



Fifty Shades of Bookselling

The Australian book industry has had a turbulent few years as supermarkets moved in, readers turned to ebooks and the traditional publishing model faltered but, as **Foong Ling Kong** reports, publishers and bookstores are now facing the realities of their changed world.

Buying books as a leisurely pastime is endangered:
Lello Books, Porto Portugal. SOURCE: [HTTP://WWW.WIKIMEDIA.ORG](http://www.wikimedia.org)

IF YOUR FAVOURITE BOOKSHOP is still in business, thanks are due to Suzanne Collins and E.L. James. These two women kept many an Australian bookshop going during a tough retail year with Collins' *Hunger Games* selling nearly 480,000 copies, and James' *Fifty Shades of Grey* racking up 2.9 million copies in 2012.

Chances are, if you bought *Fifty Shades*, though, it was not from your local bookshop. According to [Nielsen BookScan](#)—which tracks 90 per cent of retail print-book sales in Australia—the average selling price for *Fifty Shades* was 25 per cent lower than its recommended retail price of \$17.99, which suggests the book was mostly bought from discount supermarkets.

Australians bought 22 million books in 2013: that's one per head of population, but it still wasn't enough to stem the slow leak in print-book sales since 2009, when the book trade turned over \$1.29 billion. Last year, it did \$917 million, a number that doesn't factor in ebook sales, which are about 20 per cent of the market, and so did not make up the gap. Who knew that 2009 would be the last great bookselling year that saw growth?

The book trade has received a remarkable hammering in the last five years, despite efforts at every level to address the multiple challenges. These have included a rising exchange rate, the advent of ereaders, the closure of quality bookshops and the rise of discount retailers.

After the 2007–08 global financial crisis, when the Australian dollar soared, it didn't take long for booklovers to twig that the already cheap books sold on [Amazon](#) in the US and [Book Depository](#) in the UK were still cheaper after factoring in postage costs. What booklover could resist the lure of the latest titles, at a good price, and sometimes before they were available in Australia?

In the past six years, the iPad, affordable ereaders and smartphones, plus an improved range of titles in Australia, have led many readers to swap their print books for ebooks. Australia was not alone in experiencing these upheavals. Ebooks and discounted books on Amazon had already wreaked merry hell in the US and UK markets. Bookshops

closed, publishers reported tough trading terms with Amazon, and with the new self-publishing services on offer to authors, some established authors joined the unknown writers to bypass traditional publishers. New business models proliferated. Many failed. Some are still around.

Finally, in 2011, the REDGroup-owned Borders/Angus & Robertson chain of bookshops collapsed with debt of about \$130 million, taking with it a lot of shelf space. Some of the remaining booksellers experienced a brief reprieve as they took some of REDGroup's market share. But it was barely enough to withstand the onslaught of Amazon and



Books as product: Amazon warehouse, Phoenix, USA.
SOURCE: [HTTP://WWW.IBTIMES.COM](http://www.ibtimes.com)

Book Depository, with their pricing and offers of free shipping. (See page 43.) And while we have no way of knowing exactly how much was spent on ebooks overseas, Book Depository and Amazon are Australia Post's largest customers. (The local industry estimates it to be in the vicinity of \$250 million a year.) In some towns and suburbs the supermarkets broadened their range of stock. Australia's largest bookseller today is Big W.

It was a perfect storm.

PICK UP YOUR SMARTPHONE and see how apps now replace the dictionary, map, phone directory, restaurant guide, travel guide,

encyclopaedia, the *Trading Post* and the bookshop. Whole genres of books are on their way to obsolescence, if not dead already. The venerable [Brittanica](#) no longer publishes in hard copy. If you are an avid ereader, your device is likely to be filled with recent release fiction, closely reflecting the current print bestseller list.

It took the combined might of technological behemoths Apple, Google and Amazon to change the physical form of the book and the ways in which we searched for, bought and read books. And their hardware and software and their New Economy ways of doing business turned the scale and profitability of publishing businesses around the world upside-down.

