



February 2007

### FEBRUARY 14 Meeting

#### Everyone Loves Money ♥



Join us on Valentine's Day for a meeting on an irresistible topic — MONEY. We'll discuss how to collect it when selling your book, how to manage it with the help of your small business banker, how to keep track of what you do with it and more. It's a perfect evening to bring all your questions!

This month's panel includes a trio of financial experts who will explain how to accept credit card payments and answer all your questions about the banking and accounting needs of your small business. Learn about business checking accounts and what is new in credit card technology. Learn the importance of recording keeping, whether you or your accountant keeps your financial books in order.

**Tom Hardin**, of **Merchant Processing Associates** will discuss ways to accept credit card payments for your book sales. Tom has been associated with credit cards since their beginning in St. Louis, working for IBM and with the predecessor to MasterCard in St. Louis. Tom has developed an advisory service, **Merchant Processing Associates**, to find the best services and lowest costs, including discount rates, for

*continued on next page*

### Feature Article ▶ By Marion Gropen

#### What Publishers Need To Know About Accounting and Finance

How big is your operation? How big do you want to get? The more ambitious you are, the more you will need to know in order to accomplish your goals.

##### 💡 **Even the smallest publisher needs to know:**

- Basic accounting terms\*
- How to compute the variable and fixed costs associated with each book,
- What return rates are common in your part of the market,
- How to track the money due from each customer, and
- How to collect that money.

The larger your company gets, the more you can benefit from additional knowledge.

##### 💡 **More sophisticated topics and models include:**

- Multi-tiered inventory tracking,
- P&L projection,
- What-if scenarios for every title at key points in the life-cycle from acquisition onward,
- Departmental expense analysis,
- Editor by editor operating margin analysis, and
- Tracking profitability by sales channel.

The least expensive way to accumulate this knowledge is to buy and read books on the topic. Books on publishing finance aren't easy to find, but general business finance can be useful, when you combine the information with some knowledge of the industry.

Seminars and courses are another way to improve your skills. You might consider courses at various universities' extension programs. NYU and Stanford both have good programs training budding publishers, for example. Another option is to take seminars or classes from private sources, such as PMA or SPAN's annual conferences, or the monthly meetings of the SLPA. Many individual consultants also offer inexpensive courses as part of their product mix.

If you want a jumpstart that is both quick and free, you may wish to consult other articles online (See the Reference Desk on Marion Gropen's site [www.gropenassoc.com](http://www.gropenassoc.com) for an assortment, and for a web directory pointing the way to more.)

*continued on next page*

### In This Issue




- 1 February Meeting: Everyone Loves Money
- 1 What Publishers Need To Know About Accounting and Finance by Marion Gropen
- 2 Resource Spotlight: Marion Gropen, MBA, on Finances
- 3 How to start your home business and stay out of trouble by Linda Austin
- 4 President's Corner by Bob Baker
- 5 Do It Yourself or Hire Someone Else? by Marion Gropen
- 5 Setting a Price for Your Book by Marion Gropen
- 6 Great product of the month
- 7 SLPA News Briefs

merchants and the best processing partners for banks and their commercial clients.

**Susan Whinnery, Assistant Vice President, Superior Bank** will discuss banking needs for small businesses. Banker by day, book publisher by night, Susan works on both sides of the fence when it comes to small business accounts. She knows the requirements of opening and maintaining small business accounts intimately. By day she explains government regulations, select best suited business accounts for her customers, and help them better understand the back office operations. At night, she is busy with her own business account record keeping. In 2004 she became a self publisher with her first title, *Luke Carter and the Sword of Kings*. (You can read some of the book at [www.lukecarter.com](http://www.lukecarter.com)).


**Bette J. Welch, Certified Public Accountant** will answer your small business accounting questions. Bette has been a practicing CPA since 1987 and has over twenty-years experience in public accounting. Her expertise is in providing accounting, tax and consulting services to nonprofit organizations and entrepreneurial businesses. In addition, she has extensive experience in cash management, budgeting and forecasting and profit improvement.

It may not seem like the most romantic way to spend Valentine's Day, but you'll be able to dazzle your loved one with your new financial savvy. (Besides, it's easier to get dinner reservations on another night anyway!)

