comprehensive annual overview of the market.

Predicting the Top Three Publishing Regrets of 2011

This is the time when every industry pundit worth their weight in unread ARCs makes some predictions for the new year. Mostly the predictions are safe, dull and impossible to verify. Of course, much of the narrative concerning the e-book segment has been about what the market is going to become rather than what it is currently anyway so we're not going to see the coverage of that space change much. In publishing, every day is the dawn of a new era.

In anticipation of 2011 flying by as rapidly as 2010, we present our forecasts of what the industry will wish we had done instead of what we think is going to happen.

Publishers Will Wish They Windowed E-Books from Print Releases

Every chunk of data that comes into Simba's Stamford office shows how much e-books are growing. While some of that truly does come from new consumers who buy and read books when they may not otherwise, most of the 'growth' is simply being reallocated from hardcover books. When looking at the last two years' worth of Association of American Publisher's statistics and Experian Simmons figures, one can't help wondering how closely linked the decline of the hardcover book and the growth of e-books are.

Some publishers insist they shouldn't alienate e-book readers by windowing the digital version. But that mentality is like movie producers releasing a \$10 DVD of *Harry Potter and the Half-Blood Prince Pt. 1* at the same time the movie is in theaters so as not to alienate people who own DVD players. Windowing media products, particularly when the two forms of media are such wildly different prices, gives consumers a choice of yeses—how many times have you driven by a movie theater, looked at a title on the marquee and thought to yourself you'd wait for the DVD?

But entities like Amazon wanted their \$9.99 e-books to be released around the same time as the \$24.99 hardcover. It doesn't take a rocket scientist to realize an exodus from print would be inevitable and all of the 'revenue reallocation' would be interpreted as 'growth.' Newspapers that are drowning in red ink know a free or cheap digital product gives consumers a disincentive to value the physical product. 2011 may be the year book publishers figure that out too.

(In case you're wondering, Simba asked a group of Kindle owners how they felt about the availability and prices of books and the responses basically boiled down to: 'sell me the book that I want at the price that I want or else... *I'll buy some other book.*' If publishers want to window and don't patronize or shortchange the e-book consumer if they do so, everyone has a chance to walk away happy.)

We're Going to Wish Barnes & Noble Didn't Have LendMe

There are a lot of things to like about Barnes & Noble's push into e-reading, but there's one thing difficult to understand: the lending feature. *Book Publishing Report* didn't like it from the beginning and we don't like it now. The reason is simple: when looking at the six billion dollars or so that have been shed from the music industry over the last decade, it's impossible not to cringe at the innocent-sounding concept of 'sharing' as it relates to digital media. As good as LendMe's intentions are, it represents a can of worms that never should have been opened. The value proposition of an e-book doesn't have to match that of a physical book and vice versa (read that again; it's that important).

A *BPR* editor may very well loan a physical copy of his/her favorite nonfiction book, *The Great Escape* by Paul Brickhill, to a subscriber. Under the unspoken terms of a loan, it will be expected that person will take care of the book and eventually give it back. But when those two parts are taken out of a digital e-book lending transaction, there's nothing to prevent 'sharing' on an organized, faceless, 'I'll-loan-you-X-if-you-loan-me-Y' level. As we've known by studying the effects of free e-books for our *Trade E-Book Publishing* report series, consumers have a funny way of always seeking out free stuff and thinking nothing of it. Remember: it wasn't piracy that brought down the music industry, but rather *culturalized* piracy.

There are ways to 'share' e-books without actually sharing them. Imagine something like a 'member's widget': if an e-book reader puts a retailer-made link to books they like on their social networking home page and another user buys that book from the retailer through that link, how about kicking tangible rewards their way? A system like that would create an incentive for anyone to spread the word about e-books rather than aiding and abetting a culture of free.

We'll Wish We Weren't Defensive about Our Identity

Technology has evolved over the years to accommodate most media. But for whatever reason, books are expected to evolve to accommodate technology. Add a video here. Put a link to the interactive game there. Add a social networking function. All these things are critical when it comes to promoting a lot of books, but when one piles on all the technological goodies, we're almost afraid to use the word "book" or, even worse, "reading" when describing the finished product and how to use it.

We're also faced with Barnes & Noble and Borders placing e-readers so close to the front of the store it's harder to see the books, and the bookstore chains themselves seem to be changing inventory into a bewildering "Books, Bath & Beyond" configuration. To paraphrase a Demetri Martin joke: the mystery section is getting really hard to find.

