



**Working with
US Book
Wholesalers**

*A Guide for
Canadian
Publishers*

2nd Edition

Association for
the Export of
Canadian Books

Copyright © 2002, 2007 Association for the Export of Canadian Books/Association pour l'exportation du livre canadien

All rights reserved.

Association for the Export of Canadian Books
1 Nicholas Street, Suite 504
Ottawa, Ontario K1N 7B7
CANADA

Published by the Association for the Export of Canadian Books, the national association of the Canadian book publishing industry for the promotion of export sales.

Prepared for the AECB by Ani Chamichian and Thomas Woll, Cross River Publishing Consultants, Inc. While every effort has been made to report information correctly, the publisher assumes no responsibility for the accuracy of the information supplied by the authors, and disclaims any liability for loss or damage caused by errors or omissions. The opinions expressed in this report are those of the authors.

Publication of this report is made possible with the assistance of the Government of Canada (Foreign Affairs and International Trade).

Canada

Design and layout by Zsuzsanna Liko Visual Communication Inc., Ottawa

Library and Archives Canada Cataloguing in Publication

Chamichian, Ani

Working with US book wholesalers: a guide for Canadian publishers/Ani Chamichian and Thomas Woll.

Type of computer file: Electronic monograph in PDF format.
ISBN 978-0-9782189-5-9

1. Selling—Books—United States. 2. Distributors (Commerce)—United States.
3. Books—Canada—Marketing. 4. Books—United States—Marketing. I. Woll, Thomas, 1948– II. Association for the Export of Canadian Books III. Title.

Z481.C433 2007

382'.4500209710973

C2007-906187-7

Table of Contents

Introduction	5
1. What Is Book Wholesaling?	6
A Context for Wholesalers	7
2. Types and Benefits of Wholesalers	9
National Wholesalers	9
Regional Wholesalers	9
Institutional Wholesalers	10
Independent Distributors	10
Category Wholesalers	10
Service Rules!	11
3. Terms and Conditions	13
Discounts	13
Returns	14
Payment Terms	15
Free Freight	15
4. Working with Wholesalers	16
How Publishers Should Work with Wholesalers	16
How Retailers Work with Wholesalers	20
General Bookstores	21
Specialty Stores	22
Mass Merchandisers	22
National Book Chains	23
Working with the Ingram Book Company	23
Working with Regional Wholesalers	24
Working with Baker & Taylor and Other Institutional Wholesalers	24
Appendices	27
Appendix 1 — National Wholesalers	27
Appendix 2 — Regional Wholesalers	28
Appendix 3 — Institutional Wholesalers	31
Appendix 4 — Category and Specialty Wholesalers	34
Appendix 5 — Marketing Opportunities	40
About the Authors	47



Introduction

To Canadian publishers, a report about how to work with American wholesalers may seem totally hypocritical. Over the years, Canadian publishers have spent a good deal of time and money trying to keep American wholesalers out of their country, to keep them from filling orders from Canadian retailers for books that are then sent back into Canada, or to keep them from selling into Canada books for which Canadian publishers hold Canadian publishing rights.

These concerns are absolutely understandable and valid from the Canadian industry point of view. That, however, is not the point of view of this report. Here, we will talk about how Canadian publishers can reverse the process: how they can use American wholesalers to sell Canadian books into the United States market, a point of view that should appeal highly to Canadians.

This report will explain what wholesalers are, how they operate, and how Canadian publishers can work with wholesalers to sell more of their books in the United States.

Like most of the United States book industry, wholesalers have been buffeted by recent changes. Consolidation has benefited larger wholesalers and has hurt smaller wholesalers.

Just-in-time inventory methods at the retail level have forced wholesalers to trim their own inventories, yet the rise of the superstore has forced them to carry more titles in smaller quantities. New technology has enabled and consumer demand has required that wholesalers pick-pack-and-ship faster. Large, regional warehouses have brought books closer to customers. The best wholesalers can now provide books to their customers within a day or two of receiving an order.

Overall, wholesalers continue to play a central, critical role in the American book industry. This report will help Canadian publishers understand that role, and understand how American wholesalers can help them sell more books in the United States market.



1. What Is Book Wholesaling?

The terms “wholesaler”, “jobber”, and “distributor” are often used interchangeably in the United States to mean companies that market to retailers a commodity or a group of related commodities. In the book business, though, we must make some distinction between the first two, wholesalers and jobbers, and the last, distributors.

As practised in book publishing, the terms “wholesalers” and “jobbers” are usually used synonymously. Distributors, however, are not wholesalers. Distributors contract with individual publishers to *exclusively* warehouse, sell, fulfill, and provide customer service functions for these publishers to all market segments, including wholesalers. The operative word in regard to distributors is “exclusive.” Distributors service a publisher’s entire list and house or warehouse all inventory available for sale.

What do wholesalers do? They are intermediaries between the publisher and the retailer, library, or specialty retailer. In short, they are middlemen who help get the publisher’s books to its library, retail, and specialty accounts quickly and efficiently. At the same time, they help libraries and retailers consolidate orders and reduce the expense of dealing with many publishers, which keeps overheads down.



As an intermediary, wholesalers provide a variety of services to publishers and retailers:

- They inventory a broad range of books from a large number of publishers.
- They actually purchase this inventory and usually pay publishers for it within 90 days.
- They sell to all classes of customers, but they do not sell to distributors. (Remember that distributors sell to wholesalers.)
- They provide very fast turnaround of retail orders.
- They offer reasonable discounts to retail accounts, typically between 40 and 42 per cent.
- They provide marketing services for publishers to retailers.
- They do not necessarily actively sell books through sales representatives.
- They do rely on the publisher’s publicity and marketing efforts to stimulate demand from retailers.

