

Unwin Trust UK–Australian Fellowship 2003

**Publisher–Bookseller Cooperation in the
UK Book Industry**

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1. Introduction

We constantly hear calls for publishers and booksellers to work more closely together for the good of the industry. Such calls have been issued in formal and informal discussion at trade events and in government-sponsored reports into the industry. Few people would disagree that, in theory, collaboration is desirable. But what do we mean when we talk about publishers and booksellers working more closely together? In what areas is cooperation actually possible as well as desirable? Are there achievable possibilities beyond the rhetoric?

The inaugural Unwin Trust UK–Australian Fellowship provided an opportunity to consider these questions in the context of the UK industry, which has obvious differences from Australia, but which is certainly similar enough to be relevant as a point of comparison.

Over the three months of the fellowship, from July to September 2003, I met and/or interviewed over 50 people about various aspects of the UK industry. Concentrating exclusively on trade publishing and bookselling, I interviewed publishers¹ from companies of all sizes, chain and independent booksellers, a wholesaler, and representatives from the trade associations and the trade press. The interviews I conducted varied greatly depending on the interviewee, but I generally tried to get people's views of industry dynamics and issues, as well as asking them specifically about collaboration and cooperation. This report is based primarily on those interviews (all quotations are used with permission), but I also used past issues of the UK *Bookseller* magazine to supplement my research. As well, I obtained valuable information from Nielsen BookScan UK and Book Marketing Limited. Throughout this report, I have summarised and synthesised the opinions of those people I interviewed, but have added my own impressions and analysis. The report is intended to be both a survey and an analysis of cooperation in the UK industry.

While I did speak to independent publishers and booksellers, this project concentrates for the most part on the major publishers and bookselling chains, essentially because it was between these types of players that most collaboration was occurring (sometimes, the smaller players feel, at their expense). An examination of relationships between smaller and larger companies would require a separate investigation.

¹ Please note that the word 'publisher' when applied to a person is used generically to mean someone working at a publishing house, rather than someone with 'publisher' as their job title.

1.1. Summary of findings

This report begins with an overview of the state of play in the UK book industry, which has experienced enormous change in recent years. The end of the Net Book Agreement (NBA) in 1995 had wide repercussions, including the subsequent entry of the supermarkets into book retailing. As well, there has been conglomeration within both publishing and bookselling. Most major bookselling chains and publishers are publicly listed, which brings extra pressure to bear on business strategies. Publishers and booksellers are having to see their occupations as businesses competing in a fierce market for leisure and information spending.

And there is a sense that there is going to be further change in the industry, some of which will occur in the very area that is the subject of this report – relationships between publishers and booksellers.

Perhaps the most crucial issue in those relationships at the moment is that of retailers discounting books, and the resultant pressure on margins throughout the industry. The situation had reached crisis point during my visit in mid-2003, and I got a strong sense that there had already been change, and would be further change, in the way publishers in particular, but also bookshop chains, manage discounting and trade terms.

There is inevitably tension in any relationship between suppliers and retailers, but in the UK book trade there are nonetheless areas in which both parties are working together (even if in some cases there could be more cooperation than there is). In this report, I distinguish between cooperation that occurs throughout the industry and cooperation between individual businesses, and highlight those areas of collaboration that strike me as most fruitful. In terms of industry-wide collaboration, I look at expanding the market through generic book promotion; efforts to make the supply chain more efficient; and the importance of industry information. At a business-to-business level, my primary area of interest is bookseller input into publishing decisions (such as pricing, formats, covers, even acquisitions), but I also point to individual publishers and retailers working together on areas such as supply chain (again), promotions (which could come under the 'expanding the market' banner) and information sharing.

I conclude with an examination of some new business models that are emerging in the UK, particularly between the largest publishers and chains. Such models are based on viewing relationships as partnerships. As in all the areas I discuss throughout the report, attempts at improved cooperation are being made in the belief that they will make a positive difference to the bottom line. Collaboration will not occur unless there is a tangible and demonstrable benefit to the parties involved.

2. Context: The UK industry

A study into publisher–bookseller relationships and cooperation within those relationships cannot be done in isolation. It must be informed by the broader issues at work in the industry, which, in a circular process, both affect, and are an effect of, those relationships. These issues provide the context for any collaboration that does happen, and inevitably affects how it occurs and the extent to which it can occur.

This section gives some background information about the UK industry and outlines some of the issues that were of concern to the industry during my visit. I concentrate particularly on the subject of discounting, both from retailer to consumer and from publisher to retailer, because it was this issue that arose most consistently in interviews, with a number of players seeing it as ‘getting in the way’ of more collaborative relationships.

2.1. Industry snapshot

There are two companies dedicated to recording and analysing books sales in the UK market. As in Australia, Nielsen BookScan measures sales of books to consumers through retailers and the internet. The UK also has the benefit of Book Marketing Limited’s (BML) *Books and the Consumer* survey, based on telephone interviews with 10,000 individuals who keep diaries of their book purchasing. *Books and the Consumer* measures sales through direct channels as well as retailers.

Based on BML’s figures, BookScan estimates that its Total Consumer Market (TCM) panel measures 85% of all retail and internet sales². In 2002, Nielsen BookScan tracked £1330.2 million from unit sales of 172.1 million through the TCM (*Book Sales Yearbook 2003: The Year in Focus*).

With its wider measurement of book purchasing, BML estimates that consumers bought 277 million books in 2002, 1% fewer than in 2001. They spent an estimated £2014 million, up 2% on the previous year. BML has also published a six-year comparison, showing that volume has increased from 241 million to 277 million, while value increased from £1701 million to £2014 million (*Books and the Consumer: Summary Report on the Findings of the 2002 Survey*).

The top ten publishers by value in 2002, as recorded by BookScan through its Total Consumer Market panel, were Pearson (including all Penguin imprints), Bertelsmann (including Random House and Transworld), News Corporation (HarperCollins), WHSmith (including Hodder and Headline), Hachette (Orion), Holtzbrinck (including all Macmillan imprints and, at that time, Channel 4 Books), Time Warner, BBC, Bloomsbury and OUP. The

² With more retailers joining the TCM in late 2003, this figure may be closer to 90%.

order changes slightly if the companies are ordered by volume sales, with Pearson and Bertelsmann changing places, and Bloomsbury and BBC changing places.

The market has been static for the past several years, both in volume and value terms, with each rising only 1 or 2% per year. The amount spent per customer has also remained static, although the average selling price of a book increased from £7.02 to 7.26 from 2001 to 2002 (*Books and the Consumer: Summary Report on the Findings of the 2002 Survey*).³

The lack of the growth in the market has had repercussions, mostly evident in the fight amongst retailers for market share. This in turn has had implications for how those retailers are conducting their businesses.

There are three major bookselling chains in the UK: Waterstone's, Borders/Books Etc, and Ottakar's. WHSmith, which sells newspapers, magazines and stationery as well as books, is second in the market in value terms to Waterstone's (WHSmith claims to sell more books than any other retailer). Other major sellers of books include supermarkets such as ASDA and Tesco, direct mail clubs such as BCA, the highly successful Book People, which sells books through workplace display as well as, increasingly, through catalogues, and Amazon.co.uk.

According to *The Bookseller's* annual survey, the top ten retailers by value in 2003 were:

1. Waterstone's
2. W H Smith
3. Amazon.co.uk*
4. Borders UK*
5. Ottakar's
6. BCA
7. Blackwell UK
8. The Book People
9. British Bookshops
10. David Flatman

* includes non-book product

Source: 'Top 10 booksellers fight to edge forward', *The Bookseller*, 18 December 2003

Many independent booksellers have closed over the last few years, but some continue to thrive, capitalising on the customer service they can offer. However, BML research shows that there has been a 27% decrease in the volume of books bought through independent/specialist bookshops over the last four years.

³ Initial statistics from BookScan show that there had been significant growth in the market by the end of 2003. Obviously, this in turn will contribute to further changes in industry dynamics.

According to BML, purchases through retail sources were down 2% by volume but up 1% in value in 2002 compared to 2001. Purchases through direct sources were up just under 2% by volume and 6% by value. Growth in the retail sector came from large bookshops and supermarkets at the expense of independents, specialists and small chains.

The market share of the various channels in 2002 is shown in the table below:

	Volume (%)	Value (%)
Chain bookshops	36.9	43.1
Other shops	14.1	11.6
Other direct	11.2	11.1
Independent/specialist bookshops	10.7	10.6
Book clubs	9.1	9.6
Internet	3.8	6.2
Supermarkets	7.9	4.9
Bargain bookshops	6.5	3.0

Source: *Books and the Consumer: Summary Report on the Findings of the 2002 Survey*.

2.1.1. Controversy over non-traditional channels to the consumer

As can be seen in the table above, non-traditional channels such as The Book People (which sells books directly into people's workplaces as well as by catalogues and mail order), supermarkets, and Amazon.co.uk are attracting many book buyers.

There is a persuasive argument that selling books through channels other than specialist booksellers introduces books to non book buyers, and therefore does not eat into existing markets which cater for habitual book buyers. The difficulty with this contention is that heavy book buyers are 'promiscuous' in their buying habits, and will take advantage of cheap prices as much as, or more than, non book buyers. For example, according to Jo Henry, managing director of Book Marketing Limited, women, who are heavier book buyers than men, are more likely to use supermarkets and other cheaper discount places. So heavy book buyers buy from multiple channels.

However, there can be little doubt that some channels, such as The Book People through its display marketing in workplaces, are reaching people who do not regularly buy books. Many publishers see channels such as supermarkets and The Book People as essential to reaching

new markets. Amanda Ridout, for example, says: 'I think that getting to the 50% who don't buy a book or don't think books are for them, or don't just have it on their radar, I really think that's not going to be achievable through the high street channels. It's definitely going to have to involve the supermarkets and the door-to-door sector'.

Clearly, there are both pros and cons to the industry of sales through non-traditional channels. 'The truth is that there are opportunities. You can sell huge volumes if you get it right. The supermarkets are a kind of bucking bronco. You ride it at your peril. But if you make it work, my god you sell a lot of books. It's an important part of the trade', says Martin Neild, managing director of Headline.

The controversy is mainly the result of very deep discounting by the non-traditional sector, with traditional retailers feeling that their market share is being negatively affected. They argue that the non-traditional sector unfairly receives more generous terms from publishers. Direct sales channels can receive discounts from publishers of 75 to 80% (with firm sale terms). Such terms have traditionally been justified by the argument that publishers' sales to book clubs are a bonus on top of trade sales. Traditional retailers argue that this is an outmoded model, especially when book clubs have offered some books soon after the release date. One publisher admitted that publishers 'have given [The Book People] too big discounts'.

There is also a sense that while the habit of buying books outside bookshops is not yet set, it is well on the way to being so. For example, a significant proportion of arguably the most important release of 2003, *Harry Potter and the Order of the Phoenix*, was sold through non-traditional channels, particularly supermarkets. As Bloomsbury sales director David Ward says, 'people are getting used to buying books there'.