**Join us at our lovely new meeting location at The Lodge at Des Peres!** 1050 Des Peres Road, Des Peres, Mo 63131. Doors open for networking at 6:30 PM, meeting begins at 7:00 PM. The formal meeting concludes around 8:30 with networking continuing after the meeting. 



### What Publishers Need To Know... *continued*

\* For a regularly updated glossary of basic accounting terms, see: [www.gropenassoc.com/articles/AccountingGlossary.htm](http://www.gropenassoc.com/articles/AccountingGlossary.htm) 

Marion Gropen helps publishers turn problems into profits with her consulting-by-the-question, classes on-line and in-person, and downloadable products. You can find out more about her in our guest expert interview this month, or at her website, [www.GropenAssoc.com](http://www.GropenAssoc.com).

## Marion Gropen, MBA

This month's issue discusses the financial side of your publishing business and we're pleased to share several articles from Marion Gropen, an expert in Finance and Accounting for publishers. If you frequent the Self-Publishing and Pub-Forum email communities, you'll recognize her name, as she volunteers as a co-moderator for both these groups. The information in these articles is also presented on her website to complement the consulting services offered by Marion's company. (It's a great example of how to do this!) And it's a good complement to the financial information that will be presented at the February meeting by our panel of financial experts.

We hope you'll enjoy Marion's articles and if you've never visited her site, do it now! You'll want to bookmark it as a great resource. [www.gropenassoc.com](http://www.gropenassoc.com) And now, an interview with her:

**SLPA:** *Your information is often dense with detail. Where and how did you learn it?*

**MG:** Most of my work is based on the 13 years I worked inside publishing houses. The first 5 were spent in a small unit of Simon & Schuster. The last 8 of those years, I was the executive in charge of finance, accounting and operations for Kodansha America. Kodansha is Japan's largest publisher, as big as any US house, but here we were only mid-sized, with \$5 to 10 million/year in sales.

I also learned an enormous amount in my MBA, but it wouldn't be very useful unless paired with and grounded in the challenges I faced in the real world. For example, during my time at Kodansha, I faced a number of major changes such as supporting the success of a surprise bestseller, and then cleaning up the aftermath, as well as switching exclusive distributors, selecting and implementing a new accounting system, and a major personnel re-organization.

**SLPA:** *What made you decide to go into consulting?*

**MG:** During my time in-house, I frequently lamented the lack of financial information and tools available for small presses. Eventually, the time was right to put my words into practice. With the continuing consolidation of large presses, I feel that small houses are crucial to the health of our intellectual environment. And last, but never least, small presses are more fun!

**SLPA:** *What has been the biggest challenge?*

**MG:** In the traditional model of consulting, this work just can't be done for a price that the small publisher can pay.

*continued on page 6*

## Start your home business and stay out of trouble

If you are a self-publisher, you are a business owner. **You will need to be registered in your state, county and town.**

The first order of business is to get a business name – either your own real name or a fictitious one. In order to create a “fictitious” or “DBA” (Doing Business As) company name, you can go online to your state’s Secretary of State website to find the Registration of Fictitious Name form. A small filing fee will be charged. There should be a “Businesses” website button to help you find information about starting a business in your state.

You will be able to search a database for company names registered in the state, which can help you in your choice of names. Considering that you will also need a website and business email address, you will want to coordinate these three items. **Do your research on company, domain, and email addresses available BEFORE registering your DBA.** Consider carefully whether you’d like to base your company name on your book, or whether a more generic name is preferable in the event you write more books in the future or take on the publishing of other people’s books. Do an internet search on your potential company name to see what else pops up – you don’t want items of “questionable taste” appearing along with your company name. A name is of no small importance!


Once you have received a paper acknowledgement of your name registration, you can take that to the bank to open a business checking account. If you are a sole proprietor (sole owner), as most self-publishers are, you will use your social security number as your Tax ID number, also called an EIN (Employer ID Number). Even if you are a sole proprietor, you may have your spouse sign to be allowed access to your account (just in case). If you are a partnership (or corporation), you will have to file with the Federal Internal Revenue Service to get an EIN. A tax ID number is required to open your business checking account.