Apps and websites are convenient, possibly more environmentally sensitive, and digital products make sense now that we have the hardware. But the digital world quickly reconfigured the publishing business for writers and readers by returning purchasing power to the consumer (who is reluctant to pay much, if anything, for these new products), leaving in its wake an industry trying to come to terms with the implications of this for its [traditional business model](#). (That model has two key characteristics. On the publishing side, publishers offer authors an upfront sum—an “advance”—that is offset against royalties. Print royalties are typically set at 10 per cent of the retail price ex-GST, and ebook royalties are at about 25 per cent of a publisher’s net receipts. Once the advance is earned out, the author starts receiving royalties, paid out once or twice a year. Depending on how large an advance an author receives, s/he may never earn enough from book sales to receive royalties. On the bookselling front, publishers sell their stock to booksellers on a “sale or return” basis. This means, after 90 days of a book’s first publication, booksellers are able to return unsold copies of the book to publishers.)

This traditional model is weighted towards the publisher, who bears most of the risks. The trouble today is, with access to publishing and purchasing so democratic, and with falling sales of print books, the business model needs adaptation. Then, there’s

the existential question of what publishers can offer and do better than authors cannot do themselves. The success of *Fifty Shades of Grey*, initially self-published and which sold more than 250,000 copies online, was instructive. (A book by an Australian author is a success when it sells between 6000 and 8000 copies on its first outing.) After James signed with Random House, they took the book to the global heights only a multinational can achieve, but James had done outstandingly well on her own.

Some authors, such as self-publishing poster boy of the bestselling *Wool* science-fiction series [Hugh Howey](#), are currently agitating for no less than an [author revolution](#) to fight back against publishers’



Not every author can afford to do what Waugh did ... Odds are, Big W won’t stock your book if you are Josephine Bloggs.

“abusive contract terms and horrid digital royalties”.

When the former Australian cricket captain Steve Waugh released his mentoring and leadership book *The Meaning of Luck* in 2013, his thirteenth book, he [bankrolled the enterprise himself](#) and approached Big W to be the exclusive retailer.

Not every author can afford to do what Waugh did. It costs money to have a book edited, designed, printed, marketed and distributed, and the author needs to be prepared to go through the financial and mental hoopla of running a business. It helps immensely if you are already a well known public figure. Odds are, Big W won’t stock your book if you are Josephine Bloggs.

For Waugh, “Big W is one of the biggest booksellers in the country—they certainly sold



Books as architecture: the pivoting UnWaste bookcase wall by Australian company Bild. [HTTP://WWW.BILD.COM.AU](http://www.bild.com.au)

many copies of my autobiography, more than any other store—and I know book-lovers flock to their aisles.” Waugh’s end-of-cricketing biography, *Out of My Comfort Zone*, published in 2006 by Penguin, sold more than 230,000 copies.)

“During my cricket career I liked to be innovative ... so anything I do in business I try to be entrepreneurial. I saw this as an opportunity to do things differently and maybe break a few rules that have been rarely challenged,” [Waugh said](#).

The book is keenly priced and has been strongly promoted by Waugh in partnership with Big W. His team have secured corporate sales and produced limited editions. It’d be a surprise if the book failed.

Self-publishing can work, but large publishers can take a successful book (such as James’) and a “brand” author’s book to a different level through their capacity to sell the book across all channels of the market—the independents (such as Abbeys, Avid Reader, Gleebooks and Fullers), the chain bookshops (such as Collins, Dymocks, ABC, QBD, Readings) and the discount and department stores (DDS; Big W, Target, Kmart).

The face of bookselling in Australia has changed

since 2009. Once a market defined by traditional bookshops, it has seen the DDS market share grow from 24.8 per cent in 2007 to 35.8 in 2012, compared to 38 per cent by the chains and 31 per cent by independent booksellers, with little change in 2013. What Australians buy from a DDS, a chain store and an independent bookshop differs more than you’d think. In 2013, only two titles were in the top ten titles in all three channels for the year, both children’s books: the Wimpy Kid *Hard Luck* and Andy Griffiths’ *39-Storey Treehouse*. The chains and the DDS had three other titles in common: Dan Brown’s *Inferno*, *Jamie’s 15-Minute Meals* and Matthew Reilly’s *Tournament*. The DDS and the independents had nothing beyond the kids’ books.