While supermarkets had only 7.9% of volume and 4.9% of value in 2002, according to BML figures, they are hugely important to publishers, particularly for mass-market titles. It is possible to get a book to the top of the bestseller charts without that book being in the supermarkets (*The Lovely Bones* and *The Life of Pi* were examples in 2003) but it is very difficult. Supermarkets can sell massive quantities of books. However, they generally price books far below recommended retail price in the hope of attracting customers, who will then buy groceries in their stores rather than their competitors'. Supermarkets will often use books as loss leaders.

At the same time, supermarkets stock a limited range of books, and therefore their impact on the market is generally confined to mass-market titles. However, this may be changing, according to some. David Ward says that supermarkets are 'looking at buying more books traditionally sold through bookshops. Mass-market is not necessarily down-market'.

Whether for good or bad, supermarkets are now such an important part of the market that some publishers consider their needs when planning lists.

Direct selling through mail order book clubs has long been part of the bookselling scene in Britain, and prices through this channel have always been lower than retail prices, even when the NBA was in operation. However, there has been disquiet amongst retailers recently because book clubs and The Book People have been given access to some books near to release date, so the traditional buffer of six months or so has gone.

Interestingly, BML statistics show that while the volume of direct sales has remained steady over the last three years – 67 million in 2000, 66 million in 2001, and 67 million in 2002 – the value has varied more significantly – £521 million, £510 million and £541 million respectively.

Internet book sales are a more recent phenomenon. From a low base, the share of sales of books through the Internet have more than doubled in volume and more than doubled in value in four years. Most internet book sales are through Amazon.co.uk, which was established in 1999, and is now one of the biggest customers of publishers and wholesalers. Some publishers choose not to supply directly because of the demands made for discounts, but Amazon can access the same titles through wholesalers. Like the supermarkets, Amazon has traditionally put an emphasis on low prices.

While publishers recognise the value of non-traditional channels, they are increasingly careful in their business dealings with them (see below).

2.1.2. Balance of power and market dynamics

While retailers may not agree, my perspective, and that of most of the publishers I spoke to, was that the balance of power in the UK industry currently lies with the retailers, certainly more so than in Australia. Minna Fry, Marketing Director at Bloomsbury, puts it the most bluntly: 'we need them more than they need us'. This is equally the case for publishers of all sizes, but is more true of large retailers (of all types) than small.

I think one of the reasons for this difference between the two countries is that the book retailing scene in Australia is more diverse. Here, the chains, while significant, have less dominance than their UK equivalents, and there is a stronger independent bookselling sector. On the other hand, supermarkets are not yet significant players in the Australian industry. Penguin UK CEO Anthony Forbes Watson describes British supermarkets as 'more efficient and more dominant than supermarkets anywhere'. The discount department stores (DDSs) are the Australian equivalent, and have a huge impact on the market here, but they lack the sheer ubiquity of supermarkets, and I would assume that people visit them less often.

As well, there are effectively fewer major publishers in Australia since many act as Australian agents for the UK's major publishers (for instance, Allen & Unwin is the Australian agent for

Orion and Bloomsbury, two of the UK's top 10 publishers; similarly Penguin Books Australia is the Australian agent for Time Warner, Virgin, and Faber, all, again, significant UK publishers). The Bertelsmann-owned Random House and Transworld are separate entities in the UK, whereas they operate as one in Australia.

The difference between the two markets is also partly due to market share, with each of the top publishers in the UK holding relatively little of the market share, while each of the top retailers has a more substantial share of the retail market. Figures quoted to me suggested that the top *ten* publishers hold around 50% of the market share between them, whereas the top *three* book retailers hold between 45 and 60%. Therefore a publisher needs to have its titles in as many of the major outlets as possible to ensure they are not missing out on a significant portion of the market. As independent publisher Nicholas Brealey says: 'I've adjusted to the way of thinking that chain bookshops are effectively supermarkets. Therefore the power is with the big chains'.

However, power dynamics are never static, and the current situation has changed and developed over the last several years. The power of the retailers has grown as there has been consolidation. A number of formerly strong smaller or regional chains have failed and/or have been bought by other chains. Ottakar's, for example, has had huge and rapid growth, partly through the acquisition of Hammicks and part of James Thin's.

And the dynamics in the industry will continue to change. Ian Hudson, Random House Group MD, comments that while the power is 'still very much with the retailers, it is moving back towards publishers a little'. There is a general opinion in the UK industry that consolidation will continue to occur, particularly in publishing. For example, there have been rumours that Time Warner will be sold by its parent company. Stephen Page, chief executive of Faber, speaking at last year's Booksellers Association conference, said that consolidation within publishing would actually bring benefits to the industry. Consolidation in publishing, it is generally believed, would restore more power to publishers.

On the other hand, UK publishers with knowledge of the Australian industry predicted a power shift towards retailers in Australia. This makes the UK experience even more relevant to the Australian book trade.

2.2. Discounting, pricing, promotions and margins

Tied in with the changing market dynamics discussed above are the increasingly vexed and interrelated issues of discounting, pricing, promotions and margins. There is almost unanimous agreement that discounting is the major issue in the UK industry.

I was stunned both at the level of discounting and the breadth of titles available at a discount in the chains. While supermarkets generally offer straight money-off discounts, chain

bookshops combine that type of discounting with price promotion offers of the sort that are only starting to become common in Australia. Waterstone's, Ottakar's, Borders and Books Etc were all offering three-for-twos (where customers can buy three books for the price of the cheapest two on a large selection of paperbacks, mostly fiction). WHSmith was offering any two fiction paperbacks or chart non-fiction paperbacks for £10 (although late in my stay this changed to a broader but more-difficult-to-calculate offer of buy any two books and get the cheaper one half-price).

In fact, some booksellers told me there was less discounting than there had been in previous years. According to Waterstone's product director David Roche, 'we discount now probably half the books we did a year ago. Just talking new books now, in campaign terms, probably a quarter'. On the other hand, Borders managing director Philip Downer told me that he didn't think there would be 'any reduction in, broadly speaking, the range of titles available for discount', although it is important to note that he claims that Borders already discounts fewer titles than its competitors. Roche says he is not overly concerned about the direct short-term threat to Waterstone's of supermarket discounting (although he is concerned about price perception in the long term, see below), because he believes Waterstone's customers are least likely to overlap with consumers who buy their books at supermarkets.

But such promotional strategies are unlikely to disappear. As Ottakar's managing director James Heneage says: 'I think in promotional terms, everybody's so scared about getting it wrong that they are understandably relying on the tried and tested: two-for-ten, three-for-two have worked, and I think we're all quite nervous, and there's not that much more you can do with books'.

2.2.1. Why the high level of discounting?

People cite a number of reasons for the ferocious discounting that has been escalating since the demise of the Net Book Agreement (NBA), which regulated book prices, in 1995.

Because it became possible to reduce the price of books from their RRP, retailing became more attractive to existing retailers who had not previously sold books, and to new players, most obviously Amazon. As noted previously, supermarkets, not just discount department stores, are much more active in selling books than they are in Australia. Such non-traditional retailers placed an emphasis on price that has reverberated through the entire industry.

Geoff Duffield, sales and marketing director at Pan Macmillan, set out clearly what many people told me was the way pricing worked in the UK market: 'Amazon set the price of book, ASDA watch Amazon and so will match them, Tesco watch ASDA and so will match them. Smiths watch Tesco, and then the smaller chains try and get pretty close in'.

Another reason cited for the high level of discounting is a grim battle between the chains for market share, at least in part because the major players are publicly listed companies.

Competition for the book buyer's pound is intense. From a situation in the 1980s where the UK was 'under-bookshopped', there is now a strong argument that it is 'over-bookshopped'. Market share is seen as a vital indicator of a company's performance, and retailers see discounting as a way to secure market share, even if at a reduced profit.

To compound the situation, the population density of the UK means that these competing retailers are physically close. As Penguin sales director Peter Bowron puts it, 'We've got a small island that we live on with a lot of bookshops on it, and the mass-market outlets are very close to the high-quality outlets. There's not a geographical distance between them. You don't have to drive, you just go next door. And so differential pricing is not something you can really have'.

2.2.2. Pressure on margins

Discounting to the consumer is funded, not just by retailers, but by publishers and, ultimately, authors. Of course, direct sales channels have traditionally received significantly higher discounts than other customers. But even aside from these, apparently some customers (I assume supermarket suppliers) are asking for terms of over 65%. At the same time, there is increasing demand for significant marketing spend from publishers. Multinational publishers say that the level of trade discount in the UK is the highest in the world. Random House CEO Gail Rebeck, for example, describes discounts in the UK as 'alarmingly high', and adds, 'publishers and booksellers are locked in a dance of death'. Small publishers can feel the pressure to accede to discount requests as much as, or perhaps more than, large publishers.

As well as requesting extra discount, retailers are asking for increased amounts of co-op spend. As one publisher told me: 'we work at about 5% marketing spend to turnover. A customer will ask for anything between minimum 8%, and that's on the very rare occasion, up to as much as 30% marketing spend to turnover, if not more, and so you're trying to always claw that back down to something sensible'. One chain has apparently admitted that its buying staff receive financial rewards for securing extra discount and co-op budgets.

While the chains I interviewed say they are always reasonable in their demands, publishers complain of 'consistent and incessant demand for more terms', as one senior figure puts it. Another described the situation as 'wearing. They all want to talk about discount. Discounting and marketing spend have moved to top priority'. Still another bemoaned a situation where retailers are 'always looking for the best deal, they're always looking for margin, and they will go to where they can get the deal, the margin, the sexiest thing, and there will always be a publisher who's prepared to give them silly terms to do something'. Because getting a title into a promotion can make a significant difference to sales, publishers will often agree to higher discounts.

The obvious result of publishers giving their customers more discount is that their own margins are placed under increasing pressure. As Hodder's UK sales director Lucy Hale points out: 'You have to be careful that you're not giving away so much marketing money and so much margin that you're actually giving 100% discount. It just doesn't make sense for anyone'.

While publishers have been able to 'afford' to increase discounts in the past, that has been paid for by increased efficiencies in their individual businesses and the industry as a whole. However, as Anthony Forbes Watson says 'publishers' terms are going to have to stop because they won't be able to find compensatory efficiencies internally for that'.

Richard Cable, Managing Director, Century Hutchinson Arrow (Random House), has a similar perspective: 'I think publishers have ended up a much more efficient bunch than they were before, and they are more market facing, and are more pro-active and efficient at what they do, and have managed to take costs out of the way they manage their business. But the incessant demands for increased discount can't continue'.

Many people talked about their sense that something will 'give'. My impression is that the pressure on margins means that there is going to be a 'crunch' in the very near future. Publishers will no longer be able to accede to retailers' demands and continue to be profitable. But it is hard to know exactly what form this 'crunch' will take.

One possibility is suggested by the fact that publishers are starting to 'walk away' from deals. Almost every major publisher I spoke to, and some of the smaller ones, told me they had walked away from deals that did not make financial sense, in either the short or long term.

Decisions about terms are generally made on a title-by-title basis. 'Cost parameters vary on a title-by-title basis. We want to know what we're getting back, and we want to know that the promotion will work. Authors and agents are concerned with discounting. We need to prove to the author that their income will go up because of the higher volume of sales', explains Martin Neild.