Next you will have to register and be licensed with the town or city you reside in. A fee will be charged. To operate your business from your home, another form will be required at your city hall; if you live in an unincorporated area, check with the county Department of Public Works for rules and regulations. Each year your town will send you a renewal of license form where you will report your gross earnings and pay tax.

You will need a tax ID number from your state. A form is downloadable from your state’s Department of Revenue website and may require a bond, either with a credit card if filing online or with a money order by mail. The bond is returnable after a specified number of years. Each year, then, your state will send you a Sales Tax Return form to complete stating your gross sales (total sales minus sales tax) at each location within your state where you have collected book sales money. Sales tax rates per location are available through tax tables on the DOR website.

Once you have your State Tax ID Number, you will be able to complete an Application for Merchant License/Business Personal Property Registration for your county Department of Revenue. You will find this form online at your county’s DOR website. This requires a minimal fee. From then on, each year you will receive a personal property tax form to complete and later be sent an invoice for taxes to be paid, which will include a small annual fee to renew your Merchant’s License.

By now your head may be spinning with all the registrations and yearly forms required to have your own business, but you’ll get the hang of it. **Keep good records and save copies of the forms you complete while noting payment and mailing date so you can refer back to them if necessary.** It pays to keep a list of annual filings required and dates due... if by chance you do not receive any of the forms through the mail, call the appropriate government department. If you are delinquent in your payments for any reason, you will be blamed and pay the late fee.

Hopefully you know how to keep records and organize your information using your home computer and a good paper filing system. If you are dazed and confused, run – don’t walk – to the February 14th SLPA meeting “Everyone Loves Money.” 

Linda Austin is SLPA’s Assistant Membership Coordinator. She is also the Co-Author of *Cherry Blossoms in Twilight*, *Memories of a Japanese Girl*, which provides a fascinating look into a pivotal era in history by sharing the life story of her mother, a Japanese girl who marries an American soldier and moves with him to the US after WWII to begin married life in a new country. [www.moonbridgebooks.com](http://www.moonbridgebooks.com)

### Where can I go to convert my 10-digit ISBN to a 13-digit ISBN?

**ISBN.org** provides an ISBN-13 Online Converter. In addition to converting ISBNs one at a time, this site also provides information on converting batches of ISBNs.

## Attack of the Self-Publishing Naysayers

It was déjà vu all over again. Less than a week after launching my new blog at **FullTimeAuthor.com**, a couple of traditional publishing purists (including a New York Times best-selling author) posted comments about the pitfalls of self-publishing. I've heard this well-intentioned but misguided advice before.

Brace yourself, because when you take an independent approach to being an author, you'll encounter these naysayers at many points along your journey. There are far too many authors who buy into self-defeating beliefs about their ability to successfully publish a book on their own -- and I feel compelled to offer an alternative view. Here are three common self-publishing bits of wisdom you'll hear, along with my take on each:

**Self-publishing has a poor reputation in the industry. Booksellers often assume that self-published books aren't worth reading, let alone stocking in their stores.**

This line of thinking presupposes that authors should give a damn about what booksellers think of their books. As self-publishing guru Dan Poynter says, "Bookstores are lousy places to sell books." I've been a full-time self-published author for three years, and I've never concerned myself with retailers or what industry people think. My only concern from day one has been what readers think of my book. And guess what? They don't care who put out your book. They only care what benefit it delivers for them.

When was the last time you heard a friend say, "I wonder what new books Random House put out this month?" Probably never. But you have heard, "I wonder when Stephen King's new book will be out?" Why? Because people buy books based on the author and/or what the content promises to deliver. In fact, I'll bet that 99.9% of Stephen King's fans couldn't tell you who publishes his books. They don't care. Stop obsessing about booksellers and the industry. And start putting a focus on readers and fans!

Another important thing: This negative self-publishing stigma is outdated and quickly eroding. It's a new world. Wake up and smell the megapixels. Indie music is huge, indie films are all the rage, and indie publishing is catching up too. Don't be left behind with an antiquated belief system. If someone you encounter has a problem with your book because it was primarily produced by you, don't waste your time with them. Move along to the next opportunity, because there are plenty of them out there.