The once dominant chains and the independent stores have survived the retail downturn of the past few years by differentiating themselves from the DDS. Typically, independent stores sell a new-release book in the first week, often before the chain stores and the DDS can get the book on to the shelves, and much later on, when the DDS don’t restock the title.

“The independent sector has grown because it



Books as furniture: the Bookworm Chair... for days when you just don't want to move. SOURCE: WWW.ATELIER010.NL

focuses on hand-selling [recommending] titles to its customers,” publishing industry observer Michael Webster told *ASR*. “The sector does not compete on price because the independents don’t have the buying power, but it does on service.”

The big players can sell at cost or close to cost when volume is high, and crib market share from the smaller bookshops. They can use books as loss-leaders because they have the buying power to extract good discounts from publishers. Take Jamie Oliver, whose *30-Minute Meals* and *15-Minute Meals* saved many a bookseller during 2011 and 2012. His 2013 offering, *Save with Jamie*, didn’t perform as well in the chains and independent stores because “the DDSs killed it”, says Heather Dyer, the owner of Fairfield Books in Victoria.

The DDS influence not just what is published

but *how* it is published. The Big W buyer keenly understands her customer base, so if she does not think a book’s title, subtitle or cover appeals to her audience, she will ask for adjustments—or not stock the book. Publishers do what they can to ensure the package looks “DDS enough” for the stores.

“Big W is my biggest customer so I am very close to them. You get a very clear sense of their power and the speed they work at. I have changed covers and titles for Big W—it might mean a thousand sales,” independent publisher Jane Curry told the *Australian Financial Review* in February.

“It’s literally been a case of me getting to say ‘stop the presses’ but these chains can be very good for independent publishers if you are commercial. Big W can double a print run but you have to earn your space on their shelves. It can be brutal. Their current



Books as resource: Philology Library in the Free University of Berlin, Germany. SOURCE: WWW.FU-BERLIN.DE/EN/

buyer, Meredith Drake, came from Dymocks and really knows the business.”

Publishers have been known to push back at Big W’s suggestions, but how often can they afford to cut off that segment of the market? As for the authors—well, if necessary, they will be counselled on the need to work with the largest bookseller in the country.

Retail is fickle. In an era of challenging trading conditions, shrinking margins and of doing more with less, the trend at the larger publishing houses is to try to pick winners and to “go big”, orchestrating publication the way Hollywood releases a movie. Like big movies, the books by “brand”/celebrity authors—and those a publisher has paid a lot of money to acquire—need a big opening weekend. And for that kind of big, you need DDS support. Much as mid-sized to large publishers will talk about

the mix of titles they have for every channel, in this new book economy, publishers are less likely to publish a book if they cannot be confident that it may also find its way onto a DDS shelf. The weekly truth serum, the Nielsen Bookscan sales figures, elevate some of the commissioning guesswork to the status of educated, but no one can tell in advance that a book will sell. Any publisher can construct the most elaborate and generous publicity, marketing and advertising campaign, with dumpbins, life-sized cut-outs, advertising in print, airports and bus shelters, and author appearances from east coast to west, but if customers do not want to buy a book, little works. You also need luck in this game.

For the first 90 days that is the book’s prime publicity and marketing window, and before the bookseller returns unsold books to the publisher’s warehouse, it needs to make its mark and earn its

spot on the bookseller's shelf. With about 12,000 new titles published in Australia last year—that's 32 books A DAY—the competition is fierce.

THE NEXT HIT FOR the book trade came when local publishers and booksellers alike seriously underestimated that book-buyers actually like shopping online. Readers like buying books and ebooks on Amazon. They like the Kindle, and with Amazon's pricing, they don't mind that the device locks them into buying books from only one retailer. They have long thought that local books were too expensive, and were deeply indignant at being "ripped off" by "profiteering" publishers.

The industry was too slow to address consumers' price sensitivity. (Prices did fall. Eventually.)