A publisher might agree to a loss-making deal if they believe it will have a long-term benefit such as establishing a new author, for example. But sometimes the sums do not make sense in the short term or long term, and it is at this point that publishers are now 'walking away'.

'We cost everything. And if it's worth it we'll do it; if it's not we won't. We really do look at every title on its own merits. We do a costing with all the marketing money, discount, and see what comes out at the end. You do have different agendas with different books. And sometimes we just say, especially with some non-traditional deals, supermarket deals, we will say, it's not worth it and step away from it', explains Lucy Hale.

Similarly, Anthony Forbes Watson comments: 'Publishers including ourselves often make decisions not to supply a supermarket with particular books because we're not prepared to sell them at that discount. Many of our competitors do the same, so supermarket supply at the moment is selective. It's done on individual titles for individual reasons. Supermarkets are not supplied with every book they want at the discounts they want'.

On very rare occasions, publishers can refuse to make deals because they simply don't need to – when they publish an absolute 'must-have'. Bloomsbury is known for refusing to give special terms on the Harry Potter titles, and Pan Macmillan recently made a similar stand on the new Helen Fielding. Both publishers were confident that they wouldn't lose orders by refusing extra discount, or, that even if they lost orders, they wouldn't lose overall sales.

Usually, though, such a decision is harder to make, because there is the risk of losing both orders and sales. These in turn impact on a title's position on the bestseller lists, and there is both industry and media focus on bestseller lists and chart positions in the UK.

Increasingly, authors and/or their agents are being involved in the decision-making process. Amanda Ridout describes these as 'grown-up conversations' because they involve a level of transparency that did not always exist. 'Increasingly, one should go to [authors and their agents] and say, OK we're going to make this choice now, we can give away this amount and you can get to number one, or we'll all make more money including you the author, but we'll probably get to number three.'

2.2.3. Other negative consequences of discounting

Discounting is not only seen as problematic in the short term because of the effect it is having on bottom lines, but also because of its effect on the consumer in the long term. Geoff Duffield notes that 'people believe that books are good value, but we are in the process of persuading them that they're too expensive, by discounting'.

As well, the focus on price is reducing the number of books that catch consumers' attention. With the dominance of price promotion, full-price books get noticed less. I observed this in my own behaviour as a consumer, where I would select my purchases from the titles available in the three-for-two promotion. As well, it is hard to get customers to move through the whole of a bookshop when there is so much attention given to front-of-store price promotion.

But while publishers bemoan the dominance of the price message, some retailers feel that they have no choice: 'consumers want a deal', says one.

The ubiquity of discounting in the major chains means that they all start to look very similar. In fact, the stores are quite different, in terms of look, customers and stock, but these differences get lost. Such homogenisation was a concern to publishers. 'I think probably the top ten retailers have probably got a pretty good idea of who their customers are, but I think they just

do not leverage that. I see a real lack of imagination from retailers in terms of them selling to customers. Spectacularly unimaginative. It's only about value', says Geoff Duffield.

Once innovative selling methods, such as shelf talkers with staff recommendations, have also become par for the course, and, I believe, have therefore lost their impact.

With the bookselling chains increasingly looking to differentiate themselves from their competitors, booksellers doing their own publishing has become a hot issue. Ottakar's in particular was looking at increasing its activity in this area, having just created a new position for the development of Ottakar's-branded books and exclusive books and non-book products.

2.2.4. The future of discounting: Crunch time?

Of course, if the effects of discounting were all negative for publishers, it wouldn't happen. While they may reject individual deals, publishers continue to supply books at large discounts. As David Young, chief executive of Time Warner Books, puts it, 'We choose to play' (although he, like others, has walked away from deals). Getting a book into a supermarket or into a front-of store promotion in a chain will ensure huge sales of a title. Agreeing to include a book in a discount promotion can ensure its position in key retail space. In the current market, says Richard Cable, for example, 'we would be foolish not to support [three-for-twos] ... Whilst they remain the key game in town, one's got to be in there'. In such a competitive market, it can be hard to make a stand against discounting, when shareholders and authors are pressing for sales volume.

As discussed above, supermarkets in particular can ensure high volume sales. Tom Weldon, managing director of Penguin General, is one of many who recognise the potential for sales through this channel. 'There's too much flak in some ways for supermarkets. Yeah, maybe they discount too aggressively, maybe they abuse that power. But, hey, a supermarket can make a book, in a way that almost no other chain can. So at least if you buy into their promotional discount you get delivery.'

As well, there is a strong argument that discounting does increase sales. Ottakar's promotions manager Jon Woolcott says: 'You can sell more books if they're a bit cheaper. Three-for-two seems to be the best way to make it work ... We would like to find another offer that was as easy to administer and as attractive, but we haven't come up with it yet. A few stores do just do straight money off, and that's where we perceive that actually it's difficult to sell a customer a second book'.

Most publishers are aware of both the positive and negative aspects of discounting. Richard Cable sums up the pluses and minuses: 'I'm not sure anybody in the industry expected to end up with three for two being quite so all consuming. I would think the majority of retailers and publishers would like to see it lessening its grip on the industry. Having said that, I think most people would agree that at certain times of the year it's been a huge boon, and it has created

a number of seasonal sales opportunities that have been absolutely fantastic. I think for instance nearly all the chains run some sort of paperback of the year promotion towards Christmas, well it's a time of the year when an awful lot of hardbacks are selling in big numbers and I think it's a fantastic way of re-promoting books that were published back in February and April that aren't necessarily on everyone's lists. Great deal, and the fact that they've been selected by, say, Ottakar's or Waterstone's gives a sense that the retailer is recommending them'.

Of the people I spoke to, few say they wish for a return of the NBA – most accept its end as inevitable, especially given the global reach of internet retailers. Nevertheless, there is a great deal of disquiet about the levels that discounting has reached and the impact that it is having. One publisher told me: 'I've got the sense that [a] crunch is coming. I've worked in publishing a long time and there's always that discussion about to happen, but quite literally, we are on the point of not making any profit as an industry'. Publishers feel that the chains should emphasise what they offer their customers without resorting to price promotion, while retailers feel that this is a major way in which they can remain competitive.

Because supermarkets especially are not necessarily concerned with making big margins on their book sales, discounting is here to stay. There is an argument to be made that publishers just have to accept this state of affairs, and this position was voiced by many that I spoke to. Peter Bowron puts it bluntly: 'Necessarily your high-street retailers follow the lead of the mass-market, and if as a publisher you're selling to the mass-market, you've got to understand the dynamic. So partly just wake up and get on with it'.

Then it becomes a matter of working within such a model, and making strategic decisions that acknowledge the realities of the market without being trapped by them. This involves refusing deals when appropriate, and choosing to make deals when appropriate. Easier said than done, of course, but some publishers are trying to find ways to do just that.

Ian Hudson was one of many publishers who talked about 'managing channels'. 'I see supermarkets as incredibly important customers for us but at the same time a potentially huge threat to the industry. Their pricing is a huge threat, and their sales, historically, went to consumers who didn't buy books very regularly, now it's become less so, it's grown beyond that. We have to manage this channel, it's about managing the challenges, not trying to cut down on the channel. We have to be much more creative. For example some books and/or formats might go solely into supermarkets, whilst others could be purely trade.'

Peter Bowron's perspective is similar. 'What publishers have to be smart about is managing their channels. So when is a book available in these various channels? What stage in its life does it go to a book club, or does it go to The Book People, does it go to the mass market, in what format does it go there?'

This model suggests that publishers have a role to play in the future of discounting, rather than being helpless victims of it. Amanda Ridout certainly believes publishers have a part to play: 'what we all need to do as publishers is develop our brands to be more must-haves and then to be robust about them'. That robustness includes saying no when it doesn't make sense. 'I think publishers are going to have to draw a line in the sand about the degree to which the costs of serving a customer ... is too great', says Anthony Forbes Watson.

To some extent, discounting has an impact only on certain segments of the market, primarily mass-market titles and a broader range of fiction. Given that only a small percentage of titles are actually discounted significantly, the challenge lies in focusing attention on the titles that are not discounted, and in educating consumers that value is about more than price.

The heads of the chains I spoke to all say they are doing this. For example, Philip Downer says that the Borders/Books Etc 'strategy is very much to offer good overall value, and I would say that has to be a combination of very acceptable price points on frontlist titles whether that's in hardcover sitting in Borders' best, or a new paperback in a three-for-two, whatever it might be, but to recognise that that combines with the other values that we're bringing the customer ... I think customers fundamentally and implicitly understand the difference between price and value, and so they know that the book would be cheaper if they go to Tesco, but that price is only worthwhile if they combine it with a weekly shop, otherwise you've got to go to the supermarket, find the book out of a very small range of bestsellers and bargains, and queue up at the checkout. The whole thing will take about an hour in order to save £1.20'.

It is pointless debating whether there should be discounting. It can't be avoided in the trade when non-traditional retailers are so committed to it, and can afford to take losses. In any case, discounting is not a bad thing in itself. It can be a valuable tool and effective in increasing sales, and perhaps even in attracting new readers. But it is only valuable when it is special – when it becomes ubiquitous, it loses its power because it becomes a consumer's basic expectation. Again, I noticed this in my own book buying behaviour while I was in London – I resisted buying books at full price because I felt that they should be available to me at a discount. I also believe that while publishers have to accept the realities of the market, they can have an active role to play in the future of discounting.

3. Collaboration and cooperation in the UK industry

Given the description on the previous pages of an industry at loggerheads over discounts and margins, with publishers despairing at the lack of imagination of retailers and booksellers thinking publishers often get it wrong, it is hard to believe that this is an industry in which collaboration and cooperation are occurring. In fact, when speaking about individual retailers, publishers were generally complimentary, especially about Ottakar's, Borders/Books Etc, and Waterstone's. And, somewhat paradoxically, while negotiations between individual companies are tougher than ever, there is still a general feeling of goodwill. While there is a sense that, as Peter Bowron put it, the 'price war and discounting issues are getting in the way of having more constructive relationships', such relationships are nevertheless being forged.

As in Australia, the industry in the UK has recognised the need for collaboration. Indeed, at the 2003 Booksellers Association conference Stephen Page gave a paper titled 'Collaboration or collapse', later published in *The Bookseller* (23 May 2003). He argued that the current market conditions were damaging to the industry, and that the only way to mitigate that damage was to collaborate in the areas of marketing, supply chain and standards.

Essentially, most forms of collaboration within the industry are designed to expand either the market, or the margins made in that market, by lowering costs across the industry. In other words, there are efforts to increase the size of the pie, and efforts to make sure less pie is wasted. I have divided this part of the report into two major sections. The first focuses on collaboration that is occurring at an industry level; the second concentrates on cooperation between individual companies. The distinction I draw does not deny that the two are related: obviously industry-wide cooperation requires individual companies to act cooperatively.

3.1. Industry-wide collaboration

3.1.1. A new cross-industry forum

Perhaps the most tangible sign of an openness to cooperation is a new bookseller–publisher forum that was in the planning stages during my visit but did not actually convene until late October 2003, after I left the UK.

