

The Marketing of Books— A National Priority for the Eighties'

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THE MARKETING DILEMMA

EXPERTS AGREE THAT MARKETING in general is most effective when:

1. The object to be marketed has only a few styles which can be easily described or demonstrated,
2. The benefit from the use of the object can be expressed in simple terms,
3. This benefit may be enjoyed by a broad spectrum of users who are able to buy, and these users can be easily identified and reached economically through specific media, and
4. The distribution system is universal, simple, effective, and economically sound.

Most books fail to meet these requirements on every count. This is especially true of trade books (those published for the general reader and sold through the community-based bookstore). Trade books are usually found on the fiction or nonfiction tables in a bookstore, or in general interest collections of the library.

Scholarly books, professional books and textbooks, which are the kinds most profitable to the publisher, meet some of these criteria and have the added benefit in most instances of being required by schools or needed by professionals to improve skills. This article is confined to trade books, which in today's marketplace include trade paperbacks

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(paperbacks that are larger in size and generally more scholarly than mass-market paperbacks) and books for children. It is in the trade area of publishing that most of the marketing problems have existed and still exist, and unless there is a dramatic shift in the perceptions of publishers, these problems will continue to exist.

Few Styles?

Unlike the IBM PC or the Apple Microcomputer, each of which has two or three models and a limited number of peripherals, books come in many shapes, colors and sizes. R.R. Bowker, publisher of *Books in Print*, reports that in 1985 they expect approximately 660,000 different books to be listed as currently available. This inventory of titles in print marches ever upward. In 1980 there were 41,434 new titles published; in 1981 there were 48,793 more titles added to the number in print;¹ and in 1983 there were 53,380, of which 42,236 were new titles.² B. Dalton, the chain bookseller and a pioneer in using the computer to control inventories, estimates that its average trade bookstore in a shopping mall requires at least 25,000 different books in inventory to achieve optimum sales.³

In addition to the complexity of the inventory, the unit prices of books are very low. The average price of a hardbound book in 1983 was \$31.19; the average price for a book of fiction was \$14.29, and for a children's book \$9.73.⁴ The average retail price of trade books is too low to support an expensive consumer marketing system or a major investment in new technology.

In 1983, there were slightly more than 1 billion hardcover juvenile and trade paperback books sold in the United States, with net receipts by publishers of slightly less than 2 billion dollars.⁵ The entire industry—all 12,000⁶ publishers of which 1600 published three or more titles in 1980—reported estimated sales of \$9.7 billion in 1982.⁷ The sales of the entire industry approximate those of RCA, which reported sales of almost \$9 billion.⁸

It is possible, but hardly necessary, to develop more economic data to support the complexity of book publishing. There is a huge basic inventory of books; the retail prices are low; there are thousands of publishers (even though the industry volume is concentrated in the hands of a few publishers); the total dollars available for all purposes—payments to authors, manufacturing, personnel, advertising, marketing and physical distribution—in comparison with other consumer industries, are limited. Too much diversity and too few dollars is at the

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heart of the dilemma facing those who are attempting to solve the problems of marketing books.

Ease of Description?

Charles Revson, describing the business of Revlon, Inc. said, "In the factory we make cosmetics; in the store we sell hope."⁹ While the benefits from books in general may be identified simply—delivery of information and entertainment, or using Revson-type terms like joy and hope—the task of describing the essence of the book is vastly more complex and ephemeral. From the earliest days of publishing, editors have sought to give salespeople a "handle"—one sentence which may sound like this: "A brilliantly written piece of fiction about the glorious days of the Civil War—reminiscent of *Gone With the Wind*." The editor and the advertising department then endeavor to compress one thousand pages of fiction into one hundred words or less for an advertisement, for a catalogue and for copy on the book jacket. Because of the difficulty in using words alone, the emphasis, in keeping with the Chinese proverb, is to make one picture worth a thousand words. The jacket is the centerpiece of the effort to convey the essence of the book. Yet when consumers were asked what influenced them in the selection of a book, only 29 percent said they were influenced to buy by "a description or synopsis of the book, by the jacket or by the cover."¹⁰ The dilemma that confronts publishers is that the best books are unique, original, and usually incapable of being explained in a few words by use of a "handle" or even by several hundred words in a catalogue. The thrill of discovery is a special benefit to be derived from books. Some artists, when asked to explain their paintings, say: "If I could explain it in words I would not have painted the picture." The author might say: "If I could adequately describe my book in a sentence I would not have written the entire book."