**Beware. There are a lot of unscrupulous companies that prey on self-published authors, selling them services that do little or nothing to sell their books.**

True. There are a number of "publishing" companies out there that do more harm than good when it comes to getting an author's work into the world. There are also a lot of unethical car salesman in the world, but that doesn't mean I won't drive because of it.

I would rarely advocate that someone use what I call a "service provider, book packager" publisher. These companies make money selling services to authors, NOT selling books. If you just want a one-stop source to get your book printed and you can live with ridiculously high per-book "author prices" that won't allow you to make much money, then one of these services might work for you.

But if you truly want to self-publish, that means you "do it yourself." You form your own publishing company (which really isn't that complicated), purchase your own set of ISBNs, shop for and hire your own designer, editor, printer, etc.

**Self-publishing takes quite a lot of work.**

Yup. And so does chasing down literary agents and publishers, writing book proposals, battling with publishers who don't live up to their promotion promises, etc. Publishing your own book is hard work. Anything in life worth doing takes time, energy and effort. So I'm not getting out my violin just yet.

Don't get me wrong. I'm not trying to artificially pump up would-be authors with empty positive thinking. But I refuse to join in the self-publishing doom-and-gloom chorus. I agree that, with the ease of putting out a book these days, there's a lot of crap in the pipeline. Yes, it's a noisy marketplace. Yes, it's rare for an author of any type (traditional or self-published) to make enough money to live off of. Yada yada yada. The same can be said for any industry.

Here's what I prefer to focus on: There are independently published voices that have something to say, that break through the clutter, that achieve impressive levels of success. Why discourage someone from taking that leap and giving it their best shot? This is obviously a topic I'm passionate about. I hope my little rant here inspires you to at least think differently about your role as an author and your rightful place in the indie book world.



To your publishing success! 📖

Bob Baker  
president@stlouispublishers.org



## Do It Yourself or Hire Someone Else?

When you think about whether to hire an outside expert, such as a cover designer, consider these things, among others:

- Will your results be as good as those of an experienced, educated specialist?
- Are you objective enough about your own work to obtain that result?
- How long will it take you to achieve a result that meets your required standard?
- What else could you do/sell/make with that time and money? (This is the opportunity cost concept.)
- How important to you is it that you retain complete, personal control over your project?
- Will retaining this hands-on control limit your company's growth? Are you willing to accept those limits?

Professional results are more important for books that come from small presses, than for the books coming from larger companies. If you want to get past the gatekeepers and into traditional book distribution channels, your book must proclaim its quality in every aspect.

Objectivity is particularly difficult when you are trying to assess the results of your own labors. If you think that you can be objective, you may be right. On the other hand, I have certainly known plenty of editors that could not edit their own work, etc. Many of them thought that they could. Are you sure that you are exceptional in this regard?

The time required for a relative novice to accomplish a professional result is usually longer than for someone with many years of practice. This is obvious. The implication that you can afford to pay a professional more per hour to do it than you would pay yourself, and still come out ahead is frequently missed.

Many publishers have a great deal of experience in one or two of the disciplines necessary to publish successfully, but very little in other areas. It can take quite some time to learn what you need to know to produce a creditable result. This may be a good investment if you are planning on producing many titles, and if you are planning to be "hands-on" for all of them.

Opportunity costs are particularly easy to neglect, because you aren't writing a check for them. I call this the invisible expense, because it doesn't feel quite real. It is real, and it will show up on your financial statements, sooner or later, although it will be in "disguise."

There's nothing shameful in the emotional need to control all aspects of the production of your books. But if that need is driving you, it is important to acknowledge that it is part of your decision. Hiding your reasons from yourself often results in errors in judgment that small publishers can ill afford. In other words, make the decision to indulge yourself in this way in the full conscious knowledge of what the costs and benefits are, and after assessing whether or not it makes sense for you at this time.

If growth is part of your corporate plan, make sure that you are ready for it. Trying to do too much yourself, in the thought that you are saving money is a classic entrepreneurial mistake.

The information above is presented to complement our services. If you have further questions or need more detail, please contact us.



*If you do decide to hire outside assistance, please feel free to check the lists of publishing professionals in the SLPA catalog and on Marion Gropen's site. The PMA web site is another good source of information.*

## Setting a Price for Your Book

Deciding what to charge for your product is an art form. This is especially true for books, as each one has a slightly different demand curve. Of course, if you knew the demand curve and your costs, you could pick the point where the difference between sales and expenses was the greatest.