The forum, which will meet quarterly, is designed to air industry-wide issues and find consensus on the best way to resolve such issues. It is jointly chaired by a publisher and a bookseller: Anthony Forbes Watson (Penguin) and David Roche (Waterstone's). The other members are Richard Barker (Gerrards Cross Bookshop), Victoria Barnsley (HarperCollins), Philip Blackwell (Blackwell's), Fiona Clarke (Egmont), Philip Downer (Borders), Trevor Goul-Wheeker (W H Smith), James Heneage (Ottakar's), David North (Macmillan), Stephen Page (Faber), and Gail Rebeck (Random House).

Those on the forum see the value of collaboration: Anthony Forbes Watson was quoted in *The Bookseller* as saying: 'There are huge pressures for change on our industry, as we seek faster growth and greater efficiency. There are many opportunities for publishers and booksellers to create value by working together on practical responses to these challenges' ('Industry forum off the blocks', *The Bookseller*, 2 October 2003).

Although everyone agrees that a forum for publishers and retailers to meet is important, there were some initial concerns about its make-up. Small players in the industry contend that it is too dominated by the heavy hitters. However, the pragmatic viewpoint, and one I share, is that change does not occur without the major players being involved, and that their cooperation is necessary for industry-wide change. More members of the forum would make it unworkable. Moreover, it should be noted that there are two independent members of the forum: Richard Barker and Stephen Page.

There are a number of practical issues that the forum will discuss, all requiring a cooperative approach from publishers and booksellers.

One such issue is embargo or launch dates. There was a call in mid-2003 for a joint approach to ensuring that embargo dates were respected and, more importantly, to creating more 'buzz' around launch dates for new titles, with books to be released on a particular day of the week so that customers know when new titles will be in store. Anthony Forbes Watston explains the reasoning: 'Everybody in retailing and publishing agrees that it is in the consumer's interest and the industry's interest to have as many book-related events to the consumer as possible and if you don't, in a disciplined way, publish at one moment, you don't make an event. So we're all agreed that we have to implement a cross-industry policy of respecting embargo dates and they have to be tied to the on-sale date, everything that happens before that is irrelevant, it's the on-sale date that has to be respected'.

Philip Downer explicitly links the embargo/launch date issue with marketing. 'There is a broader constituency who I am convinced would buy more books and would read more if titles were presented to them in an exciting and accessible way, and one of the ways to do that is to make release dates work more effectively. So instead of a new title ... dribbling into the shops over a period of about ten days, you have a big bang, and you say new titles are all coming out on a certain day of a week.'

Retailers agreeing not to breach embargo dates by offering stock for sale early is also seen as an integral part of the proposed code of practice on embargoes.

Other issues up for discussion at the forum include the Industry Returns Initiative, discussed in a separate section below.

There are some issues which the forum cannot address (those in which it could be accused of acting as a cartel), and on those issues which it can discuss, I think it will have to come to some concrete (and popular) decisions if it is to given credibility within the trade. However, I believe that the forum has the potential to be an effective and representative body that will make publisher–bookseller collaboration a meaningful reality.

3.1.2. Generic book promotion

One of the most obvious ways to expand the market is to promote books and reading to the general public. The challenge, of course, is in doing so in a way that engages the public's imagination. Industry-wide promotions can also be a challenge in that they require financial contributions from companies who may not be able to identify an immediate benefit to their bottom line. Nevertheless, such promotions are being run, in particular World Book Day.

3.1.2.1. World Book Day

World Book Day (WBD) has been running for seven years in the UK, managed by a joint committee of publishers and booksellers. It has involved cross-industry collaboration from the start, with the Publishers Association and Booksellers Association each nominating five people to sit on the committee. Funding, though supplemented by the government, comes from the industry, with individual companies committing significant amounts to the campaign.

According the WBD web site, 'a main aim of World Book Day is to encourage children to explore the pleasures of books and reading by providing them with the opportunity to have a book of their own'. Through their schools, children receive a £1 book token which can be exchanged for one of the six specially published World Book Day £1 books, or put towards the purchase of any book at a bookshop. The £1 books are stocked in bookshops – the idea is that children and their families have to go into a bookshop to redeem their voucher. However, more schools are having book fairs, so some local bookshops are complaining of seeing less children coming through their doors. Nevertheless, with 90% of schools participating in WBD in 2003, and with 2.7 million children redeeming their tokens in 2003, the aim of getting children reading is certainly being achieved.

Moreover, WBD has a positive effect on sales. Nielsen BookScan charts show a spike in sales during the WBD week. As well, the 2003 WBD was the most successful in terms of sales.⁴

While it is recognised as a successful campaign, there is nevertheless, or perhaps inevitably, some disquiet about certain aspects of it. Some publishers who do not have their books featured question the benefit they receive and so funding is becoming harder to secure.

⁴ 2004 appears to have been successful too, with sales for the week of WBD up 6% on the previous week.

In a recent article in *The Bookseller*, WBD vice-chair Jo Howard acknowledged that 'there is some evidence of WBD fatigue', but argued that while 'certain booksellers and publishers have been questioning the value of the event' they had a role to play in ensuring its success. 'Frankly, these cynics are missing a great opportunity. Their challenge is to get off their backsides, grasp the opportunity and make it make a difference' ('Come on, cash in on World Book Day', *The Bookseller*, 2 February 2004).

Perhaps the main challenge facing World Book Day is to get adults involved. During our discussion, Jo Howard emphasised that it is important to maintain the promotion for children at the same time: 'we can't undermine it, we've got to keep working at it, and continue giving it the same attention, but adding to it'. She thinks there will be something for adults in the future, but admits there is a challenge in 'building on the tremendous momentum and yet having a newness'.

WBD chair David Young is also keen to extend the promotion to adults. 'I think that if you put a bargain in front of someone's nose on World Book Day and they pick up a great adult book for a quid, and they read that rather than *Hello*, and they get into it, that could be very exciting. Now, does it matter that regular book buyers will have a bargain? I don't think so, it's a bit of payback. If you convert a few readers along the way, that's great, that's what we're trying to do. We're trying to make people understand that reading is fun and buying books is a nice experience.'

3.1.2.2. The Big Read

In mid-May, just before I arrived in the UK, the BBC had announced the nation's 100 favourite reads following the first of The Big Read TV programs, where the public was asked to vote for their three favourite books of all time. Public interest and participation was high – almost 140,000 people nominated their favourite work. The resulting list was an odd mixture of popular and literary, contemporary and classic, adult's and children's. As academic and regular Big Read panellist John Sutherland said, 'there is no reading public' but rather a 'mosaic of different constituencies' and the top-100 list reflected this. (I attended three of the ten events that were held at the British Library, each with a panel of speakers discussing ten of the books under a unifying theme, such as 'The Great Escape' or 'Grand Passions'.)

Bookshops drew attention to the top-100 titles, with in-store signage and discounts – Borders, Waterstone's and Ottakar's all had three for two offers on Big Read titles. WHSmith partnered with publishers to provide 'little reads' (first chapters in mini-book form) from around half of the top 100, although not all publishers participated.

By the time I had arrived in the UK, the novelty had worn off somewhat, and there was less attention given than there had been in May and early June, although the promotions continued over the summer. However, after I had left, the top 21 books and then the favourite

book were announced via further television programs, regenerating interest and sales. The order of the top 100 was revealed, and the top 21 books featured in documentaries, including celebrities encouraging people to vote for their favourite book. There was then another vote from the top 21 to decide the overall favourite.

According to an article in *The Bookseller*, 'sales of many of the top 100 titles named by the BBC in its poll rose dramatically in the week to 24th May, according to data from Nielsen BookScan. The 40 biggest selling editions from the Big Read 100 combined to sell nearly 73,000 copies last week, up by more than 60% from 45,000 in the seven days before the list was unveiled. Of the 100 books on the BBC's list, only two failed to make BookScan's top 5,000 chart' ('Big sales for The Big Read', *The Bookseller*, 29 May 2003). Five months later, *The Bookseller* reported that 'The BBC's Big Read has sparked a surge in sales of the 21 titles on the final list' ('Big Read lifts modern classics', *The Bookseller*, 30 October 2003).

The winner, announced in mid-December, was *The Lord of the Rings*, ahead of *Pride and Prejudice* and Philip Pullman's 'His Dark Materials' trilogy.

Perhaps one of the most pleasing aspects to the industry of The Big Read was that it increased sales of backlist, notoriously difficult to promote (see below).

While it is unlikely that The Big Read can be run again in the near future, it does show that creative thinking about how to promote books can have an impact. Although the original impetus came from outside the industry – from the BBC rather than any industry body or business – the industry was able to capitalise on it with, for example, re-issues from publishers, and price promotion from retailers, and, in the case of WHSmith, exclusive book offers to its customers. With the announcement that the ABC is planning a similar book program for spring 2004, Australia can look to the UK for ideas on how to make the most of books being firmly placed in the public eye.

3.1.3. Supply chain

The supply chain is an obvious area in which the industry as a whole can achieve cost savings. Taking cost out of the system benefits both suppliers and retailers.

The Industry Returns Initiative (IRI), an attempt to standardise returns in the industry, is the most significant example of an attempt at industry-wide collaboration. It is an example of change that can only be made with active cooperation from at least a significant number of the major players.

Another example is the Booksellers' Association's Batch, an online invoice payment and electronic data transfer service.

Clearly, industry-wide advances in supply chain processes cannot be made without industry-wide standards. In turn, industry-wide standards require industry-wide agreement. UK standards are primarily facilitated by Book Industry Communications (BIC), which also manages the IRI.

3.1.3.1. The Industry Returns Initiative

After a call for change at the 1997 Booksellers Association Conference, the industry appointed KPMG to report on the supply chain. KPMG identified returns as a significant area for cost savings, and was then commissioned to produce a report specifically on returns, 'Tackling Returns', which it delivered in mid-1999. The major thrust of the report was that the industry needed to address the issue on an industry-wide basis.

The Industry Returns Initiative (IRI), now managed by BIC, was the result. The IRI aims to standardise and automate the returns process, which is otherwise labour intensive, making it an electronic rather than a manual process. This automatic process covers retailers seeking authorisation for returns, the publisher's/distributor's approval, crediting the retailer, and alerting publishers to whether they will pulp the book or put it back into stock. Authorisation is based on universal parameters incorporated into the system, which can accommodate a variety of reasons for return. Technical details of the initiative can be found on the BIC web site, so I will not explain them here. Essentially, as BIC's Peter Kilborn says: 'What this process does is take out seventy-five percent of the work and does it completely automatically'.

Cost savings should be the result. The reasons for this were spelt out by BIC in 2000 in an article in *The Bookseller*. 'The new process will greatly reduce the length of time taken from the point of requesting permission to return until actually receiving credit. This will mean much less working capital is tied up in returns that are being processed. In addition, there will be benefits for publishers from the reduction in time taken to process returns requests, for accounts staff matching credits and resolving issues and disputes over debit and credit notes and, for booksellers, from a reduction in physical handling and associated paperwork. The benefits of time, effort and cost savings should undoubtedly be reflected in the bottom line' ('Many happier returns', *The Bookseller*, 4 August 2000).