In this report we will discuss the various kinds of wholesalers, the services they provide, the categories of books they sell, and the ways in which publishers and retailers work with wholesalers. We will begin by describing in broad categories the different types of wholesalers, the

markets they serve, and the kinds of books they represent. These definitions are not rigid because, while a wholesaler may have one primary service or ship books to only one retail channel, many wholesalers provide a range of functions and service a variety of organizations, institutions, and sales channels.

A Context for Wholesalers

Like everything else in book publishing, wholesaling has gone through significant changes in the latter half of the 20th century. Until about 30 years ago there was only one truly national book wholesaler—Baker & Taylor—and its business was almost exclusively limited to servicing libraries of all kinds. Bookstores purchased most of their frontlist directly from publishers and used regional wholesalers, if at all, only for restocking books that were selling quickly.

Then along came the Ingram Book Company. Ingram is a spinoff of the Ingram Barge Company. As a service to their overseas employees, the story goes, the Ingram family began a small book distribution business to make English-language books available to those working abroad. As it turned out, the timing was auspicious because Ingram's initiative dovetailed with the United States government's series of strong entitlement programs of the late sixties and seventies. Several of these entitlement programs included generous funding of schools across the whole country. Millions of dollars were allocated to the country's educational system to upgrade classrooms and libraries. From the late sixties through the seventies money poured into every category of book publishing. It was during these years that the Ingram Book Company began to supply books to retailers.

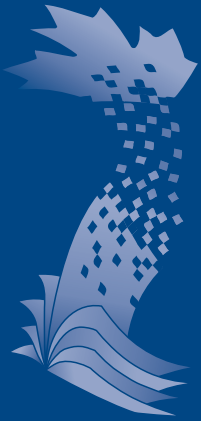
Ingram was the first book wholesaler to recognize and understand:

1. the need to provide retailers with accurate information about the inventory in its warehouses, and
2. the value of quick fulfillment and turnaround of orders.

To serve retailers better, Ingram bought regional wholesalers such as Raymar, in Seattle, Washington, and built strategically located warehouses across the United States to efficiently and speedily get books to bookstores anywhere in the country. Ingram solved the problem of letting their customers know what books were in stock by sending a weekly updated inventory microfiche to any customer who purchased a microfiche reader from Ingram. It is not hyperbole to say that Ingram's proactive business practices revolutionized book distribution in the United States.

Another big change in American book wholesaling lies with the way in which independent distributors (IDs) operate. Until a few years ago, IDs had ironclad contracts with their customers that stipulated which IDs would service specific stores in a given region. Although there was always a small degree of poaching and territory infringement, these contracts were generally considered untouchable. Safeway supermarkets, for example, had a regional distribution centre that had contracts with individual book IDs. These IDs were in constant communication with managers at Safeway who designated the book categories that the supermarket wanted in its stores, and the amount and location of the space books would have in each store. It was up to the ID to determine the specific titles that were placed into the stores and to decide how long individual titles remained on the racks.





About five years ago, Safeway supermarkets challenged the normal business relationship with IDs by putting its book purchases out for bids from the ID community. Safeway and its related supermarkets have over 1,800 stores in seven regions in the United States and its annual book business is very significant. Safeway's action brought about major changes in the way IDs and their customers interact. It was not lost on any of the parties—publishers, IDs, and Safeway—how important this business was to all concerned. Of course the IDs that gave the largest discount and the most favourable payment terms got the Safeway contract.

Other large retailers followed Safeway's lead and, in order to hang on to their customer base, IDs raised the discounts they gave their accounts, thereby narrowing their already slender margins. Not only did discounts go up, some big retailers asked for, and got, sign-on bonuses from the IDs. The IDs were essentially paying the retailer a fee in order to sell books to them. These large and potentially very lucrative customers also dictated to their wholesalers the terms and conditions under which they expected to conduct business. So, the system that had for many decades been profitable fell apart, and it has been somewhat of a free-for-all ever since. In fact, this is no different from the way supermarkets treat other vendors in other industries. For IDs and the publishing industry, though, this was a new, rough-and-tumble way of life.

IDs, having cut their margins, were not able to meet their obligations and many went out of business. There were, at one time, over a thousand IDs throughout the country, each with a specific territory in which it supplied magazines, newspapers, and books. Fewer than 10 years ago there were 450 IDs. Today there is only a handful—fewer than 60 of them—with only three big players among them. The big three are Anderson News, News Group, and Levy Home Entertainment.

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; V.P. 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.

Thomas Woll has 30 years of experience in the areas of trade, direct response, and professional publishing, most at senior management levels. He has, uniquely, been directly responsible for companies as small as start-ups and divisions as large as \$80 million. Woll's experience spans all areas of trade book publishing, including editorial development and planning; new product search and acquisition; sales and marketing (including creation of marketing plans and budgets, setting up distribution, and creating sales terms); rights; production and manufacturing; budgeting; and strategic planning.

Woll has held the following positions: President of Cross River Publishing Consultants, Inc., which works with publishers both large and small; Vice President and General Manager, Professional and Trade Division, John Wiley & Sons; Vice President and Publisher, Book Division, Rodale Press, Inc.; Publisher, Storey Communications/Garden Way Publishing; Vice President and Publisher, Beaufort Books, Inc.; and Vice President and General Manager, Vanguard Press, Inc.

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* (third edition, Chicago Review Press © 2006), now translated into five languages, and *Selling Subsidiary Rights: An Insider's Guide* (Fisher Books © 1999).

Cross River Publishing Consultants, Inc.

Thomas Woll, President

3 Holly Hill Lane

Katonah, NY 10536

USA

Tel. (914) 232-6708

Fax (914) 232-6393

info@pubconsultants.com

www.pubconsultants.com

