

**Selling to Mass  
Merchandisers  
and  
Non-traditional  
Accounts in the  
United States**

**A Guide for  
Canadian Publishers  
2<sup>nd</sup> edition**

**Association for  
the Export of  
Canadian Books**

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## Introduction

When most readers and book buyers talk about books and bookselling in America, they tend to immediately associate that activity with two types of booksellers: independent stores, stores that are individually owned and operated; and chain stores, those massive organizations that are usually publicly owned and controlled. But this traditional view of bookselling belies the facts of today's retail book market. The latest US retail figures indicate that only 34 per cent of all general trade books are sold through the independent and chain bookstores. The other 66 per cent are sold through a variety of retailers, including mass merchandisers such as Target or Wal-Mart stores, drugstores, and warehouse clubs. These large, disparate, national outlets present publishers of all kinds with an immense opportunity for selling books of infinite variety in this market.

It is extremely enticing to try to get books into this market when the major player alone, Wal-Mart, has sales in excess of \$200 billion—eight times that of the entire US book market, which has around \$25 billion in sales. And when 10 of the top 12 mass merchandisers also exceed that \$25 billion figure, trying to get books into this marketplace becomes even more alluring. Add this to the recent trends of bookseller and publisher consolidation, high return rates, and escalating advances that both Canadian and US publishers have faced over the past few years, and it becomes increasingly clear that new markets must be explored and opened.

This report will introduce Canadian publishers to just some of the mass merchandisers and non-traditional accounts that exist within the US.

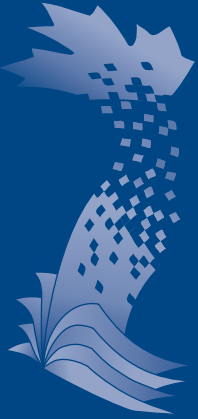
It is not meant to comprehensively cover this entire market, but rather to highlight the primary accounts that sell books, and some of the distributors that act as gateways to these customers.

Canadian publishers should keep in mind that many of these mass merchandisers and non-traditional accounts have offices in Canada. For those who do have such offices, they should be the starting point for information and access. At the same time, Canadian publishers should not be afraid to access accounts that are US-based. If you have the right products, at the right price, and if you can meet the requirements of these customers, then your products will be accepted and welcomed. This does not mean the task is easy. It is not. But it is not easy for US publishers either. That is why these markets are “non-traditional.” They demand different products and often different terms. Competition in all venues is going to be tough, so be prepared for the long haul.

Although some Canadian publishers have made inroads into these markets, it still has been difficult for many to penetrate directly not only the traditional book marketplace in the US but also the virtually infinite market of non-traditional and mass-merchandise retailing.

Economic conditions in Canada, the consolidation of several bookstore chains into one chain, and the decidedly shrinking independent market make it imperative for Canadian publishers to seek all the opportunities available for selling their books south of the border. And non-traditional and mass-merchandise retailing offers Canadian publishers just such an opportunity.

This report will provide the background you need to work with these customers and the resources you need to contact them. Good luck!



## What Are Non-traditional and Mass-merchandising Sales?

Non-traditional retail outlets, in relation to books and publishing, are defined by the industry as any and all retail outlets whose primary merchandise is not books. By this definition we would of course exclude all chain bookstores and independent stores, college and university bookstores, and category bookstores such as mystery or science fiction stores. Within the broad category of non-traditional retailers there is an opportunity to sell books to two distinct kinds of stores:

- The first opportunity is to sell to specialty merchandise stores, by which we mean stores whose primary merchandise may be toys, vitamins, sporting goods, cosmetics, and other personal care products, and just about any other consumer goods one can think of. These outlets can be single stores or chain stores like Williams-Sonoma, Pottery Barn, or The Body Shop.
- The second opportunity is to sell to that class of retailer referred to as a mass merchandiser. “Mass” refers both to who shops at these stores—the masses—and what is sold in them, which is merchandise that has mass appeal. Because success of the mass merchandisers is heavily dependent on volume, they tend to have a national, and in some cases international, presence.