There was general enthusiasm and a clear consensus in favour of adopting the IRI when the industry met to receive the 'Tackling Returns' report. (A number of my interviewees suggested that it was important to have someone credible from outside the industry making suggestions. KPMG's recommendations were more readily accepted because they were seen as more 'valuable', especially because the industry had made a considerable financial investment in commissioning KPMG to undertake the study.)

The majority of those people I spoke to about the IRI still see clear benefits of the initiative. Peter Bowron, for example, says: 'I genuinely believe that if we all moved to the industry standard on returns that quite a lot of money would be saved in the supply chain'. The system is being trialled by Macmillan, Penguin and Littlehampton (the Orion-owned distributor) with Waterstone's, with good outcomes.

But despite this, the IRI has not yet been universally implemented, more than four years after KPMG's final report. It has been an example of how practical issues can get in the way of cooperation, despite good intentions.

The reasons for delay

A central reason for the delay is the high initial set-up cost for publishers who need to update their systems. One estimates it at between a quarter of a million to three hundred thousand pounds up-front investment. Proponents argue that the long-term cost savings will outweigh the initial costs. Another practical consideration is that different publishers and distributors want different parameters for returns approval.

Then there are some more 'philosophical' concerns. Some publishers and distributors worry that retailers will abuse the system. Publishers were unimpressed in mid-2003 when WHSmith unilaterally implemented a plan to keep the credit for returns prior to authorisation from the publisher. 'We're not totally convinced all retailers are going to consistently buy into it, some of their behaviour has not been great. At least one major customer, knowing all of the agreed parameters, and still theoretically being signed up for the initiative, breached those parameters in several ways in the last year, so it's hard to see how they're going to honour them going forward' says Ian Hudson.

There is a fear that making the returns process easier will mean retailers will return books more often than they do currently, and/or will use it to manage their cash flow. Again, supporters of the system argue that this will not occur to the extent that it will become a problem, pointing to the fact that Macmillan has been running its own automated returns process since 1997 without experiencing this.

Another is that some parts of the supply chain are less convinced of the benefits. One senior publisher says that 'retailers have not really accepted how much of a saving there could be in store ... Accepting that there are savings in store suggests a trading balance that needs to be corrected, so there's been a bit of a reluctance to accept that that's where one of the big savings is'.

But perhaps the biggest contributing factor to the delay is a 'chicken and the egg' situation, where it is not worth distributors' while to invest until the big retailers are committed. 'It's hard to commit to investing when you don't know if you're going to have enough critical mass, and

that's brought about an inertia. The only way of overcoming that inertia is going to be to get the major booksellers and publishers together', says Ian Hudson. From a company perspective, 'we are in support of the principle, and we would put our money behind it, but we need to see cross-party commitment'.

Basically, the IRI will not go ahead unless a critical mass makes it an organisational priority at the same time.

The future

Despite the delays, I think that the IRI will eventually materialise. There has already been substantial, if slow, progress, and since my visit more retailers have made a firmer commitment to the initiative.

'Very broadly speaking, the people who signed up to this fairly vague proposal in 1999 are still there, are still supporting the project, and are still represented in the activity', according to BIC's Peter Kilborn. 'With the mass of people who are supportive of this project – how can it not be happening, it's just extraordinary.'

Anthony Forbes Watson believes that change will occur with the commitment of a critical mass rather than the entire industry. 'There'll be a series of bilateral initiatives involving larger players that will over time change the habits of the industry as a whole', he says. 'But those bilateral initiatives will tend only to happen when there's a collective will on behalf of the industry, to see it happen. The big guys will do the testing, and the little guys will come in afterwards once everything's up and running.'

David Young also sees this as inevitable. 'The fact of the market today is that the big people will sort it out, that's how you do things, or nothing will happen. It's not meant to be patronising or egregious use of power – it's pragmatic, it's the reality of the marketplace. So they need to sort out what the rules are and then people can decide whether they join in.'

So the IRI would not require the participation of the entire industry at once. Savings will be achievable as long as enough major players are committed. But cross-industry cooperation is still required by that critical mass. It is to be hoped that the industry forum will provide the necessary impetus.

3.1.3.2. Batch

Batch.co.uk is another example of standardising processes across the industry to save time and therefore money. Batch, which in fact existed in non-electronic form before becoming batch.co.uk, is essentially an electronic clearing house for invoices. It is owned and run by the Booksellers Association.

Batch electronically processes invoice and payment data, consolidating it for both bookseller and publisher. By using Batch, booksellers make a single payment that covers payments to all their suppliers. In turn, suppliers receive a single payment from all their customers. Booksellers are able to view invoices online immediately rather than waiting for paper copies from suppliers.

Approximately 440 booksellers are now using batch online, and it covers 56% of publishers. Booksellers do not have to pay to use the service; suppliers are charged a small percentage of their invoice amounts. Again, bottom line savings are made because both booksellers and publishers have less paperwork, and there are fewer bank and postal charges.

3.1.3.3. The IRI and Batch

The IRI and Batch are now actually linked, with Batch providing an interface for booksellers to use for an automated returns process. Smaller booksellers can process returns requests over the web by indirectly accessing participating distributors' systems. Launched in autumn 2003, more than 70 booksellers are using the web-based returns facility. Peter Kilborn believes that this will increase the likelihood of the IRI reaching that all-important critical mass. 'Enabling large numbers of independent and small-chain or technologically challenged booksellers to take part is likely to change the balance of the arguments for distributors to participate', he says.

3.1.4. Industry information

The collection and use of industry information fits less obviously under the 'cooperation' heading than expanding the market and supply chain issues. Nevertheless, I have included it here, because, as in the case of BookScan, a critical mass of participation is required, and because the information produced is used throughout the industry. I have also included Book Marketing Limited's activities because, as well as the annual survey it produces which again is used throughout the industry, BML also conducts research for the industry as a whole, with a number of companies contributing financially. Most importantly, accurate information benefits the industry as a whole.

3.1.4.1. Nielsen BookScan

BookScan, previously known as BookTrack, has been measuring UK book sales since 1997. As in Australia, it began measuring a smaller percentage of the market (known as General Retail Market (GRM) panel), but now estimates that its Total Consumer Market (TCM) panel, active since 2000, measures 85% of all retail and internet sales⁵. The TCM panel includes sales at non-book retailers and Amazon.co.uk, additional supermarkets and general book

⁵ With more retailers joining the TCM in late 2003, this figure may be closer to 90%.

retailers compared with the original GRM, thereby giving a more accurate picture of what is actually selling.

At the beginning of the project, the industry as a whole had to be convinced of the benefits. Retailers had to be persuaded to contribute their sales data and publishers had to be, and still have to be, satisfied that the data they receive is worth paying for.

BookScan executive director Richard Knight identifies three areas in which BookScan can help publishers: sales and marketing; supply chain management; and strategic planning. In the first area, publishers can make decisions on questions such as: How many will sell? Where are they selling? Are we on plan? What promotions are working? What price are they selling at? In the second: How many should be stocked? What is the predicted sales-out shape? What on-going replenishment is needed to meet demand? And finally: What categories could we improve in? When do books of this type sell? In what quantities, at what price, and in what format do these books sell? Knight believes that some publishers are currently not using BookScan information to its full potential, focusing on the first two areas and neglecting the third.

BookScan also helps in the industry's efforts to expand the market, by creating media buzz around books: both bestsellers, with the media now able to quote credible quantities, and category specific titles.

There are a few who argue that BookScan has some negative effects: contributing to an unhealthy preoccupation with market share, for example, and reinforcing the negotiating power of the supermarkets because it can be hard for a book to become a bestseller without supermarkets stocking a title.

An early champion of BookTrack, as it was then, David Young describes BookScan as 'wonderful information', but warns that it can be used 'as master rather than servant'. He suggests that BookScan should 'confirm feelings' rather than being the driving force behind publishing decisions, maintaining that publishers still have to 'go and talk to people'.

The publishers and retailers I spoke to were generally extremely positive about BookScan, as the remarks below show:

- I think it's incredibly worth it and it's incredibly important to understand your market and what's going on in it. And why you are performing well and why alternatively you're not performing well. Because part of the marketing role here is to feed back into the publishing process. And with DK when you haven't got an author delivering a final concept, you've got to somehow help the publisher identify the gap, position the book, make sure it's right, make sure it's printed properly and priced and formatted in the correct way.' Catherine Bell

- We use BookScan a lot. We look at various levels of the information BookScan provides us with on a regular basis. We look at the top fifties of what is selling in the various categories every single week, and we look in greater depth at individual genres and areas and subjects on a less frequent but regular basis. And that's both interesting for what is working and what isn't working for both our own books and competitors.' Richard Cable
- 'It's our bible. It's fantastic for pre-acquisition. Before, you'd ring up a few retailers and have a guess, you can now look up and see what actually sold.' Lucy Hale
- 'We do use it, and we use it to track other authors, not only our own. We use it to see exactly what's happened between two publications, this year, last year, week on week with the same author.' Martin Neild
- I think generally the trade-wide information is pretty good, certainly relative to the record business ... When I started here we used to get a feed from BookScan and look at about the top 5000 titles, now we look at the top 50,000 titles on a weekly basis and 150,000 on a monthly basis, because obviously it gives an immediate clue into where our self-perpetuating problems are ... So we are constantly looking at everyone else in the industry to see what are we missing that other people are selling.' David Roche

3.1.4.2. Book Marketing Limited

Like BookScan, Book Marketing Limited (BML) provides research services to the industry. Its main product is its *Books and the Consumer* annual survey, which is available via subscription. However, it also provides tailored research to companies.

As well as conducting research for individual companies, BML does 'syndicated research'. When a research project is of interest to more than one company, and the breadth of the project means its cost is beyond the reach of a single entity, a group of companies will jointly fund research. A recent example is research into the efficacy of retailers' Christmas catalogues. The cost is shared, and the results are made available only to those who contributed financially. As well as gaining directly from the research, some companies, according to Jo Henry, also see their contribution as partially philanthropic: 'it's something the industry really needs to do'.

Books and the Consumer

The *Books and the Consumer* survey has been run by BML since 1989, but the methodology has changed over the years. Its third and current phase uses a Taylor Nelson Sofres (TNS) panel of 10,000 individuals who record all their book purchases and are interviewed fortnightly.

Jo Henry describes the process: 'We record an ISBN against each book bought by our panel of consumers, run that against one of the bibliographic databases so that then picks up the genre and the publisher and the format. We ask them how much they paid for it so we can look at discounting; we ask them who they bought it for, so we can look at gift and other purchasing; we ask them where they bought it and we break the market down into anything that's got more than a percent of the market, meaning we can go down to the level of which supermarket, which chain bookshops; and we ask them why they bought it'.

From this data, BML produces an annual report, available to subscribers only, which tracks and compares the year's book sales. An annual conference open to non-subscribers reports trends, as does an annual summary report based on the conference presentation.