A Broad Spectrum of Users Who can be Reached Through the Media?

Approximately one-half of the United States population has read at least one book in the last six months.¹¹ This is an encouraging but deceptive statistic. The heavy book readers—who comprise the market most likely to buy or borrow books—are those who read a book a week rather than one book in six months, and they account for only about 17 percent of the population. The heavy book reader—the 17 percent of the population that is the heart of the market—are females (69 percent),

predominantly white (89 percent) and generally younger than the total population. About one-half of the best readers have a high school education or less, while the other half completed high school. Three in ten completed college. Book readers are diverse, and because of this they form an expensive target to reach by general-circulation consumer-media advertising.

Publishers, other than those who sell books by direct mail or the romance paperback publishers, spend only three cents of every dollar received on consumer advertising—a paltry sum when compared to other consumer “products”. It is the practice to exploit a book and author by means of guest television appearances and press interviews that are provided to the publisher without charge. Fortunately, book readers watch almost as much television as nonbook readers.¹² This happy circumstance, and the special standing the book and the author have in American society, make a significant amount of advertising available at no cost through the television appearances of authors who are celebrities. However, the thousands of other authors who are not well known are left to their own devices—the books themselves.

As publishers have suspected, the major factor in consumer selection of a book is the subject matter. The second most important factor, as developed by surveys, is the recommendation of a friend or relative...the celebrated “word-of-mouth” advertising.¹³ Trade book publishing has survived because it has not been dependent upon vast expenditures of advertising dollars. The book itself, the author and the initial readers are the factors that create sales.

Universal, Simple, Effective, Economically Sound, Distribution?

Francis Howell, a senior Vice President of Ingram Book Company, in a paper prepared for publication, has described book marketing succinctly and graphically in two charts. Howell says:

Most items or goods manufactured in the United States are sold to the consumer through a distribution network of wholesalers and retailers. A wholesaler buys the product from the manufacturer, warehouses it in a strategically located facility and resells it to retail stores and dealers in the local area. Manufacturers seldom sell directly to the consumer. However, book publishers sell to anyone and everyone, including the wholesaler, retailer, school, library, and book club, as well as directly to the individual consumer. *Rarely does one find a distribution system as archaic, confused, unreliable or complicated as that of the trade book publishing industry* [italics mine].¹⁴

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Howell has developed a diagram that dramatizes the manner in which books are currently being sold to consumers in the United States (see figure 1).

Almost all trade booksellers buy directly from the publisher and supplement their purchases by reorders from a wholesaler. Howell has drawn a chart (shown as figure 2) which illustrates ten bookstores ordering directly from five publishers, and Howell remarks: "Imagine, if you will, enlarging this to 10,000 retailers and 1,000 publishers and the huge number of books involved....To further complicate the matter, there is little standardization of policies among the publishers." Each has its own discount schedule, freight policy and other peculiarities of doing business with the retailer.¹⁵

THE IMPORTANCE OF SOLVING THE MARKETING DILEMMA

The Special Place of the Book

Commentators have recognized the fact that publishers do well at selecting books. There have been some low points but, in general, publishers receive at least a passing mark for the quality of books. Most publishers regard editorial quality as the most important ingredient in a publishing company and spare no expense to select good books, and to design and print them well. The American culture is also enriched by books translated from foreign languages into English. Nevertheless, almost all commentators agree that publishers fail at the marketing function. As early as 1929, O.H. Cheney, in a pioneering study developed for the National Association of Book Publishers, said: "The distribution system of the industry, as represented by its outlets, is unsystematized, underdeveloped, ineffective, unprofitable, and static."¹⁶

More than fifty years later, in 1980, John Tebbel, the eminent book publishing historian, said: "No other business puts out some 40, 000 products on the market every year, each one of them different from the other, places them in retail outlets by the most haphazard means...and then agrees to accept all the books the retailer has bought which he hasn't been able to sell. These books are then either destroyed or remaindered...."¹⁷

In a 1984 discussion at the Library of Congress, Jacques Barzun, the distinguished writer and philosopher, said, "If cornflakes were sold like books nobody would eat breakfast."¹⁸ It could be asked: "Why the