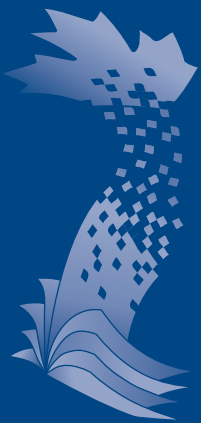
We will be discussing opportunities for Canadian publishers in both the specialty merchandise and the mass-merchandise markets. We will also include the warehouse clubs, such as Costco and SAM’S, in our discussion of mass merchandisers.

The most significant outlets—in dollar volume—that meet the criteria of non-traditional retail venues are the mass merchandisers. Mass merchandising is a fairly new retail category in the US. The two biggest players in this category of retailing—Wal-Mart and Kmart—came into existence in the late 1960s, and in the last 30 years or so have, together, changed the entire landscape of consumer product retailing.

The single most significant imperative for the existence of these stores was to provide value to their customers, which means selling merchandise at the lowest possible price. These stores accomplished this in several ways. First, they pushed their regular suppliers of branded merchandise as hard as they could for better terms. In many cases, especially in the area of clothing, they bypassed traditional suppliers altogether and took their business offshore. They did this by essentially creating companies within their parent company and becoming manufacturers themselves. Like their predecessors—the department stores—the mass merchants wanted to become the places Americans went to shop for all their consumer needs, including groceries and books.

The greatest appeal to customers of these retail giants is price, price, and price. The mass merchants try, as much as they can, to discount brand names and/or create their own brands by carrying fashions that imitate the styles and colours of high fashion designers but sell at much lower prices. These mass merchants could competitively price their merchandise and protect their own bottom lines because they reduced their fixed overheads (on a per-square-foot basis) by opening stores outside the central downtown shopping districts of America, where people were used to shopping. Most importantly, they understood the changing US demographics, and opened stores close to freeway exits where real estate was less expensive and where there was plenty of land for huge parking lots. These stores were also strategically positioned to draw customers from more than one community.





In short, the mass merchants wanted to create, and did create, what is now known as the “destination store.” A destination store is where you go because you aim to go there specifically. It is not a place you would typically find by chance. Getting to the destination store meant having a plan, a shopping list, and the time to satisfy impulse purchasing. The result has been that these destination stores, with a large variety of merchandise at attractive prices, siphoned off most of the shoppers from downtown retailers, essentially putting a stake in the heart of many smaller department stores as well as locally owned smaller retailers such as bookstores. As we have said, Kmart and Wal-Mart have been the two giants in this category. Wal-Mart is now the biggest company in the US on the annual Fortune 500 list, with over \$285 billion in revenues. As of April 2006, Wal-Mart announced that it intended to open 530 new stores in the coming year, a good indicator that Wal-Mart is thriving.

Who were the top 25 retailers in the US in 2005? According to the National Retail Federation, a retail industry association, as specified in the July 2005 issue of *Stores* magazine, the top 25 are:

Rank	Company	2004 Revenues (000)	# Stores
1	Wal-Mart	\$288,189,000	5,189
2	Home Depot	\$73,094,000	1,890
3	Kroger	\$56,434,400	3,763
4	Costco	\$47,145,712	442
5	Target	\$46,839,000	1,308
6	Albertsons	\$39,879,000	2,488
7	Walgreen	\$37,508,200	4,582
8	Lowe's	\$36,464,000	1,075
9	Sears	\$36,099,000	1,970
10	Safeway	\$35,822,900	1,802
11	CVS	\$30,594,300	5,375
12	Ahold USA	\$27,500,000	1,489
13	Best Buy	\$27,433,000	830
14	Kmart	\$19,701,000	1,480
15	Publix	\$18,600,000	850
16	JC Penney	\$18,424,000	1,079
17	Rite Aid	\$16,816,439	3,356
18	Gap	\$16,267,000	2,994
19	Delhaize America	\$15,839,882	1,523
20	Federated Dept. Stores	\$15,630,000	459
21	TJX	\$14,913,483	2,224
22	Staples	\$14,448,378	1,680
23	May Dept. Stores	\$14,441,000	1,190
24	Office Depot	\$13,564,699	1,190
25	Office Max	\$13,270,196	935