Expanding the Market

BML's current major syndicated project is titled *Expanding the Market*. Focusing on non and light readers and buyers, its aim is to find ways to encourage these people to buy more books.

'Unless you understand who you're talking to, you can't understand how to talk to them or what motivates them', Geoff Duffield says, explaining why he has been a major driver of the *Expanding the Market* research.

Jo Henry echoes his thoughts: 'Shouldn't we know a little bit more about, not just who's doing the buying, but why they're doing the buying? ... My contention is that there are people out there who buy one book a year as a gift for Auntie May at Christmas. If they buy one book a year, why don't they buy two, and there's enough of them that if they bought two the market would go up'.

Having segmented the market according to how many books people bought and how much they read annually, BML ran some brainstorming sessions, one with publishers and retailers, and one with people in the library world and the regional development agencies, to develop ideas about how to make people read or buy more.

The next stage was in-depth interviews with 200 people, concentrating on people who are light readers but non-buyers, or light buyers but non-readers. Interviews were not conducted with people who neither read nor bought books. Jo Henry explains: 'We're not including heavy book buyers and heavy book readers, as they are committed and in the market already, it's the non-committed we want to investigate in this project. So the interviews are looking in depth at what their behaviour is and why it's like that, and what they think would encourage them to do more. And then we will probably pick two or three of the most interesting segments [and] say "what would you do if all books were half price?", or "what would you do if you could buy books at vending machines at railway stations?" or whatever it might be'.

The project is part funded by the Arts Council, but BML has had to obtain funding from the industry. Because of the Arts Council funding, major findings from the project will be made widely available, but more detailed findings will be made available exclusively to companies which have invested in the project.

The findings and impact of the report may well have valuable lessons for the Australian industry.

3.2. Business-to-business cooperation

3.2.1. Bookseller input into publishing decisions

This area of publisher-bookseller collaboration was actually the starting point for my project. I wanted to find out whether booksellers' input contributed to successful publishing outcomes and what people's attitudes to the process was. Booksellers' influence over publishing could be interpreted as wholly constructive – as an equal partnership, with publishers gaining insight from booksellers' contact with the end consumer. On the other hand, it could also be seen as undesirable interference, with the possibility that a few powerful booksellers will have a disproportionate influence over what gets published and/or how it gets published.

That this issue appears in this report as just one among many others is a reflection of my conclusion that such collaboration is not the most significant facet of bookseller–publisher cooperation. Certainly, some publishers are asking booksellers for their opinions on aspects of the publishing process, and see doing so as valuable, but it is not their primary concern within their relationships with booksellers. Other collaborative aspects of their relationship, including those discussed in this report, particularly, I believe, working together on stock selection, promotions and supply chain issues, have more bearing on successful outcomes. And discounting and terms are certainly more pressing.

With so many books published, it is of course impossible for every publisher to speak to every bookseller about every book on their list – neither publishers nor retailers have the time to do so. So when consultation does occur, it is selective, both in terms of who is consulted and on which books they are consulted. Similarly, booksellers will only look at a proportion of titles, although some chains say they give feedback to small and self publishers as well as large companies, and that doing so can benefit them by turning what would have been a minor title into a bestseller.

It was not surprising to learn that publishers who do seek input consult primarily their major customers. And it was equally unsurprising that publishers will also consult the customers that sell most of a particular type of book. So they will consult different retailers, and different individuals within those retailers, for a mass-market sports biography, for example, as opposed to a literary title. Specialist publishers will often seek input from booksellers who have the same specialisation.

Who is consulted can also depend as much on the actual person as the particular retailer. Some individuals' opinions are trusted more than others'. Martin Neild comments: 'There are some people's opinions that you know are good, and sensible, and have proved to be right'. Similarly, the individual publisher and bookseller need to have a good relationship. 'It's all to do with relationships', says Lucy Hale. 'Some people I can ring up and say "what do you think?" and some people I can't.' Similarly, 'some people want to talk about it and some people don't'.

That a broad process comes down to individuals is inevitable, and is a reflection of the fact that relationships between companies are driven by relationships between people. However, with high staff turnover or rotation at some retailers, publishers feel that long-term and therefore more constructive personal relationships have been stymied.

On specific titles, the most common area for consultation is packaging, with retailers providing their thoughts about consumers' reactions to jacket design. Scott Pack, buying manager at Waterstone's, believes that 'packaging of a book is much more important than with other cultural products', pointing out that CD buyers will generally have heard the music (on the radio, for instance) while book buyers do not know the contents. Obviously a book's cover can have a major impact on sales, and publishers can hope that a bookseller's opinion can help them identify the best possible design for the book's potential market. But analysing design is notoriously subjective, and it can be hard for publishers to gain consensus from important retailers about jacket. Three different individuals can give three entirely conflicting opinions on cover design.

Some publishers say price is not up for discussion, whereas others say it is something that is discussed a lot, and that they will take into account a retailer's opinion that they would find it difficult to sell a title at a certain price-point.

Release dates can also be changed if a number of major customers foresee a problem with selling a title in a particular month. Although there isn't a huge amount of flexibility, release dates might be moved forward or backwards a month.

While some publishers see the acquisitions process as an integral part of being a publisher, and therefore not appropriate for discussion with booksellers, others say they do talk to retailers at this stage. Some will do so, confidentially of course, if they are considering poaching an author from a rival house. Again, how much consultation occurs on acquisitions can depend on the type of publishing – more market driven houses tend to consult more. More often, though, consultation on acquisitions is more general, relating to overall trends.

Consultation on fiction is often confined to the more 'mechanical' decisions such as packaging and pricing, but with non-fiction there can be an opportunity for retailers to identify gaps in the

market and emerging trends and make recommendations to publishers accordingly. One bookseller says they believe the 'real input from the buying team is on non-fiction'.

The ways in which input is sought varies as much as the areas for consultation. There are formal and informal processes. Some buyers have been invited to publishers' acquisition meetings, although usually this is to give general opinions rather than input on specific titles. Another forum in which consultation takes place is at regular (usually twice-yearly) sales presentations by publishers to their customers. Mostly, though, input is sought on an ad-hoc basis via personal phone calls or one-to-one meetings. Here, again, the quality of the personal relationship is important.

Booksellers also have input in less direct ways. Publishers do not necessarily seek input in a systematic way but talk informally to booksellers. Publishers who attend buying meetings say that doing so makes them more informed about trends in categories, for instance, and this influences their decisions about what to publish and how they shape their lists. Tom Weldon, for example, comments: 'I'll go to the six-monthly buying sessions and that kind of thing. And I don't think that ever influences your acquiring decision on any individual book, but of course it makes you more informed about trends, categories'.

Account managers and reps will filter feedback from buyers through to more senior sales and marketing executives who will in turn pass it on to publishers.

Perhaps the most formal structure for a publisher to obtain bookseller input is at Hodder, where sales director Lucy Hale has decided to have regional dinners for booksellers. This is a way of getting to talk with the people behind the tills rather than head office staff. The intention is to have general conversations about trends rather than structured feedback about individual titles. It also addresses the fact that those booksellers with whom publishers have discussions are usually head office staff, and therefore not directly in contact with the consumer anyway.

Attitudes towards consultation

Attitudes basically fell into a range between two extremes. First, there is the perspective that booksellers are at the 'coalface' and know their customers, and therefore the public, better than publishers. Booksellers can be seen as 'the interpreters of the public', as Lucy Hale puts it. Thus they are well-placed to help publishers make decisions about their publishing. David Young thinks that 'publishers don't get enough out of the bookselling community. It needs to be polled more'. On the other hand there is a view that publishers are publishers because they know how to publish books for the market, that they have the experience and knowledge to make those sort of decisions, and that retailers' skills lie in other areas. Tom Weldon voices this perspective: 'As a rule we don't work very closely with retailers in terms of making publishing decisions. And I guess whether that's rightly or wrongly, the positive rationale of

that is that a) new authors invent their own market, and b) at the end of the day, especially with fiction, it comes a lot down to taste, and why do you have editors – you pay editors to have taste and judgement, and retailers are brilliant at what they do but that's a different kind of mentality'. Additionally, some who may have liked to consult did not trust the feedback they would receive: 'With the way the trade is now, if we listened to them, we could easily make the wrong decisions', says Minna Fry.

Obviously each publisher's view determines the extent to which they do consult, and the areas on which they seek input.

There is some suggestion that collaboration on publishing decisions is occurring more now than in past years. Scott Pack, Buying Manager at Waterstone's, who was mentioned by a number of publishers as one of the buyers they trust, says the chain has always given publishers input, but is doing so more now, and is 'more vocal about it'. He believes the level of consultation is 'about right'. Others believe it should happen more. For example, Ottakar's Jon Woolcott, who acknowledges that there is more consultation than in the past, says 'We wish they would do so more, because we do feel we are closer to our market'. And, as discussed, some publishers consult more than others, and there are always some aspects on which retailers think they should have more influence. Woolcott 'would like to see a bit more collaboration on jackets, because sometimes you're shown something and you'll say "that's wrong", and they'll do it again but it's not any better, so it's not particularly interactive'.

However, some publishers say that there has been a turn away from automatically checking the covers of every book with the major retailers, and even that doing so is an abrogation of a publisher's responsibility. This is Tom Weldon's perspective. 'Five or six years ago, people would spend their whole time going down to WHSmith and asking them what they thought of a cover', he says. 'Again, I feel that if you are the publisher, you are the marketeer, you are being paid for your expertise, and I think it's a denial of responsibility on the publisher's part and I think occasionally one should go to retailers and ask them what they think, but, hey, that's what you're paid to do. And I think thank god publishers have increased in confidence in the last five years.' A number of publishers speak about the importance of having the 'courage of our convictions'.

Another twist on this position is the view that retailers won't respond if publishers have got it badly wrong in the first place. Richard Cable, for example, believes that 'the publisher has to take responsibility for the packaging and other issues such as format. Many retailers aren't particularly interested in entering into lengthy debates – if they don't think you've got it right, they are often inclined to just move on to the next book'.

Sometimes consultation occurs, not because publishers believe that a bookseller is better placed to make the decision, but because of a particular retailer's power. As one publisher comments, 'Whether they're right or wrong, they're the ones buying it'. Publishers recognise

the fact that a retailer's order will be dependent on how well they think a book will sell. Obviously, getting the retailer on side can increase the chances of a big order, and many publishers say they would be foolish not to take this into account when making publishing decisions.

No matter how much consultation occurs, though, a single bookseller's opinion is very rarely the sole basis of a decision – it is considered as one factor amongst others, which as well as the publisher's opinion might include high-street trends, sales information taken from BookScan, or even market research. With regard to bookseller feedback, Lucy Hale says that it is not the yes or no factor: 'You just put it in the mix, and see how it comes out'. Because it is just one factor it is difficult to quantify how much bookseller input to the publishing process contributes to successful outcomes.

Of course, both publishers and retailers can give examples where consultation had not had positive outcomes. Retailers can cite instances of publishers making bad decisions in the first place and then not listening to valid and constructive criticism. Another concern is that some publishing staff can be out of touch. Jon Woolcott says, 'plenty of editors don't understand the translation between the acquisition of the book to how it's going to work in the market'. Some retailers also bemoan the fact that they are only given an opportunity to provide feedback when it is actually too late for their concerns to be taken into account.