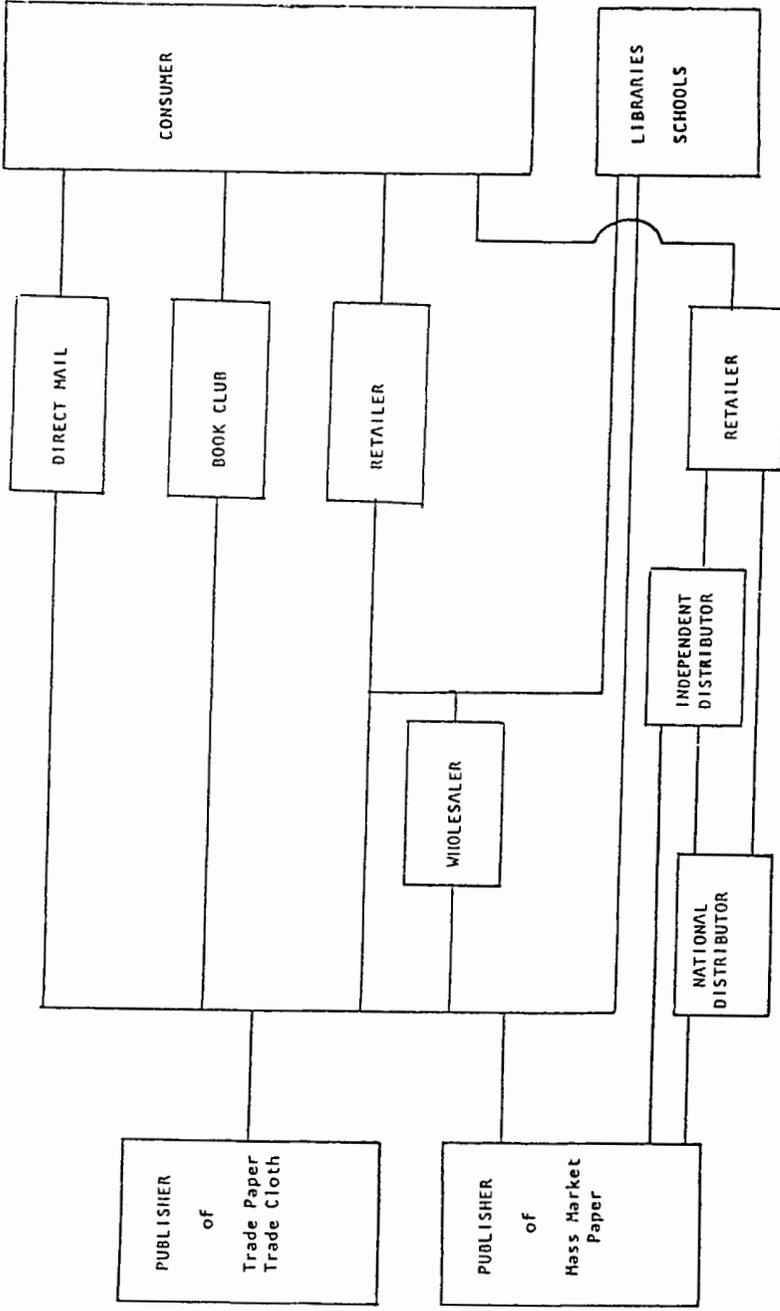


Figure 1. Channels of Book Distribution

Source: Chart information and design by Francis Howell of Ingram Books, Nashville, Tennessee.