2011 will be the year the industry will realize it can evolve without shrinking (not growing; shrinking) into something it isn't or abandoning things that work, have purpose and have value. Children's e-books? They're great, but a 13-month-old kid spitting up on and throwing around an iPad isn't, so we'd better buy some print titles for him too. Downloading a book through the walls of an airport? Sounds great, but most people carry around enough gadgets and print books don't need a charger. Buy a tablet computer and have 'more books than you could ever read in a lifetime'? We already have that through our library and can ask our local bookstore what's worth my money.

Welcome to 2011. Let's try to regret as little as possible.

For More Information...

Book Publishing Report has provided insight into the business of trade book publishing for 35 years and is continuously updated at BookPublishingReport.com. It's highly focused, 12-page monthly format covers the deals, financials, bestsellers, legal developments, technological issues, distribution, retailing and people affecting the industry year-in and year-out.

Business of Consumer Book Publishing 2010 includes a multi-year analysis of three major bestseller lists and contains in-depth profiles of the twenty leading publishers and a five-year statistical growth evaluation of seventeen major subject categories.

Trade E-Book Publishing 2010 includes Simba's exclusive survey of U.S. adult e-book and device buyers, identifying age, gender, household income, education level, average number of e-books read, preferred format and more.

Children's Publishing Market Forecast 2011 details the direction of the children's book market through 2011 with five-year trends for fifteen major juvenile categories and extensive company profiles, as well as exclusive survey results from independent and big-box retailers.

Yellow Pages

Simba Information is the pre-eminent source for facts and figures that define the lucrative yellow pages directory publishing market. For more than 25 years, Simba has been delivering news and analysis through its biweekly newsletter, *Yellow Pages & Directory Report*, and a host of companion research reports, including the original landmark study of worldwide yellow pages publishing markets. Each of these offers a comprehensive overview of the yellow pages market as well as strategic business information on independent yellow pages publishers and the market for online yellow pages products.

Environmental Battles in Yellow Pages Market Continues in 2011

In the midst of a hard battle, the yellow pages industry finds itself on its heels with yet another legislative effort to ban the delivery of unwanted yellow pages directories looming ahead.

San Francisco is the latest city to join the fight when it introduced to its Board of Supervisors on Feb. 1 an environmental legislation aimed at banning the distribution of yellow pages directories to households or businesses without prior approval. The legislation, which was proposed by Board of Supervisors president David Chiu, carries a \$500 fine for every unsolicited book delivered in San Francisco. If the proposal is enacted into law, yellow pages publishers would be required to receive advanced permission to deliver a directory at locations in San Francisco by contacting consumers by e-mail, direct mail, phone solicitations or in person. White page directories are not included in the legislation.

Neg Norton, the president of the Yellow Pages Association (Berkeley Heights, N.J.), said a ban on distribution of yellow pages violates the First Amendment, which prohibits government licensing or advance approval of the press. He said the proposal could also have a negative impact on San Francisco because the industry employs thousands in California.

"We are currently reviewing our options in San Francisco and hope to continue dialogue with the Board of Supervisors to find a fair solution that meets the city's objectives," Norton said in a prepared statement. "In the meantime, we are committed to honoring delivery requests from consumers immediately. San Francisco residents can visit www.yellowpagesoptout.com to choose which directories they receive or stop delivery altogether."

The San Francisco proposal is the second major legislation aimed at yellow pages publishers to surface within the last few months. Seattle passed legislation in October that became law Jan. 1 requiring a licensing fee of \$100 per publisher annually on April 1; publishers must submit annual reports on quantities of books published the previous calendar year; publishers must obtain 30 days prior to distribution an opt-out list maintained by the city; publishers are subject to a \$125 per book fine for distributing books to addresses on the

list; publishers pay 14 cents for each yellow pages book distributed and \$148 per ton for directories distributed.

Seattle's City Council eliminated the \$148 per ton fee in late January after two RBOCs—Dex One (Cary, N.C.) and SuperMedia (Dallas)—and the YPA filed a motion for summary judgment in the lawsuit against the city of Seattle. The suit challenges the ordinance as a restriction on the publishers' free speech rights and discrimination against the yellow pages industry.

Efforts to Quell Outside Regulation

Endeavoring to self-regulate, the yellow pages industry launched its redesigned online opt-out Web site (yellowpagesoptout.com) on Feb. 1 into a central site where consumers can opt-out of delivery and adjust the number of books delivered to their homes, according to a joint announcement from the two associations.

