

REPORT CONCERNING THE MOTION FOR A LOW-COST BASIC TEXT

This year's WSC Motion 14 proposes "that the WSO produce, at a reduced price, the edition of the text ratified by the WSC. The actual price of this text should be determined in view of the following factors: its affordability to the membership at large; a change in the cost and quality of the materials used in producing the book; the responsibility of the WSO to provide services from the income generated by sales of the Basic Text; and whether it includes personal stories or only the first ten chapters." In this report, we will examine the impact such a motion's passage might have on the World Service Office, local service offices, and the fellowship's overall ability to distribute N.A. literature. It is vital that conference participants discuss this issue in their regions, and then come to the conference with the ability to consider additional information and different perspectives before casting their vote.

As an aside, it may be useful to recall a similar motion presented to the conference four or five years ago. In 1987, the WSO studied a motion to reduce the price of the Basic Text and our information pamphlets by twenty-five percent. Such a price reduction would have resulted in a substantial loss of services to the fellowship, a loss not outweighed by the benefits individual members might have received from lower-priced literature. Our report on the matter was accepted by the World Service Conference.

BASIC TEXT SALES AND WSO INCOME

The World Service Office has only one major product: the book *Narcotics Anonymous*, our Basic Text. The World Service Office sold 291,278 English-language Basic Texts in 1990, both casebound and softbound, at an average discount rate of approximately 20% and an average production cost of about \$1.96.¹ After deducting discount and merchandise costs, 1990 text receipts came to about \$1,293,274.40, or close to \$4.44 for each book sold. This accounted for approximately 63.82% of WSO's 1991 income after discount and merchandise costs, which came to about \$1,993,093.65.

Basic Text sales are declining. Following its initial release on April 27, 1983, unit sales increased each year by about 125% for two straight years. From 1986 through 1989, annual unit sales growth rates dropped from 52% to 14%. Then, in 1990, unit sales dropped by 20%. As a result, the World Service Office posted its first annual net loss in 1990, income falling short of expenses by about 6.65%. Cost-cutting measures have been implemented which we believe will keep us from posting another net loss in 1991. However, the balance of WSO's 1991 budget depends on an increase of about 8% in unit Basic Text sales. If this year's unit text sales remain precisely at last year's level, and if WSO does not further reduce its operations, the office can expect to show close to a 2.5% loss. Therefore, we must view with some alarm any proposal the least bit likely to reduce unit Basic Text sales, unless the proposal also includes measures that would make up for lost text sales.

LOW-COST TEXT

Most of those we've heard urging publication of a low-cost text suggest that such a book need only contain Book One--the first 103 pages--of the Basic Text. Such a volume might be sold for around \$3.00. For the purposes of this report, we are roughly figuring the cost of merchandise for such an item at about 45 cents per copy. Because the title and substance of this book would be the same as the Basic Text we currently sell, we believe that we would have to offer customers the same discount rate we allow on other literature purchases, averaging out at 24%. (We'll talk more about discount rates later in this report.) Hence, the discount expense per unit would be about 72 cents. Income available from each book would be about \$1.83.

IMPACT OF LOW-COST TEXT SALES ON WSO INCOME

As far as many of our customers are concerned, the low-cost text would be essentially the same as the text they currently purchase at a much higher price. If *all* the Basic Texts sold in 1990 had instead been low-cost texts, WSO income would have been

¹ All currency figures in this report are in U.S. dollars.

reduced by about \$739,027.84. We do not expect the impact of a low-cost text to be this extreme, of course, since many N.A. members and other customers will continue to buy the Basic Text currently on our inventory. A certain unknown percentage of N.A. members can be expected to purchase one of the low-cost versions, and at some future point purchase the Basic Text. However, be aware that if the actual impact of the low-cost text is only one-fiftieth as bad as the worst-case scenario described above, the World Service Office will begin showing a net loss.

We are fairly certain that our non-fellowship customers, who represent approximately 33.87% of all sales, would quickly begin ordering low-cost texts instead of Basic Texts. If our single largest customer had bought low-cost texts rather than Basic Texts in 1990, the resulting income reduction would have been approximately \$184,364.60. That kind of reduction, all by itself, would translate into something like a 4.66% net annual loss in the 1991 budget.

In fairness, we must tell you that we do not believe the full impact of low-cost text sales would be felt immediately, but we have no way of telling how long it would actually take to feel the full effect. Since we might be adding another major book to our inventory in approximately two years, we may only have to look at surviving until that time. However, to bank on that, we would have to assume that the N.A. literature development schedule will be strictly adhered to over the next eighteen months or so, and that the World Service Conference will approve whatever is developed. Considering our history in that area, such an assumption would not be prudent.