Like many other businesses, cross-subsidization proliferates in publishing, where up to 80 per cent of titles fail to make a profit. While there has been some shameless profiteering—especially on the international blockbusters, for which the local publisher wears none of the fixed costs of development, editing, typesetting, proofreading and design—the earnings are ploughed back to give locally originated titles a fighting chance and some pricing parity. The consumer may expect paper books these days to cost between \$19.99 and \$24.99, and ebooks at \$9.99 or lower, but in a market of Australia's size, these figures don't really work, especially for a large company, with its overheads and the fixed production costs.

It does not help when shoppers go to Australia Post for stamps and see shelves of books sold cheaper than in their local bookshops. Or when they pop into Aldi for the weekly shopping and find bins of books, sometimes current releases, sold for a fraction of their recommended price. With people now buying fewer books from bookshops, publishers got creative about cultivating retail outlets beyond the traditional bookshop.

But for too long, instead of listening, interpreting and adjusting, the publishing industry tone has been defensive or justified as "this is how things are done". So frustrated customers took their book dollars overseas.

"FREE SHIPPING"

Book Depository sends books to Australia for the price of a local stamp—60 cents—and Australia Post pays for the rest of the delivery charges as part of the Universal Postal Union (UPU) agreement. So, "Australia Post gets paid the same amount for the processing of inbound international mail irrespective of its actual costs of delivery".

What Australia Post receives is "well below the actual cost of delivery within Australia" and led to a substantial loss for the organization. This was estimated to be \$42 million in 2011–12, or A\$1.06 per inbound international airmail parcel of less than 2 kg, on a volume of about 39.7 million articles. The number of inbound parcels grew 56 per cent in 2010–11 and continues to grow.

SOURCE: ELOISE KEATING FROM BOOKSELLER + PUBLISHER



Local publisher Hardie Grant was asked to sell its books to Amazon at a discount of 90 per cent, leaving just 10 per cent to be shared between the author and publisher.



Books as power: Yale University's Beinecke Rare Book and Manuscript Library. SOURCE: WWW.ATELIER010.NL

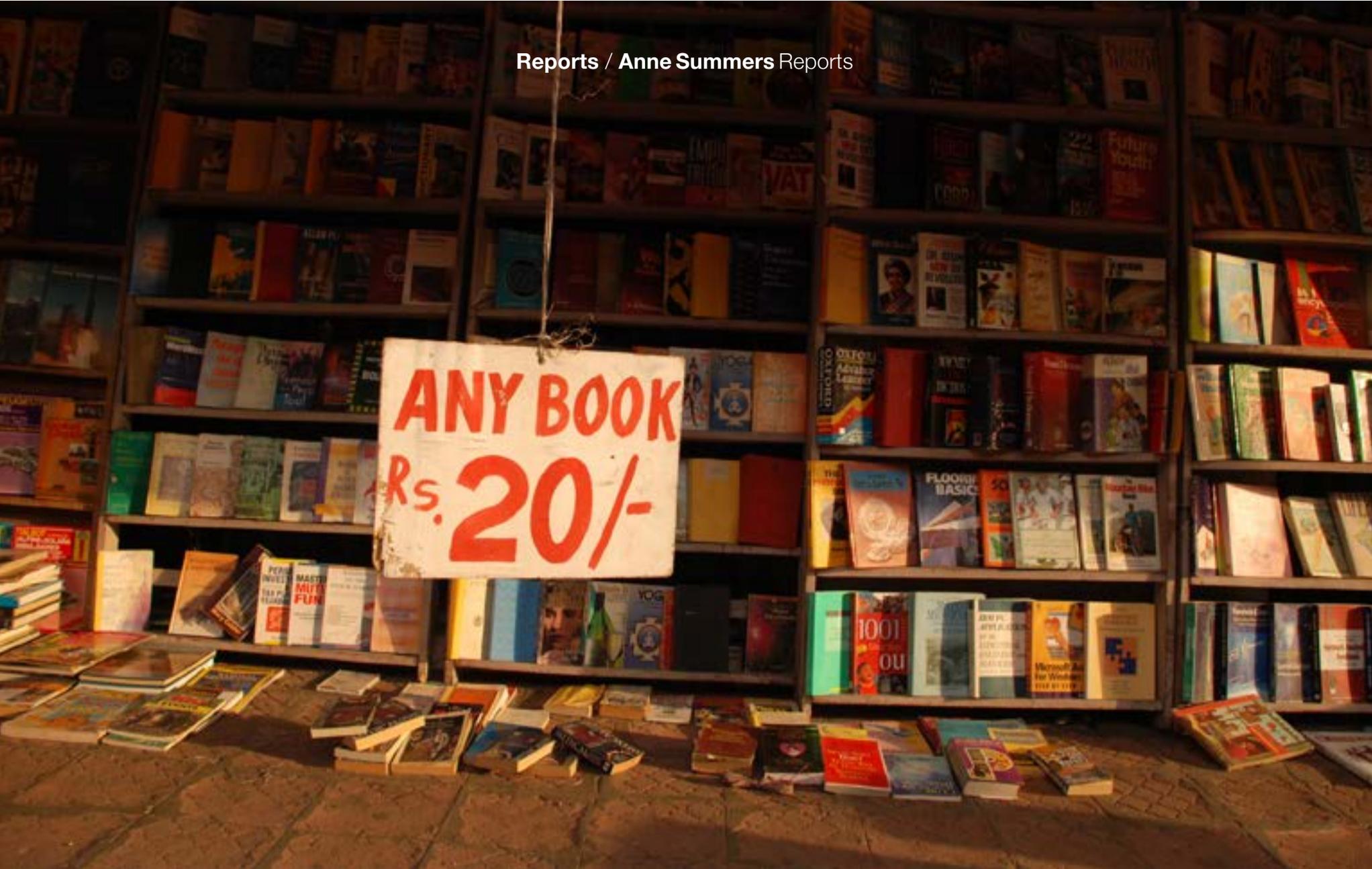
There are things to like about Amazon. Their website is well organized, extremely informative and intuitively easy to use. You cannot help but respect their prowess for innovation, and their crazy take-on-the-world approach. Their prices are good, their customer service exemplary. But Amazon's reputation for playing hardball with publishers is legendary. For instance, publishers [Macmillan](#) and [Melville House](#) have had the "buy" buttons on their titles switched off when the former wanted to renegotiate trading terms, and the latter publically criticized Amazon. Local publisher [Hardie Grant](#) was asked to sell its books to Amazon at a discount of 90 per cent, leaving just 10 per cent to be shared between the author and publisher.