The site, launched in the fall of 2009 by the Yellow Pages Association (Berkeley Heights, N.J.) and the Association of Directory Publishers (Traverse City, Mich.), previously provided information for consumers on how to opt-out of delivery with individual publishers in their areas. The upgraded site allows consumers to opt-out of directories in their area on the Web site rather than dealing with individual publishers.

"Our industry is taking a giant leap forward today by launching a clearinghouse site for consumers to control the delivery of directories," said Neg Norton, president of YPA, in a prepared statement. "The site, supported by directory publishers across the country, illustrates our ongoing commitment to not delivering a directory to someone who doesn't want one."

Larry Angove, president of the ADP, said research supports the claim consumers continue to use print directories as important tools for searching for local information. "We believe it is equally important to provide a simple solution for consumers who only want a certain directory or feel they can do without a directory," Angove said in a prepared statement.

The site includes a simple mechanism that allows consumers to stop delivery of some or all directories to their homes and has information on scheduled deliveries to help consumers make decisions. The selections are confirmed by e-mail by the associations.

The online opt-out site is the result of confrontations, lawsuits and dialogue between the yellow pages industry and environmental groups that began in earnest in early 2007 when a bill was introduced in the North Carolina senate calling for yellow pages publishers to print opt-out requirements on their phone books. Although the bill died in committee, it sparked conversations and disagreements between the groups, resulting in the Produce Stewardship Institute (Boston) holding dialogue meetings to try and iron out the differences.

Following two dialogue meetings with PSI, the YPA and the ADP announced they had reached an agreement to jointly establish industry-wide environmental guidelines including offering customers an opt-out provision, production standards and the development of a “best-practices” approach to recycling.

In an effort to prevent a patchwork of yellow pages environmental guidelines in 50 states, the YPA and ADP issued joint industry-wide environmental guidelines in late January 2008 calling for members of both associations to commit to the implementation of self-regulatory provisions. The self-regulation provisions are source reductions, which include opt-out measures, environmentally friendly manufacturing practices and support for recycling efforts.

A majority of yellow pages publishers accepted the proposal and the trade associations launched its online opt-out web site (www.yellowpagesoptout.com) in early 2009.

For More Information...

Yellow Pages & Directory Report has been the leading independent source of timely news and objective analysis on the yellow pages industry for over 25 years, delivering breaking stories about key mergers & acquisitions; expansion efforts and new releases; financial results at top companies; new sales contracts; and management changes and is now continuously updated at YellowPagesandDirectoryReport.com.

Yellow Pages Market Forecast 2010, Simba's premier market analysis on the yellow pages industry, examines every segment of the market, including RBOC publishers, independent Telco publishers, independent publishers, printers and industry suppliers.

U.S. Online Yellow Pages Market 2009-2012 reports on the state of the online yellow pages industry in 2009 and makes projections through 2012, offering an exclusive perspective on how yellow pages publishers need to position themselves for future growth in the dynamic online medium.

Top 20 U.S. Yellow Pages Markets 2010-2011, a source for reliable insight into the yellow page metro markets, which experienced an average online revenue growth of 24.6% in 2010, this report covers rates and trends, the collapse of syndicated usage research, as well as a profile of the Spanish-language directory.

Education

Since 1969, Simba's *Educational Marketer* and related business intelligence reports as well as the newer *Electronic Education Report* have delivered metrics and analysis deemed critical by top executives in the textbook publishing market to understand the demand for

print instruction and electronic media in PreK-12 schools. The two combined represent the most-trusted source for the highly competitive \$3.5 billion college publishing industry and include insight into academic testing, professional development trends and current marketing strategies.

The 2011 Education Realm at a Glance

Disruption in PreK-12 Market Continues in 2011

The PreK-12 market is in a state of flux with several disruptive forces, including the economy and technology, at work as 2011 gets under way, creating fluid conditions in the school market and the need for nimbleness within the industry.

On the policy level, reauthorization of the Elementary and Secondary School Act remains very much in discussion with the final form still to be worked out. Meanwhile, state implementation of the widely adopted Common Core State Standards is getting under way adding to the disruption in the market.

The 2010-2011 academic year is being devoted to planning; new common assessments are due for implementation in 2014-2015. The period in between will be one of transition as states implement the new standards and new curriculum at different rates.

The pace of the economic recovery, federal funding for education and the ability of states and local governments to pay for education will have much to do with the pace of transition.

Digital Disruption

It is hard to argue that technology will not be at least as disruptive a force as the economy in 2011. Certainly, though, print will continue to play a role. There are plans for print textbooks, as well as digital texts, "as far out as anyone is willing to talk about it," Jacques Driscoll, CEO of Six Red Marbles, which recently merged with fellow development house Brown Publishing Network, told *EM*.

