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Friday, January 2, 2004

Long Haul

Americana Publishing is driving sales by hooking truckers on its newly expanded listings of serialized audiobooks

New Mexico Business Weekly - by **Karen Jarnagin** Special to NMBW

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George Lovato Jr. liked what he was hearing.

Three years ago, **Americana Publishing Inc.** (BB: APBH), Lovato's Albuquerque-based multimedia publishing company, was earning about \$500,000 in annual revenues by publishing and selling audio, print and electronic books in a variety of genres, from Westerns to spy thrillers.



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Most of those sales came from retail outlets, like Barnes and Noble, or from what Lovato calls "mass market" retailers, like Wal-Mart or Target. Sales to library distributors made up a smaller percentage, followed by truck stop retail sales.

But that was about to change. Truckers, Lovato found out, were big on audio books, along with DVDs and VHS tapes -- movies they could play during down time in their cabs -- and had between \$200 and \$250 a week to spend on such luxuries.

"Research told us that they were individuals that had dedicated money to purchase media every week," says Lovato, 46, who is the company's chair and CEO.

"As a result, we asked, 'How can we get them hooked? We really should look at books in continuity.'"

So in 2001 Americana launched what Lovato calls a major expansion program. He hired a salesman, Bruce Bennett, away from a competitor to increase his truck stop accounts. He grew his inventory of serialized books -- sequential stories that would keep truckers, and their wallets, coming back. And, perhaps most cleverly, he eventually created a companion CD audio book rental program, set to launch in early 2004, so customers could back-order missed books in a series, which Americana would manufacture on demand to keep inventory low.

That thinking paid off: Sixty percent of Americana's sales now come from 3,500 truck stops in the United States and Canada that carry the company's expanded listings of serialized audio books. Comparatively, only about 150 truck stops sold Americana's books prior to 2001. "In 2002, you could really start seeing sales ramp up," Lovato remarks, adding that the trucking niche will hopefully allow the company to double its revenues in 2004.

The increased demand also prompted the 12-employee company to produce about a dozen books a month, up from three or four. And this month, the business is awaiting the results of a shareholders' vote to increase the total number of shares of company stock from 100 million to 500 million -- a move needed to help Americana finance its growth plans, Lovato says.

"We want to take Americana Publishing to the next level and become a significant player in the multi-billion dollar audio book market as well as establish a foothold in the burgeoning online DVD/VCR movie sales," he recently told a news service.

Creating a market presence

According to the Audio Publishers Association -- which named Americana its New Audio Publisher of the Year in 2000 -- annual sales of audio books total nearly \$2 billion, with approximately 42 million American listeners.

The significance of that figure is not lost on Lovato, a self-taught businessman whose past vocations have included nursing, working with his dad's auto title business, starting a car rental company and launching his own financial firm, BH Capital, of which he is still chief executive officer.

In fact, Lovato, who frequently leaps from his chair to illustrate his business model on a dry erase board, says his strategy to penetrate the audio book market is relatively simple: Achieve critical mass through mergers and acquisitions, create a market presence, then expand his company's offerings.

And that's exactly what he's done. Lovato launched Americana in 1997 after financing several publishing companies through BH Capital. "It seemed if [the publishing businesses] were run well, they could make a lot of money," he says.

With \$750,000 he started Americana, a vertically integrated publishing company -- which means it puts out print, audio and electronic versions of the book titles it acquires. Two years later, Lovato took the company public, using the stock to buy three small mom-and-pop publishing houses. One included Sunset Productions, then an up-and-coming audio book publisher based in Santa Fe.

The acquisitions brought Lovato 100 book titles; the following year, he purchased the right to another, thus vastly increasing his inventory.

That move got him noticed by distributors, who were ready to do business with the small company. One of them, Ingram Book Group, the world's largest wholesale distributor of books, not only took on Americana's titles, but also bought stock in the company.

By 2001, Lovato began targeting the trucking industry, first by getting his books into more truck stops, then by launching the serial book idea and dreaming up the corresponding rental program.

Truckers will be able to rent four titles for \$21.95, eight for \$35.95 and 12 titles for \$49.95. Orders, placed via phone or Web site, are billed to the customer's credit card and mailed to them. After listening to the books, the customers will mail them back using a prepaid return address package that comes with the order.

A similar program for DVD rentals is also in the works. In a related matter, Lovato says he's also working with movie production companies to allow him to distribute their films.

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But finding the right target market is only part of Americana's success, he says. The other is watching overhead, which, in the publishing business, can amount to a lot of wasted money if not kept in check.



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To stay in the black, Americana is a JIT, or "just in time" publishing house. That means instead of

producing thousands of book titles, then hoping to sell them, the company takes purchase orders three months in advance, then produces audio books to fill the need.

"The net end result is that we never overproduce one particular title," he says. "We sell to the market order."

Indeed, Americana's 7,000-square-foot warehouse, about a block west of the company's administrative offices on Copper and San Mateo, only keeps inventory that hasn't been sold - about \$35,000 worth of product, which is low by industry standards, Lovato says.

In another cost-saving measure, Lovato also recently decided to start duplicating CDs and audio cassette tapes in-house, rather than farming out the work. The \$30,000 investment for the leased equipment will make the company about \$120,000 a year in profit, he says.

His business thriving -- he added four employees over the past year and intends to hire several more -- Lovato is, again, looking at his next move.

This year, that means acquiring more publishing houses, increasing sales "significantly," and positioning the company so it will eventually become an attractive acquisition in itself.

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