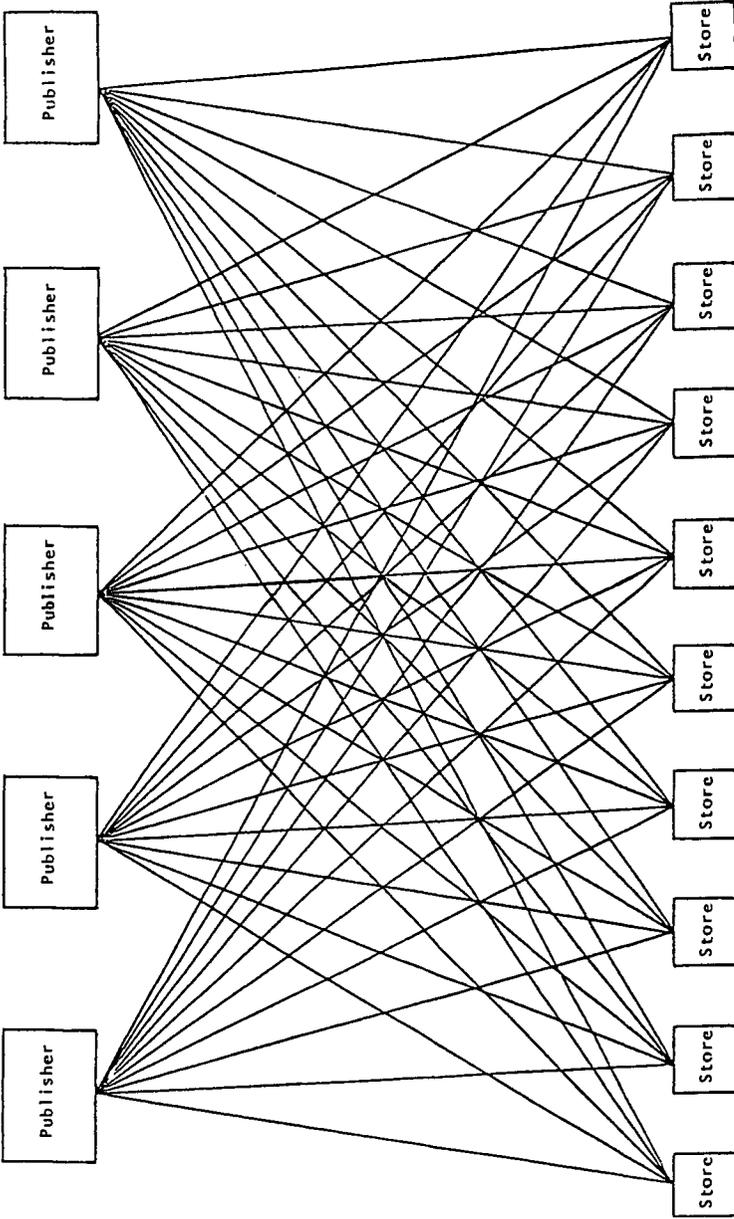


Figure 2. From Publisher Direct to Retailer
Source: Chart information and design by Francis Howell of Ingram
Books, Nashville, Tennessee.

concern?" Newspaper and magazines flourish. Radio and television are great entertainment and information media. The computer and the video cassette will augment the education and entertainment from other media. Why books? Lewis Coser and his colleagues have made the case most effectively, saying: "Books are carriers and disseminators of ideas. More than any other means of communication, they are the most permanent, reasoned, and extensive repository of thoughts of civilized man...The book trade is, in fact, both the guardian and constant creator of our written culture."¹⁹

It is important to solve the marketing dilemma because:

1. Books have a special place in our society.
2. The growth of sophisticated retailers provides a new and effective way to reach the reader.
3. New aggressive wholesalers have developed.
4. Not solving the marketing problem contributes to a mass destruction of books that is a national disgrace.

The Coming Restructuring of Book Retailing

In recent years three major companies—each with little familiarity with books—entered retail bookselling in the belief there was an opportunity for profit. The Dayton Hudson Co., a major owner of department stores, created a chain of bookstores, B. Dalton Bookseller, and by 1983 it had opened 732 stores, with a new store opening almost every week. The Walden Book Company, a private company, was acquired by Carter Hawley Hale Inc., another major department store chain, and was built up to 887 stores by 1983. In 1984 they sold what was described as the "jewel in their crown" to K-Mart, a discount chain which was already a major book retailer. Dart Drug founded, financed and then took public a group of discount bookstores—Crown Books—which as of September 1984 reported 173 stores in operation. Each one of these chains has plans for expansion which should add 150 or more retail bookstores each year.²⁰

The chains, unlike most of the independent retail bookstores, have sophisticated techniques for monitoring the sales in their stores. Their return of unsold books as a measure of ordering efficiency is about half of the industry rate of returns. Ordering is largely done by the B. Dalton computer "talking" to the publisher's computer. Both B. Dalton and Walden Book Co. have stores in every state, in the top American cities, and in the suburbs. Their size enables them to use national magazines

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for extensive advertising every autumn, and they run book advertisements in local newspapers almost on a daily basis.

