

State of Bookselling

Electronic and physical books keep independent sellers in the game

by FRED MINNICK

Once upon a time, booksellers were the golden goose of retail. Then chain bookstores started partnering with big publishers to discount titles, big-box stores offered 40 percent off romance and mystery novels at the checkout line and the Internet zapped any hopes of competing on price.

Bookstores may have been the Internet's earliest retail victim, but savvy business practices, 13-year-old girls reading teen fiction and the e-book have revitalized America's interest in the corner bookstore. Oren Teicher, CEO of the American Booksellers Association, attributes this largely to the local retail renaissance.

"Contrary to the public perception, bricks-and-mortar bookselling is doing OK," Teicher says.

ABA membership fell to 1,600 independent bookstores in 2008, but has slowly made a comeback — it grew to 2,022 last year; in 2012, independent bookstore sales increased 8 percent and remained steady in 2013, according to ABA statistics.

"When Borders and Barnes & Noble showed up, independents were not as strong and went out of business," says Kathy Doyle Thomas, CEO of Half Price Books, a 120-store discounted book chain across 16 states. Surviving stores were "pretty savvy, and have gotten savvier."

Borders has gone out of business and Barnes & Noble has struggled as independents have been waging a comeback. Barnes & Noble's retail revenues decreased 6 percent in fiscal 2013 and same-store sales were down 3 percent. During the 2013 holidays — traditionally the industry's strongest shopping season — Barnes &



Noble had \$1.1 billion in revenues between BN.com and bricks-and-mortar retail, a 7 percent decline from 2012. Sales of the Nook, Barnes & Noble's digital reading device, were down 61 percent from 2012 holiday sales.

Barnes & Noble CEO Michael P. Huseby said the Nook segment declined year-over-year because two new tablet products were introduced during the previous holiday.

MORE THAN PAPERBACK

According to November data from the Association of American Publishers, U.S. hardcover book sales were up 12 percent and e-book sales were down 5 percent through August 2013, when compared with the same period in 2012.

Still, according to a May 2013 BookStats report, e-books sales have grown 45 percent since 2011 and constitute 20 percent of the trade market. It's not just Amazon and Barnes & Noble cashing in on this e-book trend: Independent bookstores have partnered with e-reader service Kobo to sell e-books.

Miriam Sontz, CEO of Oregon-based Powell's Books, says Kobo allowed Powell's to not be "strongly impacted

by the emergence of e-books ... We think that most readers still read physical books, with most reading in both formats [physical and digital], depending on the situation."

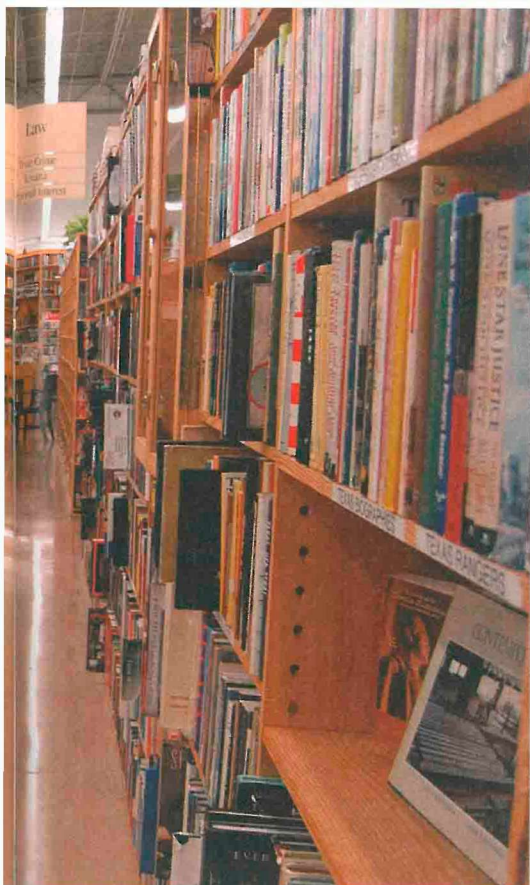
Thomas says Half Price Book's customers were early adopters of e-readers, with 35 percent owning a Nook or Kindle and still buying 36 actual books a year.

This bodes well in the fight against Amazon. "Our biggest competitor is not the bookstore on the corner — it's Amazon," Thomas says. "We don't want customers to go home or online."

"We are one of the few products out there where the publisher puts a price on [the item]," Teicher says. "Retailers can demonstrate value by discounting 40 percent, and books are a great way for retailers to establish value."