REDUCED WSO INCOME, REDUCED WSO OPERATIONS

To judge the effect a substantial income reduction might have on World Service Office operations, we would suggest you examine this year's report from the WSO Fellowship Services Division, our 1990 income statement, and our 1991 budget. The loss of revenues in 1990 has already resulted in substantial cutbacks in the WSO's projected personnel and travel expenditures for 1991. Further losses will re-

quire further cutbacks in one or more of the following areas:

- 1) The European Service Office, providing literature distribution, public information, and fellowship communications support to N.A. communities in Europe. We project a loss of more than \$80,000 in 1991 for ESO operations.
- 2) Free or reduced-price literature to developing N.A. communities (e.g. India, S. America, Europe).
- 3) Accommodation of local fellowship short-term cash flow problems. Current policy permits us, under certain circumstances, to offer distressed N.A. communities terms that allow them to continue to purchase N.A. literature while they get back on their feet.
- 4) Literature sales discount policy, both for N.A. and non-fellowship customers. The highest discount rate for our largest non-fellowship customers is 40%; for the largest regional offices, 35%. Large reductions in these discount rates might increase our revenues, but would result in higher consumer prices for those who purchase from non-fellowship distributors, and would have a significant negative impact on regional offices who pay their operating costs from their literature markup. Additionally, substantial reductions in discount rates might result in lower-volume unit sales to these customers.
- 5) WSO Fellowship Services Division, conference support. Departments in this division provide clerical, research, and coordinating support for the World Service Board of Trustees and for the WSO Administrative, Public Information, Hospitals and Institutions, Literature, and Policy Committees.
- 6) WSO Fellowship Services Division, Special Projects Department provides development, composition, and editorial services for both halves of *It Works: How and Why, A Guide to Service in Narcotics Anonymous*, the N.A. daily meditation book, the *Newsline*, and the *Fellowship Report*. If this year's Motion 2 passes, this department will also provide services for the *Conference Digest*.

- 7) WSO Fellowship Services Division, general services. Such services include the N.A. Loner Group and its *Meeting by Mail* newsletter, *The N.A. Way Magazine*, group registration, distribution of free group starter kits, information for local service committees, and N.A. literature translation.
- 8) WSO Support Services Division provides administrative, accounting, personnel, database, customer order entry, production, warehousing, and shipping and receiving services.

In the final analysis, the World Service Office could cut facilities, equipment, and personnel back to the point where we only print, stock, and fill orders for existing N.A. literature. This would require one building and a manager, a bookkeeping/order entry clerk, and shipping and receiving personnel. However, as you are well aware, this would be a very different kind of World Service Office than the one developed under the fellowship's guidance since 1982. We'll leave you to judge for yourselves what impact such a reduction in WSO services might have on the fellowship.

IMPACT OF LOW-COST TEXT SALES ON AREA, REGIONAL OFFICE INCOME AND OPERATIONS

So far, we have only discussed the impact on the WSO. However, there is a fairly certain impact that would occur in the general fellowship as well. Right now, area and regional service offices primarily exist on the margin between their discounted Basic Text purchase price and the amount they sell the book to their customers for. It is reasonable to presume that most would have to close if their revenue from text sales dramatically decreased. This would force areas and groups to purchase literature directly from the World Service Office, with increased order turn-around time and likely at an increased price. Those local offices that remained open would probably have to operate from smaller facilities, using exclusively volunteer staff, resulting in a likely reduction in the quality and timeliness of local literature distribution services.

A PROGRAM TO MITIGATE THE IMPACT OF LOW-COST TEXT SALES

In principle, we support the proposal to publish a low-cost version of our fellowship's Basic Text. We recognize the low-cost text's potential to increase our fellowship's ability to carry the message to more addicts. However, at the same time we discuss publishing such an item, we also have to seek ways to mitigate any negative impact such an action might have on other fellowship services. The following are six measures that should be taken in concert with the release of a low-cost text.

Measure One. The first measure has to do with the terms of sale for the low-cost text itself. We should sell Book One of the Basic Text, published with the same quality paper, binding, and cover you would find in a mass market paperback book, at a retail price of \$3.00. We should offer a maximum discount of 10% for large purchases of, say, more than 500 copies. Finally, we should sell the low-cost text only to fellowship buyers—N.A. members, groups, ASCs, RSCs, and local N.A. offices.