Knowing your costs should be easy. You have printers' estimates and pricing tables, you have a marketing budget, you know the cost of fulfillment and sales commissions, etc. So far, so good. Ideally, you should be able to estimate the price elasticity of your audience with either a focus group or comparative data on similar titles. In our dreams!

So, we mouse on over to Amazon and scope out the competition. Collect the absolute sales rankings of a number of competitors, as well as their price, page count, trim size, binding type, and whatever else seems relevant.

Then, we check Foner Books' site for an analysis of the number of copies sold through Amazon that this ranking would imply, and try to guess what that means in terms of total sales. Now we grab Excel and try to derive a formula that fits all this data. Is there a pattern? Eureka!

Now feed the price vs. sales numbers into your title p&l, and look for the maximum margin. That's the rough price to choose.

Simple. Well, maybe. Want more help? Check Gropen Associates' Do It Yourself products. They have programmed much of this into their packages in order to assist you.

## Gropen & Associates "Do It Yourself" Packages

### Deal with Common Financial and Accounting Issues Using Simple Templates and Instructions

Rather than hiring a consultant, do you prefer to handle the Financial and Accounting issues of your publishing business on your own? If you're confused about what numbers to run, or you just don't have the time to set up your spreadsheets properly, these templates can help you understand and improve your profits. The packages are detailed, flexible, easy to use, and designed for the non-accountant. (Hooray!)

There are currently two kinds of package: The Profit Analysis Package, and the Pricing Package. You can also buy both packages together for a slight discount.

#### The Profit Analysis Package (\$30)

- Helps you easily estimate what each change will do to your profit.
- Gives a clear result.
- Helps pin-point both problems you can avoid ahead of time and opportunities you might otherwise have missed.
- You get a 5 page Excel template, and an essay explaining and illustrating the uses to which it can be put.
- Use it in setting prices, deciding marketing strategies, picking distributors, and other critical situations.
- Includes:
  - ▶ Sales
  - ▶ Discount Rates,
  - ▶ Cost of Goods Sold (printing, design, royalties, etc.),
  - ▶ Marketing expenses,
  - ▶ Selling Commissions,
  - ▶ other Selling Expenses (such as Fulfillment),
  - ▶ Subsidiary Rights,
  - ▶ and much more.

#### The Pricing Package (\$25)

sales enough to pay for itself? This package will help you understand the relationship between price and sales in your market segment. It:

- Estimates the change in sales likely from a change in price
- Uses real-world data from Amazon and trade publications such as Publishers' Weekly
- Can be used together with the Profit Analysis Package to maximize your profit on every title.


Want more information? Email your question. Or, try the package, and if you don't like it for any reason, they'll cheerfully refund your money in full.

### Both Packages Together only \$50

To buy them "now," visit [www.gropenassoc.com](http://www.gropenassoc.com) and use a credit card, or if you prefer to be invoiced, email Marion.Gropen@GropenAssoc.com with your address and request.

### A Word of Caution

There is always a temptation to view the numbers on your screen as "the answer." Remember, your predictions will be only as accurate as the estimates and information you start with.


*Editor's note: I find math and bookkeeping incredibly tedious, but these four little documents really demystified the financial planning process for me and I know they'll make it easier to plan my publishing projects. You can purchase them securely online, download them from a link she'll send you and be using them today on either a PC or a Mac. To use, you'll need current versions of Microsoft Excel and Word, or the equivalent. *

### Marion Gropen, MBA *continued from page 2*

My solution has been to consult via email, in a question and answer format, as well as to offer internet-based classes and downloadable standardized products. And, of course, I keep my overhead to a bare bones minimum, you might even say skeletal.

**SLPA:** *What is the most common problem you see?*

**MG:** The most common root cause for problems is a discomfort with the business aspects of publishing. Most new publishers are very comfortable with editorial work and writing, sales and marketing, production, or the subject are of their books. Almost none of them have much experience with accounting, warehouse management, insurance, human resources, and so on and so forth.

The discomfort leads them to resist dealing with elements that are vital to their success. My ambition is to change that situation for as many people as I can reach. 