The top 25 specialty retailers, according to the National Retail Federation, are:

Rank	Company	2004 Revenues (000)	# Stores
1	Best Buy	\$27,433,000	830
2	Gap	\$16,267,000	2,994
3	Staples	\$14,448,378	1,680
4	Office Depot	\$13,564,699	1,190
5	Office Max	\$13,270,196	935
6	Toys "R" Us	\$11,100,000	1,499
7	Circuit City	\$10,472,364	612
8	Limited	\$9,408,312	3,779
9	Blockbuster	\$6,053,200	9,000
10	AutoZone	\$5,637,025	3,483
11	Foot Locker	\$5,355,000	3,967
12	Bed Bath & Beyond	\$5,147,678	663
13	Barnes & Noble	\$4,873,595	820
14	Radio Shack	\$4,841,200	6,834
15	Big Lots	\$4,375,072	1,502
16	Ross Stores	\$4,239,990	639
17	CompUSA	\$4,175,000	225
18	Borders Group	\$3,903,000	1,209
19	Advance Auto Parts	\$3,770,297	2,652
20	Michaels Stores	\$3,393,251	1,012
21	PetsMart	\$3,360,000	726
22	Burlington Coat Factory	\$3,171,000	362
23	Williams-Sonoma	\$3,136,931	552
24	Luxottica Retail	\$2,892,712	5,500
25	Linens 'n Things	\$2,661,469	492



## 2. Common Characteristics of Mass Merchandisers and Non-traditional Accounts

We will discuss each of the key mass-merchandising companies, their individual characteristics, the role of books in their merchandise mix, and their wholesale partners, but anyone wishing to do business with any or all of these accounts should be aware of their common characteristics.

The first thing to know about this group of retailers is that they are virtually all publicly held and must answer to a higher power—their stockholders. They are more interested in gaining sales and margins than in providing a public service for any particular community. This impacts books directly. Because of their low margins and slow inventory turns, books are often consigned to very small areas of the mass-merchant stores or not carried at all. Books are given very low priority by these retailers. Those mass merchants that do carry books in any significant volume expect to at least break even on them. Because of the nature of their consumers—mostly women with young children—many of the stores that do carry books devote more space to children’s books than to any other single category.

It is also significant that, unlike department stores, mass merchandisers and non-traditional outlets are not trendsetters or real risk takers but are fantastically adept at capitalizing on a trend. We can be fairly certain that these retailers took an extremely conservative initial position on the first two volumes of J.K. Rowling’s *Harry Potter* books, and *Hobbits* had not darkened their doors in at least 20 years. And they certainly did not emphasize other books for that young adult age group for which the Potter books were written. We can also be certain that once Harry and his kin became successful in the general book market, and once the movies were announced, all mass merchandisers and other non-traditional retail stores with any kind of book inventory quickly stocked these titles as well as the other ancillary licensed Potter and Hobbit products. The same is true for the Lemony Snicket titles from HarperCollins; this popular children’s series was well established in the traditional book market long before it found its way into Target stores. On the other hand, we can be sure that should there be a new edition of *The Joy of Cooking*, these retailers will undoubtedly purchase the book because they have long experience with the title and consider it a sure thing.

From their point of view, mass merchandisers must give floor space to merchandise that they know will sell. Merchandise has to move very quickly from display to the cash register to remain in these retail venues. Most of the mass merchants want their merchandise in and out within 60 days. In order to move at such velocity, the merchandise they stock has to be familiar to their consumer, usually due to the manufacturer’s intensive advertising and promotional campaigns. In all likelihood, what the mass merchandiser or non-traditional retailer has to sell is at a better price than that offered by the downtown retailers, and the parking is free!