"It is the predatory pricing and massive discounts of print and ebooks that have lowered the public perception of the value of books generally," Hardie Grant [CEO Sandy Grant](#), who also happens to be Copyright Agency chair, said. "Even the most

dedicated book buyer must struggle to buy their favourite novel from a local bookshop, where they have to pay \$35 to \$40, when that same book is a \$5 ebook or even a \$10 tax-free discounted print book from Amazon."

Today, the industry is rethinking its bookselling and publishing strategies. Taking a leaf from Amazon, which shopped us for data while we shopped there, booksellers and publishers realized that books are as much a social consideration as an economic proposition.

Publishers came to see they needed to engage their readers in dialogue and connect with the people who actually bought their books—not just the booksellers, but their readers. The reciprocity from their social media activities has also led to a turnaround in something as mundane as manuscript submissions. Not long ago, most large publishers would not consider unsolicited manuscripts. These days, the same houses have designated days on



Books as bounty: the Sunday cheap book bazaar in the Indian city of Hyderabad. SOURCE: [HTTP://HYDPAUSED.WORDPRESS.COM](http://HYDPAUSED.WORDPRESS.COM)

which writers can send in proposals: Pan Macmillan run [Manuscript Monday](#), Penguin a [Monthly Catch](#) and Allen & Unwin has its long-running [Friday Pitch](#) (which discovered bestselling authors Fleur McDonald and Helen Brown). Whether all this networking [leads to sales](#) is yet to be quantified, but it has proven useful for locating and targeting specific audiences.

In an effort to improve margins, publishers are also trying out digital-first publishing models. [Momentum Books](#), the digital-only offshoot of Pan Macmillan, publishes titles globally in ebook formats and as print-on-demand titles: their books are not available in bricks-and-mortar bookshops, just through online retailers. Nor do they pay advances, but instead offer a higher royalty to authors than traditional print publishers. They play around with formats, offering keenly priced serialized books by well known authors such as Matthew Reilly. (Hello, Charles Dickens.)