Book sales have grown substantially—almost by half—from 1972 to 1977, and continue to grow. Paul D. Doebler, a respected economist, predicts: “The pattern likely to dominate in the future is similar to the record, game, toy, hobby industries: 20% to 25% share of the market will be held by the four largest chains, 55% to 60% by all multi-store firms, and 40% to 45% by single store independents.”²¹

A concomitant to the growth of the chains will be a reorientation of the independent bookstore. One lawsuit has been brought as a test by the Northern California Booksellers Association, charging price discrimination by the publishers against the independent bookstores.²² There is also a glimmer of hope that booksellers, large and small, will begin to move to a more sophisticated marketing process. A trend to concentration may lead to the beginnings of meaningful marketing of books by forcing the independents to seek competitive prices and to emulate the techniques used by the chains.

The Emergence of the Wholesaler

In much the same way that “outsiders” moved into book retailing, a certain large company believed there was a need that could only be filled by a national book wholesaler primarily selling trade books to bookstores. Ingram Industries, a diversified company, created the Ingram Book Company, which energized the entire area of wholesaling of books. Ingram pioneered an online inventory service which featured weekly reports for booksellers on Ingram’s book stock and accepted online orders from its bookseller-customers’ terminals. As an added incentive for using the system, Ingram now guarantees an order will leave its premises in twenty-four hours, and it has brought down its price for the independent wholesaler by assessing a penalty on books that are returned. Baker and Taylor, another major book wholesaler, had its roots in the institutional and library markets, but it has kept pace with Ingram. Together, these two firms provide the basic framework of an alternative distribution for books that for the first time enables a retailer to get books of all publishers economically and efficiently from a single source.

The National Disgrace

Until the advent of the mass market in the early 1950s, there were few publishers who allowed unsold books to be returned to the pub-

lisher for full credit, although some publishers allowed "exchanges" in the event of a publishing mistake. It is now an accepted practice, even in the sales of textbooks to college stores, that all books are returnable for full credit. Retailers and wholesalers have a full return privilege. Books that are not sold, for any reason at all, can be and are returned at will. The only burden assessed by most hardcover publishers is that freight on the "returned books" must be paid by the customer. However, since paperback books are returned by the hundreds of millions, at publisher expense, publishers decided that the entire paperback book need not be returned—only the front cover showing the retail price. The paperback retailer or wholesaler is honor bound to *destroy* the body of the book. Should he decide that, even without a cover, the book had worth, and endeavored to sell the coverless paperback book, he would be prosecuted by the publisher and held liable for conversion of the publisher's property.

Returned hardcover books have a more pleasant fate. Some of them are sold to wholesalers who specialize in these returns, called remainders. They then follow the same distribution path as new books, but at retail prices generally one-half the original price. They are resold by the remainder wholesaler to the same retail outlets that returned them—but now at a much lower price. These books are displayed on bargain tables in bookstores and listed in catalogues of bargain books. In some instances these "unsalable" books become so successful at the new lower retail price that they are kept in print for years.

For trade books (adult fiction and nonfiction) the 1982 data collected from twenty-seven publishers and representatives of the industry²⁸ indicated that about one out of every four books shipped to customers is returned. Current interim reports issued by the American Association of Publishers show that the returns in 1984 are remaining at this level.²⁹ Assuming shipments of 1 billion units in 1984, this would mean that about 250 million hardcover books would be returned from retailers and wholesalers to publishers—some to be recycled to the remainder merchants and some to be destroyed. Aside from the needless expense, consider the intellectual waste and the economic inefficiency!

There is at least some saving grace in the resale of hardcover books; there is little or no salvage in the mass market paperback publishing. The paperback publisher requires, except for an infinitesimally small number of "classic" books, a certificate of destruction of the paperback books. Not since the days of Hitler and *Kristallnacht* has there been such a mass destruction of knowledge—and this goes on every day in America, in full daylight, not only with the knowledge and concurrence of

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those who publish and sell books and of our educators, but according to the *laws* of our government.