On the other hand, publishers criticise booksellers for giving personal opinions rather than feedback that reflects their customers' tastes or habits. Publishers speak of some buyers refusing to buy a book because they didn't personally enjoy it, or because they didn't like the cover, and failing to give detailed or constructive suggestions about possible changes that related directly to the retailer's business. 'They [need to] make the distinction between what they like and what their customers like, and I actually think it generally is what they like ... Either you know your customer, you've got information on customers enough to give us a brief on the slots we should publish into, or you don't and you're personalising it, in which case stay out of our business. Get on with your business of selling', says one publisher.

Again, there were exceptions, with some buyers who deliberately couched their feedback in terms of their customers. Pack says he always tries to keep the customer in mind when giving feedback: 'Usually I say "if you want to sell this in the market, we would suggest ..."'.

Perhaps it sounds obvious, but the most common attitude from publishers was that 'if it makes sense, we'll listen to it'. Of course, what 'makes sense' is subjective rather than objective, and it is here that I think the potential for conflict arises.

It is foolish to say that publishers should listen to booksellers' opinions to the extent that they always and automatically agree to act on them. Booksellers are, as many publishers point out, not publishers, and there are many elements that need to be put into the mix. On the

other hand, it is just as senseless to say that publishers do not need to listen at all. Booksellers do, or should, know their customers, and, in an ideal world at least, are in a good position to provide publishers with access to those customers' preferences. The best strategy is to seek a balance between these two extremes.

3.2.2. Sharing information

While BookScan and BML provide invaluable research services, obviously there are still areas in which both publishers and retailers see the need for further research, which they undertake themselves. For example, publishers will embark upon market research, on the packaging for a particular author's titles, say, or on a specific category. Similarly, retailers might research the buying habits of their customers. Frequently, this research is *not* collaborative; it is commissioned and used by an individual company.

However, several people I spoke to identified the sharing of such research with major partners as desirable. In a sense, this sharing of information is part of booksellers' input into the publishing process.

Peter Bowron, for instance, says: 'In a really good partnership we would like to think that we're offering enough back into the relationship for a retailer to share with us their thoughts on their consumer, to help us ... And I think that's probably fundamental in this discussion, trying to understand who's reading our books, what their habits are, what they want to see from us as publishers, what environment they want to buy books in, what they're prepared to pay, what they like looking at on covers, what else they'd like to see, etcetera. We've done a bit of collaboration around consumers but we could do a lot more ... We'd be interested in joint funding exercises going forward. We've had some good sharing of data on that score. I would say it's not gone as far as we would like it to. But in the future it's certainly something we would expect to do more of'.

Amanda Ridout too says HarperCollins 'would share research', and pointed to recent joint research with Waterstone's on audiobooks.

From the retail perspective, David Roche bemoans the lack of shared information and indicates a willingness to change the situation. 'We've had very little research shared with publishers ... I'd be happy to [share our research with publishers] if they would do so with us'. Roche points to his experience at HMV with video companies who do significant research, which they would share with the retailer: 'They would say, "so, having seen that research how do we plan together to do this, this and this". It was very collaborative'.

Similarly, Philip Downer suggests he would like to work closely with publishers based on research: 'We wouldn't be saying to publishers "here's our expensive research free of charge", but we would be saying here's some more of what we understand about our customers. And here are some more opportunities that we believe you should be pursuing'.

As retail inventory systems become more sophisticated, the information produced by them becomes increasingly valuable. Individual retailers can certainly use this information on their own to their own advantage. However, sharing it selectively with suppliers, will also benefit them, as well as the suppliers.

3.2.3. Promotions and developing authors

While retail promotions can be a point of conflict between publishers and retailers because of the cost to publishers, they are also an area in which publishers and booksellers see the potential for collaboration. One aspect of this is the opportunity for a publisher and bookseller to develop an author's career together.

A number of publishers say they try to create promotions that are specific to an individual retailer. For instance, at Dorling Kindersley, 'the marketing team spend a lot of time in the background pulling together various promotions – be it price, be it concept, be it added value – to try and offer something different to each chain, and we will try and tailor it to each chain and to the independents', DK's marketing and publicity director Catherine Bell says. This includes not just book retailers, but also, for example, Mothercare shops or garden centres.

Currently, Bell says, 'the key way we work with retailers is to try and get hold of their promotional calendar and pitch our books into that, which is ongoing'. However, she would like to see the relationship develop further: 'I would much rather that we sat down *together* and planned a promotional calendar that made sense'.

Both booksellers and publishers were positive about working together to develop an author in the long term. For example, one publisher says that 'if a chain will help us build an author, we will happily help them further down the line when that author's successful, and I think that's a good way to work'. It is not just the chains who can make a book –other publishers also cited examples of books that had been made through independents, supermarkets and book clubs. Nevertheless, some publishers think that the chains are most active in this area. Says one: 'The ones who are looking to build and work with publishers as much as they can are increasingly the chain stores, the Waterstone's, the Smiths, the Ottakar's, who are looking to differentiate themselves from their competitors, to look smarter, to look as though they're more up on what's breaking through, to try and own interesting new authors up front and having a sense of breaking them through and having a sense then of being ahead of the pack'.

Amanda Ridout believes that publishers benefit from retailer input in this area, but also thinks that doing so is a retailer's responsibility: 'I think that we're both interested in developing authors. You [as a publisher] can't really discuss an author's career plan in isolation. You really need to share that with our retailers, the big ones. And they should take some

ownership of building brands and authors. Because as one falls away we've got to replace it. You have to keep thinking about how to do it, and that is not just a publisher's job'.

In this area, a productive relationship between a publisher and retailer can result in better sales for both parties.

3.2.4. Supply chain

As well as industry-wide initiatives in the supply chain, individual companies are working with others to take costs out of the supply chain. In fact, Ian Hudson sees this as one of the most fruitful areas for collaboration: 'In discussions with retailers, I think the most productive ones are around the costs that can be taken out of the supply chain. We have had some really good discussions with the likes of WHSmith and Amazon about how we can supply books in a way that keeps the costs down in their warehouses, keeps the costs down in our warehouses, and gets the profile of the deliveries right. Then we can all share the benefits'.

Retailers can also contribute to removing costs. At Headline, for example, Martin Neild says, 'We're working with all the big customers on new trading terms, codes of practice, to stop books being chucked back and then the same books being re-ordered three weeks later'.

David Roche gave another example of working together to take costs out of the supply chain: 'At Christmas we share data of what our sales and on-hand are in store on the key titles with the key publishers in order to try and help them keep titles in stock '.

3.2.5. Working together on range: Title selection and core stock

Obviously, one of the primary aspects of the relationship between publishers and retailers is title selection – which books a retailer is going to stock and which of those it will promote. While many publishers say that discussions with retailers concentrate increasingly on terms rather than titles, others say that there are opportunities to work together when discussing title selection. Of course, title selection is often not a collaborative relationship – a publishers tries to sell its stock to a retailer who in turn says yes or no and tries to get the best possible terms. However, in some cases publishers and retailers are working together to make sure that a retailer is stocking the titles that best suit its market. This applies not just to frontlist and promoted titles, but also, and perhaps most significantly, to core backlist stock.

Peter Bowron explains the benefits of working together on developing a core stock range: 'Some areas of publishing which we're in, notably travel, children's books, reference and 'how-to' non-fiction... are backlist driven areas and range driven, and this is where we think from a product point of view that the bookseller–publisher relationship can really start to make a difference. Because they all know and we all know that if you have the right books on the right shelf in the right quantity at the right time that it's a very effective sales tool, marketing tool ... If the right books that people want are in the right place, you will sell a hell of lot of stuff

at high margin for them and at high margin for us. So we work around core range, what that core range should be, using their expertise and our expertise from all our other retail partners, and indeed from BookScan. It is a fantastic dynamic if you get it right'.

Philip Downer describes title selection as 'very much a two-way street, because we understand what our customers are looking for, and we're starting to understand regional variation better as we open more stores'.

Almost universally, the publishers and booksellers I spoke to agreed on the importance of backlist but emphasised the difficulty of finding ways to work with it. For example, Catherine Bell says she has to pitch a multitude of ideas to interest retailers in promotions that focused on Dorling Kindersley's heavily backlist-oriented range (although she has been successful in doing so). Backlist 'is harder to sell, because it's not something that's immediately sexy. You've got to try and explain that yes, you may sell ten thousand of this book at £5.99, but if you sell three thousand of this book at thirty quid, you're going to make loads more money'.

It seems that the message is getting through; certainly the chain heads I spoke to are keen to make more of backlist.

New forms of selling in and the changing role of the rep

Such changes in the attitudes of publishers and booksellers in terms of working together on stock selection are taking place in the context of changes in the mechanics of how retailers are buying titles and, inevitably related to this, how suppliers are selling in to retailers.

The two greatest changes are the redefining of the role of the rep from salesperson to account manager, and the use of intranet buying systems in chains for branch buying (of course, there is more and more centralised buying at head office level, which is done face to face with publishers' representatives, who are more likely to be described as key account managers).

Certainly, chains are regulating reps' visits and restricting the number of reps being seen. But James Heneage says that Ottakar's, at least, has no intention of doing away with reps altogether: 'We want to see the same reps slightly fewer times with much, much tighter agendas. We don't want to have our time wasted, and frankly if I was a rep I wouldn't want to waste other people's time. We want to see them as account managers, not just sellers, we want to see them as people who come into our branches and do things like talk about local events organisation, maybe help us with any outstanding problems we have with returns or whatever, but a much broader brief than simply flogging books'.

This sentiment echoes that of, for example, Penguin, with Anthony Forbes Watson saying he believes that 'there's definitely going to be a role for fewer field-based reps, and more of a role for people who travel from head office with coordinated, joined-up programs, rather than

this week's sub list ... I think that the role of key account managers is to present individual titles within a framework and context of a seasonal promotional calendar, and in a coherent, themed context'. The change has been carefully managed at Penguin, according to Peter Bowron: 'We've tried to train them very differently. They have much more financial awareness now, much more basic skills. The way they share information is different. There are fewer of them. They try to manage the relationship with a branch rather than shove loads of books in. So they're talking to the events manager, they're talking to the PR people, they're looking further ahead at highlights. They're managing the range and so on. It's quite a different range of activities from the more basic, here's the new books, what do you want'.

Another publisher told me why they welcome the change to the traditional business model: 'It used to be that publishers saw reps as sacrosanct, and every time a retailer said we don't want reps there was wailing and gnashing of teeth. Now, I think we should be thrilled, because it's a huge expense, and there are now much more efficient ways of doing it'.

One way in which the chains have managed their desire for branches to see fewer reps is through intranet buying systems. Ottakar's intranet, which won two industry awards in 2003, has made the biggest splash, although Waterstone's is currently putting a similar system in place. The Ottakar's intranet, which I was able to see, has multiple functions, one of which is to allow branches to buy titles with guidance from head office in the form of ratings and commentary, but with autonomy to make their own decisions about what is most appropriate for their stores. The overall aim is to increase sales and decrease returns by allowing branches access to relevant information, in the expectation that such information will enable better buying decisions.