[OR Books](#), a New York-based initiative created by print natives, also makes use of the digital platform to sell ebooks directly to their customers. In the

future may come new outlets and innovations for books sold by subscription, bundling (grouping books together, a practice already applicable to genres such as romance), selling ebooks and print books as a package, and so on. On the bookselling front, five years ago, most Australian booksellers barely had a searchable website, let alone one with e-commerce facilities. That's improved, as has the Australian inventory as more backlist titles are digitized.

Some booksellers such as Sydney's [Pages & Pages](#) are determined to provide an Amazon alternative. Jon Page currently runs a Kindle amnesty, where customers can trade in their Kindle for a \$50 book voucher when they buy a Kobo ereader instore. "Our amnesty has also meant we have sold devices to new ebook readers who want freedom of choice and a way to support their local bookshop," Page told ASR.

The other ace bricks-and-mortar bookshops have is community. When former journalist Corrie Perkin opened [My Bookshop](#) in Melbourne's inner east in 2009, she made herself indispensable to the fabric of her local community, likening her bookshop to

Apple turned over US\$37.4bn in the fourth quarter of 2013 ... Penguin Random House had a combined revenue of US\$3.19bn.

the modern village green or playground, where people can gather and catch up. She now runs six bookclubs, a busy events schedule and even offers a free home-delivery service within five kilometres of her shop. “Bookshops are where book conversations take place,” she told *ASR*. “People who love books love being around books.”

Melbourne bookseller extraordinaire Mark Rubbo has similarly built his [Readings](#) chain by offering personal, knowledgeable bookselling that you cannot get from an e-transaction.

Nor can an online or overseas bookshop promote local writers in a way that a physical bookshop can. The great success of local authors Graeme Simsion’s *The Rosie Project*, Christos Tsiolkas’s *The Slap* and Hannah Kent’s *Burial Rites* were built at, and sustained by, such bookshops.

THERE HAS ALWAYS been a romance about the book trade, and for a very long time it was a cosy niche that turned a profitable buck. Today, publishers and booksellers face an inherent paradox: they offer specialized skills in a world where everyone can now publish and sell a book.

To survive, the once cosy club is getting cosier: in 2013 Penguin and Random House merged to become the largest publisher in the world. [More mergers are on the horizon](#) to muscle up against the Big Three. (Mind, some perspective: Apple alone turned over US\$37.4 billion in the fourth quarter of 2013. Amazon’s full-year sales were US\$74.45

WHO’S SELLING HOW MANY?

The cash registers rang in the first half of 2013 for first-time novelists Hannah Kent’s *Burial Rites* (which sold 69,000 copies) and Graeme Simsion’s *The Rosie Project* (65,800), and for Jodi Picoult’s *Storyteller* (88,600) and Sarah Wilson’s *I Quit Sugar* (92,400). Miles Franklin winner Michelle de Kretser’s *Questions of Travel* (46,000) and Eleanor Catton’s Booker-winning *Luminaries* (37,000) showed the sales bounce a prize can bring.

The big names appeared from October for the Christmas market. Jamie Oliver’s *15-Minute Meals* (173,800), Matthew Reilly’s *Tournament* (114,400), Ricky Ponting’s *At the Close of Play* (89,000), Tim Winton’s *Eyrie* (84,900), Christos Tsiolkas’ *Barracuda* (53,000) and Stephen King’s *Doctor Sleep* (50,000) gave many booksellers a merrier Christmas than the previous year. Still, 2013 finished with readers buying 4.5 per cent fewer books than in 2012. SOURCE: NIELSEN BOOKSCAN

billion, a 22 per cent rise on the previous year.

At the time of their merger, Penguin Random House had a combined revenue of US\$3.19 billion.)

As technology gets ever more enmeshed in the book trade, how we read, seek and buy books will continue to change. New skillsets will be developed within the industry, and business nous applied to lead readers to books. That means a closer alignment between writers, publishers, booksellers, readers and everyone along the supply chain.

It won’t be as bumpy a ride as the last few years, but buckle up anyway. ❖



All figures for this article were kindly supplied by Michael Webster and Nielsen Bookscan.