In 1982, one out of three paperback books³⁰ was "returned," i.e., destroyed, by a retailer or wholesaler. Current data indicates that the trend was the same in 1984. Just as with hardcover books, it is expected that at least 250 million paperback books were destroyed in 1984. The cost to the publisher to manufacture these books is estimated to be more than \$50 million.³¹ The intellectual and societal loss cannot be estimated.

This mindless, needless destruction of intellectual property is not necessary; and if one accepts the fact that there is inefficiency in any system, the number of returns could at least be reduced with a better system. Brave individual efforts by publishers to make it economically burdensome to return books have failed to start a trend. The New American Library, a paperback publisher of note, pioneered such an effort and still continues its successful policy of rewarding the wholesalers and retailers for efficient sales. Not one paperback publisher, large or small, followed suit. A few small hardcover publishers did adapt the New American Library system to their own lines, but not one of the major paperback publishers was willing to follow suit. And where voluntary action has failed and there is a national purpose to be served, it would seem imperative for the government to step in.

Is Change Likely?

While there are many positive forces that might accelerate a solution to this "200-Year-Old-Bottleneck,"²³ such as the growth of sophisticated retailers of books, the impetus for change generated by competition between the independent and chain retailers, and the acceptance of the wholesaler as a logical single source, publishers in a recent study conducted by the Book Industry Study Group²⁴ are pessimistic that there will be any immediate change.

The Book Industry Study Group engaged Arthur Andersen & Co., which used the Delphi survey technique for "identifying and assessing problems and opportunities"²⁵ in the movement of books from the publisher to the retailer. The authors of the survey report that:

In the last few years the industry has seen the start of innovation in some elements of the distribution process. Examples include widespread use of the ten-year-old uniform numbering scheme, transaction standards, upgraded data processing capabilities, combined shipments, and altered discount and return policies. In most cases,

these new practices are being adopted slowly, even after considerable effort. The cost and service pressures on physical distribution are intensifying faster than the industry's capacity to respond.²⁶

In the survey, the publishers echoed the criticisms of the distribution systems made by Cheney, Tebbel, and Barzun. But when asked to answer the question: "What are the chances that the segment (publisher, wholesaler, bookseller, librarian, manufacturer) needing to change will change?" the consensus was that: "Prospects for innovation on the part of the publishing segment are appraised as only fair by panels representing publishers and their customers."²⁷ Given this attitude, it appears that without other actions to motivate publishers, wholesalers and retailers to change dramatically, there will be little or no progress, and the distinguished commentators will once again say that distribution does not work.

A National Problem of Governmental Concern

Given the physical, financial, and intellectual waste in the destruction of about 30 percent of all books published in the United States, there is a role for government. Recently, reacting to the complaints of the airplane traveler and attempting to avoid the hazards of crowded skies at airports during the most popular hours for arrivals and departures, the FAA sought and obtained antitrust immunity from the Justice Department to enable competing airlines to negotiate takeoff and landing times without fear of being held liable by the Justice Department for a conspiracy in restraint of trade.

Left to their own devices, the evidence indicates that publishers would not seek out solutions to the marketing problems or the return problem. Publishers have an overwhelming faith in the book as its own marketing mechanism. Publishers point to books such as *One Writer's Beginnings* by Eudora Welty, published by Harvard University Press, which as of 30 September 1984 had appeared on *The New York Times* "Best Seller List" for thirty weeks. They also point to a nonfiction book, *Eat to Win*, published by Rawson Publishers, a husband-and-wife team, which headed its segment of *The New York Times* "Best Seller List" for twenty-seven weeks and was sold to a paperback publisher for a reported \$1.2 million.³² Many publishers cite instances like these to support their view that the book is more important than the distribution because Harvard University Press, a scholarly publisher with a tiny marketing staff, was able to catapult one modest book by a "regional" writer into an outstanding best seller. Rawson distributed to the trade through

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Charles Scribner's Sons, and thus without its own marketing staff was able to market a nutrition book for athletes into best-seller status and to conduct, without a subsidiary rights department, a paperback auction that brought them and the author a small fortune. "Why worry about marketing?" the publishing cynics say. "All you need are good books. The right book will reach its audience by word-of-mouth, and if it has Spartan-like qualities, the book will survive and prosper."