The publishers I spoke to about Ottakar's intranet system were generally positive. James Heneage sees it as a 'contribution' to taking cost out of the supply chain. 'We believe that the current structure of rep sell through is very antiquated, it leads not only to overbuying but very inaccurate buying'. He believes 'we're probably going to see something akin to our buying intranet used as an industry standard in the not too distant future'.

4. Conclusion: Relationships as the basis of collaboration

A word that recurred while I was interviewing publishers and booksellers when discussing the types of relationships that they wanted to have with each other was 'partnerships'. The term reflects a growing interest in more constructive relationships. Retailers and publishers talked about the necessity of understanding what their 'partners' were about, and the strategic directions in which they wanted to go, and then working together with shared objectives. This might be working more closely on marketing plans, or even product planning, but in some cases includes quite radical rethinkings of business models.

Such partnerships will predominantly be formed between large suppliers with their major book retailing customers (few thought such strategic relationships with supermarkets would be a possibility). This particular forthcoming transformation in the business is specific to only a few players. As Tom Weldon comments, 'I think, fairly or unfairly, the relationship between retailers and larger publishers has changed a bit, [both are] looking for partnerships ... So it's not favoured status but you are trying to work with those people more. Maybe some things are less good about publishing than they were ten years ago, but all those things are so much more professional'.

Ideally, such links exist at all levels of both companies, providing the ground work for a fruitful working relationship: 'You need your chief executives and your senior management, your senior sales people, your on-the-ground sales people, your publishers, your marketeers, everybody, to all have relationships', says Peter Bowron. James Heneage echoes this in the way he describes relationships with publishers at Ottakar's. 'We have relationships at every level, they sell into us on a local basis, they sell into us on a central basis ... right down to our PR events people talking about who we're going to have in a shop. And so at pretty much every level we are collaborating. We're very, very close'.

Penguin in particular spoke openly to me about the way it is rethinking its relationships with its customers. Both Anthony Forbes Waston and Peter Bowron identified areas in which collaborative relationships were both possible and desirable, many of which I have discussed above.

Working together on product is one such area, in terms both of the development of that product and the core range, with the two feeding off each other. On backlist-driven core stock areas, Bowron says Penguin is 'starting to shape our list from what a retailer would really want'. Promotion, too, is identified as a fruitful area for working together. Anthony Forbes Watson says: 'I think that we're going to focus more on clusters of titles as part of promotional activities at the right times in calendars spiked with really interesting individual titles promoted by people who are based at head office, who attend all the internal marketing meetings,

generate marketing strategy and then go and present it to retailers. It's a much more plugged-in relationship. It's a better way of getting key retailer decision makers and your key publishing decision makers to be in a sort of virtual office together where they start to make decisions together ... there will be much more invitation to retailers to get involved in processes as part of getting them to feel totally confident in the output of your company'.

But Penguin is also considering new forms of relationships at an even more fundamental level – the business relationship itself. The company already has business meetings with key retailers 'where we look at every aspect of the relationship, and they're much more strategic [than just talking about titles]', Bowron explains. In a good relationship, you can 'share strategic visions', he says. But he would like to see this go even further: 'If you operated with your key retailers as I would like to do one day, on a joint P&L basis, so we effectively say this is a joint venture, here's all our costs, here's what we're making, here's all your costs, here's what you're making. Let's put them in together and then we take joint profits out of this relationship.' He admits that the idea is 'quite radical', but believes that 'if you did that, all the uncommercial behaviour that exists within a relationship would stop immediately'. He acknowledges that you can't operate on the basis of such a radical new model with everyone, but says that he does think that it will be possible with some retailers.

John Bond, sales and marketing director at HarperCollins says that the company wants 'a grown-up, mutually beneficial business relationship with all channels' and is trying to think of practical ways of having 'grown-up conversations'. Some retailers are more ready than others, he says.

From a retail perspective, chain heads were also talking about improving relationships. 'I believe we're progressively improving the way we're working with [publishers]', says Philip Downer. 'We're moving on from saying let's have an annual meeting to discuss terms, to saying let's meet more regularly and discuss issues surrounding publishing and opportunities surrounding titles.' Still, though, he describes the publisher–retailer relationship as 'a balancing act'.

Obviously there are barriers to better relationships. 'There are more issues that divide [publishers and retailers] – financially, economically, commercially – than unite them at the moment', says Anthony Forbes Watson. However, Penguin obviously believes these obstacles can be surmounted. Bowron says: 'There are various elements to our relationship with any key retailer, and the blockage to developing that is always base discount ... If you can get over that, then you're in a position where we can start helping each other to deliver things'.

In addition to the issue of discounts, there are some pragmatic issues that get in the way of greater cooperation. For example, as mentioned earlier, high staff turnover at some retailers gets in the way of developing relationships.

As well, partnerships can rarely be exclusive. 'When we make something really work, it's almost always because we've managed to get six or seven or eight of the major customers all lined up for a promotion, Richard Cable points out. As one publisher says: 'It's very hard to ever imagine that one is going to be able to do something special with just one retailer, or indeed that one retailer is ever going to deal with just one publisher'.

As individual companies negotiate their relationships with their suppliers or customers, the industry as a whole, including at association level, is also trying to find ways to work together. Booksellers Association CEO Tim Godfray believes that there is increasing recognition of the necessity of this: 'There is inevitably tension and frustration between retailer and supplier but there is also a mature awareness that on the big issues booksellers and publishers have to work together. There is more willingness to give ground if it can be shown that in the middle and longer terms there will be benefits. There is an understanding that the other is not the enemy – professional sparring partners, yes, but not enemies'.

Gail Rebuck, who was instrumental in making World Book Day a success, says that 'it is possible to come up with ideas as an industry'. The new forum shows the industry's belief that this is the case, and its willingness to work together.

But it remains to be seen whether the rhetoric about constructive partnerships will translate into practice. The fear of short term disadvantage or an unwillingness to shoulder an unfair portion of the burden can be obstacles to both business-to-business and industry-wide collaboration. Especially at the industry level, it would be unrealistic to expect individual companies to brush aside such considerations. It is therefore incumbent on proponents of a particular collaborative effort to demonstrate a tangible benefit, at least in the long term.

From my initial interest in one sort of collaboration between publishers and booksellers (bookseller input into publishing decisions) the scope of this project grew as I found more examples of collaboration, both between individual companies and on an industry-wide level. All of the areas I have identified in this report are good examples of cooperation producing better results than would be possible if companies acted alone, either in terms of better decision-making (for example, industry information), better sales (for example, working together on core range) or taking costs out of the industry (for example, supply chain issues).

But it is impossible to take these cooperative efforts and apply them wholesale to a different context. They cannot be taken from one area of the industry to another; they cannot be taken from one country to another. For example, the Australian generic book promotion campaign Books Alive certainly looked to the World Book Day experience, but its final form is different in many ways, on the basis that this was more appropriate to the Australian context. Or, on an individual company level, what works for one publisher in its relationship with its major book retailing customers may not work for other publishers, or for all its customers.

As well, when discussing publisher–bookseller relationships in a broad sense, one is actually discussing personal relationships. It is impossible to systematise these to ensure good outcomes (although I believe that it is possible to enable them).

So, if it is impossible to apply blanket solutions, or systematise relationships, what can be taken from this report? First, I think, the areas of cooperation, if not the specific solutions, are relevant to the Australian context. Also, I hope, a sense that while there are very real barriers to working cooperatively, at both an industry and company level, there are also very real benefits in doing so. Collaboration is worth pursuing, not for the sake of a warm, fuzzy feeling, but because it can be good for business.

Appendix A: List of meetings

Richard Barker, Co-owner, Gerrards Cross Bookshop
Catherine Bell, Marketing & Publicity Director, Dorling Kindersley, Penguin
John Bond, Sales & Marketing Director, HarperCollins
Kate Bostock, Divisional Assistant, Trade and International Services, Publishers Association
Peter Bowron, Sales Director, Penguin UK
Nick Brealey, Nicholas Brealey Publishing
Richard Cable, Managing Director, Century Hutchinson Arrow (Random House)
Nicholas Clee, Editor, *The Bookseller*
John Clement, Managing Director, Moonlight Publishing
Sean Costello, Managing Editor, Mercat Press
Philip Downer, Managing Director, Borders
Geoff Duffield, Sales & Marketing Director, Pan Macmillan
Anthony Forbes Watson, CEO, Penguin Group UK
KT Forster, Managing Director, Virgin Books
Andrew Franklin, Managing Director, Profile Books
Minna Fry, Marketing Director, Bloomsbury
Tim Godfray, CEO, Booksellers Association
Lucy Hale, UK Sales Director, Hodder UK
Deborah Hallford, Head of Publications and Administration, BookTrust
James Heneage, Managing Director, Ottakar's
Jo Henry, Managing Director, Book Marketing Limited (BML)
Jo Howard, formerly WHSmith and vice-chair of World Book Day
Ian Hudson, Managing Director, Random House Group
Patrick Janson-Smith, Publisher, Transworld
Tom Johnstone, Managing Editor, Mercat Press
Peter Kilborn, Book Industry Communications (BIC)
Richard Knight, Executive Director, BookScan
Peter MacKenzie, Director, Mainstream Publishing
Dallas Manderson, Sales Director, Orion
Simon Morley, Buying & Distribution Director, Gardners
Ray Mudie, Sales Director, Virgin Books
Sharon Murray, General Manager, Foyle's
Martin Neild, Managing Director, Headline UK
Scott Pack, Buying Manager, Waterstone's
Charles Powiesnik, Category Controller – Books, WHSmith
Peter Quartley, Intranet Buying Manager, Ottakar's
Gail Rebeck, CEO, Random House Group
Joel Rickett, News Editor, *The Bookseller*

Amanda Ridout, Managing Director, HarperCollins General
David Roche, Product Director, Waterstone's
Adrian Stephenson, Unwin Trustee & Lennard Publishing
Mark Streatfeild, International Sales Director, Orion
Ian Taylor, Director of International and Trade Services, Publishers Association
John Taylor, Unwin Trustee
Ainslie Thin, Unwin Trustee
George Walkley, Microsites Editor, Ottakar's
David Ward, Sales Director, Bloomsbury
Tom Weldon, Managing Director, Penguin General
Roger Woodham, Commercial director, Macmillan
Jon Woolcott, Promotions Manager, Ottakar's
David Young, Chief Executive, Time Warner Books

Appendix B: Resources

Publications consulted

Book Sales Yearbook 2003: The Year in Focus – Publishers, Sectors, Trends (Bookseller Publications 2003)

Books and the Consumer: Summary Report on the Findings of the 2002 Survey (Book Marketing Limited 2003)

The Bookseller, various issues

Web sites consulted

www.bbc.co.uk/arts/bigread

www.bic.org.uk

www.bookmarketing.co.uk

www.booksellers.org.uk

www.booktrust.org.uk

www.publishers.org.uk

www.thebookseller.com

www.worldbookday.com