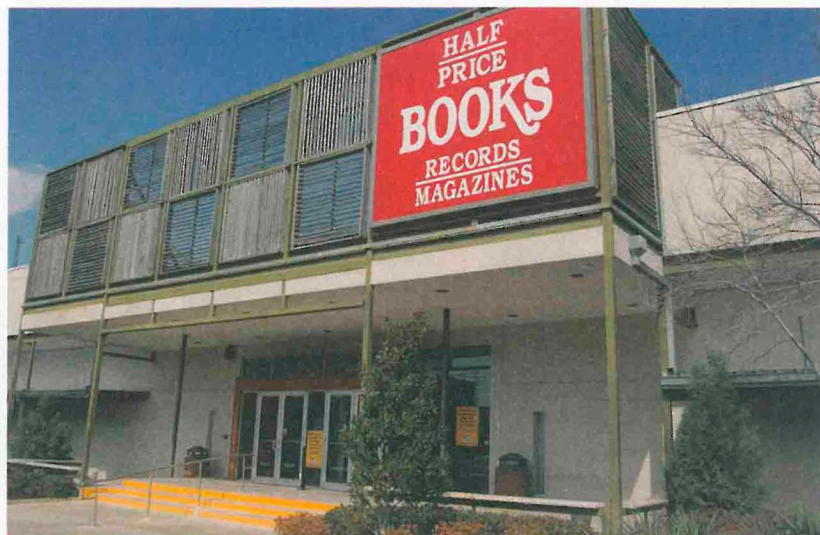
Teicher says big-box stores will discount books to the point of losing revenue on their sale, but discounting is not the only issue booksellers face.

"A certain number of customers go away. It's acute," Teicher says. "Most people have access to every other kind of way to spend your leisure time. We can play Angry Birds [and] watch movies, and all that is competing with reading time. How do we continue to



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make reading more compelling?"

Another issue: Publishing has never been easier. Authors no longer need to go through a literary agent and publisher to see their name in print. With e-books, novels can be published in an instant, and print-on-demand technologies give authors low-cost self-publish options.

"It is much harder for a book to stand out today," Thomas says. "Good writing is getting lost, because there is so much being published."

When Borders closed there occurred what is referred to in the industry as the "Borders Bump," when bookstores adjacent to a former Borders store enjoyed an uptick in sales.

"Our Cedar Hills location was just a few blocks away from a very successful Border's location," Sontz says. "We are lucky to have maintained those customers, although it did call for a slight inventory adjustment as they tended towards new books rather than used books."

THE DISTRIBUTOR WAY

Traditional publishers and distributors still hold the keys to the book business. Distributors Ingram Content Group and Baker & Taylor represent most book

titles and give independent stores the same opportunities as larger stores.

"Distributors are critical to the success of independent bookstores today," Sontz says. "We depend on them to help us offer a vast inventory while focusing on just-in-time delivery, particularly when it comes to order fulfillment for our e-commerce operation."

From the publisher's perspective, however, book distributors can make or break a book. "The book industry is very antiquated," says A.J. Khubani, founder and CEO of the "As Seen on TV" giant TeleBrands. "It's sort of an elite club, and it takes a long time to be part of the club."

Khubani's company leveraged its multi-million-dollar TV buys and existing relationships to land its books, including *Grandma Knows Best: Great Kitchen Secrets*, on the shelves of Bed Bath & Beyond, Walmart, CVS, Rite Aid and many other retailers.

"We don't traditionally sell to bookstores," Khubani says. "Books are controlled by distributors. They make it extremely complicated to get a book onto the store shelf. ... So it was a lot easier to just go through our own traditional channels of distribution to get out there quickly."

Publishers have also become more judicious with print runs. Instead of printing 20,000 copies of a book, they're printing only 2,000 to 5,000 and judging initial sales. This alters the discount bins, says Bill Rouhana, CEO of the *Chicken Soup for the Soul* book franchise.

"The efficiency now that exists in the system for printing more quickly is really changing the way publishers keep books in stock," Rouhana says.

Of the 250 *Chicken Soup for the Soul* books, Rouhana estimates 100 are available in print. "We only print them in a kind of quasi-on-demand way, so we never have a big inventory of them."

Of course, inventory means little if people stop reading. Thomas says the most powerful market is made up of teenage girls reading *Twilight* and *The Hunger Games*.

"Young adult fiction is huge and they are not downloading the books," she says. "They are buying paper books." **STORES**

Wall Street Journal-best selling author Fred Minnick's third book, *Whiskey Women: How Women Distilled, Marketed and Bootlegged Bourbon, Scotch & Irish Whiskey* hit stores in 2013. View his work at FredMinnick.com.