That is not as true with supplemental materials, where going digital is the mantra, he said. In fact, digital is central to discussions of curriculum development.

"Everything is moving toward digital," Driscoll said. "Every new project is digital. Print is not going away, but digital is a huge, huge part of it."

iPad initiatives are proliferating in school districts, and there is strong interest in other handheld devices—Rupert Murdoch's News Corp.'s recent \$360 million cash acquisition of Wireless Generation, a provider of handheld assessment tools and services, is a prime example.

Behind the move to digital is strong support for technology in federal policy, and in state capitals, as well as a desire among educators to personalize instruction and for more efficiency by almost everyone. These trends are expected to continue to infuse the conversation and activity in the PreK12 market in 2011 and beyond.

Digital Momentum Grows in Colleges as Distribution Shifts

Digital and distribution are shaping up as the watchwords of 2011 in the higher education market, as college publishers regroup and refocus their energies, in some cases—such as with Pearson—repositioning themselves within the market.

Clearly, the momentum in digital textbooks and course materials gathered steam in 2010, and that momentum is expected to grow through 2011 as the digital transition continues to unfold. Many industry observers expect the explosion in tablets and smart phones to power the move to digital, driving demand in e-textbooks, digital course materials and tools.

College publishers like McGraw-Hill and John Wiley & Sons have reported repeated double-digit growth in digital offerings. And, sales of digital offerings are cresting the crucial double-digit threshold in terms of share of revenue, demonstrating the tenacity of the trend to digital.

Moreover, beyond digital texts and apps, platforms—both publisher-supported and independent systems—have become a key medium for increasing the interaction of content and service providers with instructors and students, fostering new businesses in the college space and the repositioning of traditional publishers.

Changing Distribution Models

Through CourseSmart, publishers several years ago began shaking up traditional models of distribution for college textbooks with the online sampling service.

While that model has gained traction, textbook rental programs exploded in popularity in 2010 and 2011 will be the test of how strong the rental legs are for both online rental and campus rental programs. As textbook wholesaler Nebraska Books has noted, textbook rental programs grew faster and snared more market share (upwards of 10%) over a shorter period of time than e-textbooks.

The apparent popularity of rental programs—primarily in print textbooks—points to an ongoing trend: the continued preference for print textbooks. Initiatives to ignite use of free or low-cost open-source content will continue and certainly more content will move to digital formats in the coming years.

In fact, the most recent student survey, released by the Book Industry Study Group in January 2011 showed that about 12% of students surveyed—mostly males and often MBA students or distance learners—preferred e-textbooks. Online supplemental materials, particularly quizzes, were prized by students.

Still, 75% of surveyed students said they prefer print textbooks, a response rate that has held steady in recent years through several different surveys.

Dynamic Market

Clearly change is in the air. Over the next several years the format and delivery of content will continue to evolve.

With two years of solid revenue growth behind it, the industry can look forward to more growth in 2011. How much will depend on how public college systems weather another year of budgetary pressures and how much the student enrollment growth rate slows.

For More Information...

Educational Marketer has been the pre-eminent source of business news and analysis for educational publishing and marketing for over 40 years and is now updated continuously at EducationalMarketer.net, delivering alerts to upcoming adoptions, mergers and acquisitions intelligence, and tested success strategies for PreK-12 and college markets.

For nearly 20 years, top executives and decision-makers have relied on ***Electronic Education Report***, as well as its now continuously updated ElectronicEducationReport.com to consistently deliver critical news and informed perspective on the K-12 electronic instructional materials market. Each issue contains insights into the current opportunities and challenges facing instructional software providers, as well as relevant analysis of emergent technologies.

Publishing for the PreK-12 Market 2010-2011, the premier source for expert analysis on the highly competitive \$8 billion-plus PreK-12 school market, this report provides market size projections given through 2013, which are broken up by media segment, including textbooks, courseware, supplemental materials, tests, manipulatives, magazines, video and trade books.

Going Mobile in the PreK-12 School Market 2011 provides crucial business and market intelligence on the mobile technologies segment of the school market, including a survey of use and implementation by grade level of mobile technologies ranging from laptops and tablet computers to smartphones and personal digital assistants.

K-12 Testing Market Forecast 2011 delivers a comprehensive overview of statewide, district and classroom testing, with a specific focus on the shifting testing landscape as a result of policy changes and progress in the drive to move testing online.