In order to be able to restrict sales of such a book to fellowship buyers only, we would have to negotiate with our largest non-fellowship customers. The U.S. Fair Trade Act requires that if a manufacturer offers one version of a product to all its customers, it must offer all versions of that product to all its customers. We would have to negotiate an agreement with our two big catalogue-house customers in order to be able to offer one version of the Basic Text only to the fellowship. We have a fair degree of confidence in the goodwill of both our major non-fellowship customers, and believe such negotiations would very likely prove successful.

Measure Two. We should reduce the production standards and costs for the current hardcover Basic Text, while continuing to sell the book at a retail price of \$8.00. When we began publishing the Basic Text, production standards were set at a very, very high level, giving our customers a book designed to last a lifetime. Some reductions in the production standards for the hardcover text could be affected without noticeably affecting the appearance of the text,

and would significantly increase available revenues from each unit sale.

Measure Three. We should reduce the production standards and costs on the softbound Basic Text (Books One and Two) even further, publishing it in the mass market paperback format, and we should sell it at a retail price of \$6.50. Currently, we sell the paperback text for the same \$8.00 retail price as the hardcover book. Consequently, in 1990, we sold only 10,745 softbound texts—only 3.69% of total Basic Text unit sales. By offering the softbound Basic Text at a significantly lower price than the hardcover book, we would almost certainly increase paperback unit sales. However, even given an increase in sales volume, we would still have to substantially reduce the paperback publishing standards and costs in order to come out ahead. But since production standards for the softbound book we currently publish are exceedingly high for the paperback market, we believe we can do so successfully.

Measure Four. We should reduce the discount rate we offer our top non-fellowship customers from 40% to 25%, while simultaneously lifting their resale price ceiling. We believe that, by allowing these customers to set their own resale price for the Basic Text, they could eliminate the impact of such a reduction in their purchase discount rate. Such a reduction in the discount rate offered our largest customer last year would have brought in close to \$148,861.20 in additional income, reducing our 1990 net loss by nearly 58%.

Measure Five. We should reduce the discount rate we offer our top fellowship customers from 35% to 30%. In 1990, while the World Service Office posted its first annual net loss, most of these customers showed income surpluses. We do not believe a 5% reduction in their discount rate would drastically affect their ability to continue serving their regions and areas.

Measure Six. We should publish a compilation of already-approved N.A. literary items in a pocket-sized *Introductory Guide to Narcotics Anonymous*, offering the book to all our customers at the same price and under the same terms as the low-cost text. Such a book would be designed particularly with the needs

of newer N.A. members in mind. We would naturally seek the assistance of the WSC Literature Committee in the selection of material for inclusion in such a volume.

Sales and printing costs would be about the same as for the low-cost text. However, because this introductory guide would be a new product, we could sell it under its own discount schedule. We would prefer not to offer any discount greater than 10% on this product. Income available from each book would be between \$1.25 and \$1.65.

Because, we believe, this product would not reduce Basic Text sales, the introductory guide would have no negative impact either on World Service Office income or local service center sales. In fact, a new item of this sort, aimed especially at newcomers, would probably generate additional sales income.

CONCLUSION

As we said before, we recognize the potential of a low-cost text to increase our fellowship's ability to carry the message to more addicts; therefore, at least in principle, we support the low-cost text. However, we must tell you that if the World Service Conference mandates production of a low-cost text without also supporting measures to mitigate the impact of low-cost text sales on WSO and RSO income, the conference will, in effect, be closing both down.

If the WSO's general financial position were better than it actually is, we might be more willing to take a drastic risk, knowing we had the resources in reserve to accommodate any dramatic shortfall in income. Unfortunately, that is not the case. Given the potentially grave impact, we have struggled to find a way to publish the low-cost text without placing the office at undue fiscal risk. We believe the six measures described at the end of this report move the risk involved in publishing a low-cost text from the "undue" to "acceptable" category of risk.

There are no certainties when examining this question, only the best opinions that we can muster based upon the facts at hand and our experience. We are confident that the participants of the World Service Conference understand that the issues surrounding a decision about the Basic Text may have a profound

effect on our ability to provide service to the fellowship. We also have confidence that the fellowship can understand the issues and make reasonable decisions as a result. We sincerely believe that we have a responsibility to address the needs of the fellowship, and will implement whatever decision the World Service Conference makes. We only request that participants come to the conference with some flexibility as it relates to this very important decision.

WSO Board of Directors