To traditional booksellers, 60 days may seem like an infinitesimal amount of time to make an impact. But if we remember that the morning and early afternoon customers of mass merchants are mostly women with young children and the late afternoon customers are adolescents with their own power to purchase, we can understand the retailers’ need to have new merchandise for their shoppers. Both of these customer categories want to see new products because, for many of them, a ride to the nearby Target, Wal-Mart, or Kmart is as much entertainment and a way to pass



the time as it is a shopping expedition. Many regular customers frequent their favourite stores several times a week and management wants to make sure there is always something new to entice them to buy.

For publishers, selling to mass merchandisers means you have to be confident that the books you place in these stores will have cash register appeal. The best axiom publishers can follow is that “success breeds success.” If, as a publisher, you have experienced success with a group of books or a series of titles in chain or independent bookstores, your chances of the same books moving out of mass-merchant or non-traditional retail outlets is very good. This is especially true in the following categories:

- Mass market books, including romance, thrillers, and mysteries
- Trade paperbacks, including self-help books, children’s books, and cookbooks

For many people, the books they see at the mass merchandisers and the non-traditional outlets are the only books to which they are exposed. It may seem counterintuitive, but these retailers are great places for solid backlist titles. *The Joy of Cooking*, *Merriam-Webster’s Collegiate Dictionary*, and *Goodnight Moon* will always be welcome in these stores.

## The Pitch

Selling books to mass merchandisers and non-traditional outlets, especially if you are a Canadian company and one step removed from the US retail environment, is difficult. Each chain has a protocol that must be observed. Sometimes this protocol will appear esoteric. Overnight success with these customers is virtually unheard of and publishers must be persistent. We recommend that you assign your best salesperson to these customers. This does not necessarily mean the most aggressive person on your staff; you will want to send someone who is articulate, can put himself or herself into the mind of the buyer, and can read between the lines of a conversation. You will need someone who will take the time to go to a few of the retail stores of each chain and who can understand what the stores look like, what kind of merchandise mix they have, what their pricing policy is, and what their customer mix is. This means going to the stores during the day and in the evening to conduct market research. Your representative needs to also be a really good listener, someone who demonstrates a genuine interest in the retailer’s business and a willingness to understand the specific needs and attitudes of its customers. Your representative should spend time in the book department (if there is one), speak to any of the staff he or she can engage in conversation, and observe what goes on, remembering that each store in the chain will likely be a little different.

Knowing how the retailer perceives itself can be very helpful. For example, SAM’S Club, a division of the Wal-Mart Corporation, is highly committed to family values. It chooses all of its merchandise carefully to reflect those values. If, as a vendor, you approach SAM’S Clubs with merchandise that is contrary to those values, you might find the door shut to you not just for that one time or one product, but potentially for a long time and for other products.

Patience, persistence, and a positive attitude will go a long way toward helping you succeed in penetrating this marketplace. Once you are able to successfully sell to one of these customers, you will find that the others will be easier to access. Competition between these large organizations is dogged; none of them wants to fail where others have succeeded, or find themselves without a



## About the Authors

**Ani Chamichian** is a publishing professional with over 30 years of experience in book publishing. Her experience is wide ranging and includes work as a buyer for a national library wholesaler; sales representative in northern California, Oregon, Washington, and Alaska at Harper & Row; Vice President Marketing and Associate Publisher at Harper San Francisco; Managing Director at Peaceable Kingdom Press in Berkeley, California; and Director of Content at GoMo Technologies. She is also the co-author of a special-interest guide to videos published by Broadway Books, a division of Random House. She is currently working as a sales development consultant with a variety of publishers in northern California.

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Woll has also served on industry panels and lectured frequently at industry events. He holds an MBA from New York University (NYU) and currently teaches at NYU's Center for Publishing.

He is the author of *Publishing for Profit: Successful Bottom-Line Management for Book Publishers* (revised edition, Chicago Review Press © 2006), now translated into five languages, and *Selling Subsidiary Rights: An Insider's Guide* (Fisher Books © 1999).

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