SLPA thanks Marion Gropen for sharing her knowledge with us so generously through the articles reprinted here, in addition to many more on her web site.

Gropen Associates provides solutions to financial, accounting and management problems to publishers. Our services include inexpensive Do It Yourself packages and reasonably priced, individualized consulting. Opinions presented are based upon our assessment of best practices for the mythical "average publisher."

Please use your own business judgment in applying this information.

## March is Small Press Month Help Us Celebrate!

We will again be presenting workshops on **How to Publish Your Book** — an overview and discussion of the joys and challenges of independent publishing.

These informative workshops will take place on Saturday evenings at Borders Books & Music as follows:

**Saturday, March 3rd at Sunset Hills at 7 PM**

**Saturday, March 10th at Creve Coeur at 7 PM**

Experienced publishers will take you through the entire process of independent publishing from book concept to book sales in one evening. Here's what we'll cover:

- Self-Publishing vs. Traditional Publishing
- Getting Your Book into Print
- Entering the Marketplace
- Promoting & Selling Your Book

You will learn lots of good tips along the way and have virtually unlimited Q&A time afterward. Come and learn or come and support us! This is our group's way of bringing independent publishing to the attention of the community.

## Business Professional as Author

As a business professional, coach or speaker do you ever wonder exactly how writing nonfiction could benefit you and your business? Or how to go about putting together your book's writing, publishing and marketing team? Learn the answers at [www.websitemarketingplan.com/book](http://www.websitemarketingplan.com/book).

Among informative articles you will find material from SLPA's own Bob Baker, Scott Ginsberg, Christine Frank and Bobbi Linkemer. **WebSiteMarketingPlan.com** publisher Bobette Kyle (SLPA Webmaster) will add new information regularly, including her upcoming interview with successful author, coach and speaker Jayne Garret.

## Next Deadline February 21

### Don't be late – no kidding!

Send us news on your new releases or upcoming appearances or anything else you wish to share.

Get your news and articles in EARLY! Send your information, articles and announcements to [newslettereditor@stlouispublishers.org](mailto:newslettereditor@stlouispublishers.org).

## A Tale of 2 Cities: Pass Christian, MS "Before & After Katrina"

Date: Saturday, Feb. 24, 2007

Time: 2 p.m.

Place: Webster Groves Public Library, 301 East Lockwood Ave., Webster Groves, MO 63119

Most of the media's attention concerning Hurricane Katrina has been focused on the city of New Orleans. This presentation will show how Katrina affected the small coastal towns in Mississippi and their cultural institutions. The City of Pass Christian is one of those communities that was hardest hit. The Scenic Drive Historic District was the largest architecturally intact major 19th century coastal resort community in the South... before Katrina. It is still the largest on the Mississippi Gulf Coast.

The "Before" photographs were taken by local architect Cindy Easterling in the summer of 2005. The day after the storm, she made it back to her family home... and began photographing what was left of the community. The slow rebuilding process has been documented continuously. Now, almost 18 months after the storm, the viewer can see what progress has been made through sheer determination and will of the citizens of these small towns.

Jan Nathan, long-time Executive Director of PMA was recently diagnosed with endometrial cancer and is undergoing treatment that requires her to be out of the office for an extended amount of time. In her absence, Terry Nathan will be taking over most of her duties and will continue to do the excellent job he has been doing while working by Jan's side the past 15 years.

One of the strengths of PMA, the Independent Book Publishers Association has always been the culture of family — even as we have grown, the staff has maintained the personal and caring approach that makes our organization special. Nobody embodies that spirit more, and is more nurturing, knowledgeable, compassionate and loyal than Jan. We know you all join us in sending positive and loving thoughts her way as we await her return to our association.

Florrie Binford Kichler, President

PMA, the Independent Book Publishers Association

Email: [fkichler@patriapress.com](mailto:fkichler@patriapress.com)

## Questions About SLPA?



Contact Membership Chairman:  
Christine Frank at 314-205-2679 or  
Assistant Membership Coordinator:  
Linda Austin at 314-822-1170

SLPA Monthly Newsletter design by SLPA member Peggy Nehmen.  
Nehmen-Kodner Design [www.n-kcreative.com](http://www.n-kcreative.com)