The publishers maintain that time is more advantageously spent on the intellectually stimulating task of finding the "right" books rather than trying to reform a distribution mechanism that has not functioned for decades and is unlikely to function efficiently in the future. Agreeing with the Book Industry Study Group, the consensus is that distribution changes are unlikely.³³

Despite the publishers' antipathy to marketing reforms, preservation of intellectual property is a matter of national concern. It is at least as important as inconvenience to airline passengers or safety in the skies over airports. It would be possible for the Department of Commerce—concerned with the improvement of business methods—to involve the Justice Department, the Federal Trade Commission, the Internal Revenue Service, the Library of Congress, the Postal Service, and other branches of the government interested in the fullest exploitation of our publishing resources to invite all interested parties—authors, publishers, retailers, wholesalers, manufacturers—to develop a program to make the marketing and distribution of books at least minimally effective.

If one assumes that the marketing of books is a government concern and that a "summit meeting" is needed, one method of determining the efficacy of such a solution is to visualize a hypothetical meeting. Select a hypothetical host, list possible attendees, and set a probable agenda. For purposes of this exercise, a hypothetical document covering these areas, which would be distributed to the attendees, might look like this:

HOST: DEPARTMENT OF COMMERCE IN ATTENDANCE

Representing the Government

Mr. XXX, from the office of the President

Members of the House of Representatives and Senate

Staffs of the Justice Department and Federal Trade
Commission

The staff of the Joint Committee on Taxation

The Commissioner of Internal Revenue

The Postmaster General
The Director, Small Business Administration
Librarian of Congress
Other government officials as required

Representing the Publishing Industry

Publishers (large, middle-sized, small; trade [hardcover],
paperback [mass market], text, scientific)
Booksellers (chains and independents)
Book and Magazine Wholesalers
Librarians
Book Manufacturers, Distributors
Book Industry Study Group
Others interested in the marketing of books

Representing the Public

Press: as wide a representation as possible

Items to be Discussed:

1. Standardized book identification in a machine-readable form
2. Standard Address Number
3. Revision of federal tax code
4. Reshaping of distribution system
5. Revised postal rates
6. Other business

The list of attendees demonstrates the involvement of many branches of government in the publishing process, beginning with the occupant of the Oval Office of the White House. As substantive agenda items are discussed later in this article, the role of the Congress and the agencies will become clearer. A *sine qua non* of such a meeting would be the assurance by the Justice Department and the Federal Trade Commission that all participants in this meeting would receive broad immunity from prosecution should matters discussed indicate possible violation of present federal laws.

The hypothetical agenda is representative and tentative and not all-inclusive. The matters requiring discussion range from intricate technical problems requiring the skills of experts to matters of policy requiring the participation of high level representatives of government and business. The suggested agenda would dictate the format, requiring small well-qualified working groups of experts to report to the major determining body. Even the five points listed (and it is likely the list

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would be doubled before the conference convened) would require extensive discussion, making this hypothetical conference one that would extend over a long period, possibly a year or more, with general meetings once or twice a month. On reaching agreement, the only possible enforcement device would be voluntary cooperation, augmented where possible by self-interest, tax incentives, and perhaps even a patriotic desire to see a major growth in book reading in the United States. To appreciate this hypothetical conference, it is thus important to attempt to discuss in moderate detail the agenda items, visualizing what might transpire on a substantive basis.

Item No.1-Machine-Readable ISBN

An identification code in machine-readable form, such as the International Standard Book Number, is needed because of the complex nature of the industry. Book publishing is faced with a cumulative inventory of 660,000 items growing at the rate of more than 50,000 new books a year, with low retail prices, wasteful distribution, and marginal profits. This is a classic case in which the computer can be used to manage masses of data from which decisions can be made. As a beginning, the industry might decide to print a code on the jacket or cover of every hardcover and trade paperback book, which can be read by an optical scanning device. Any reader who has shopped in a supermarket has seen these "machine-readable codes." They are the bar codes printed on all packages and cans sold in supermarkets and read by a device at the check-out counter. This code would contain significant data concerning the book, such as title, price, publisher, and category.

The industry has made a start. The International Standard Book Number (ISBN) a ten-digit code, is in general use. However, for the most part, only the paperback publisher now prints the ISBN and other relevant data on the cover of the book in machine-readable form. The paperback publishers resisted placing the code on the book cover for many years on aesthetic grounds, until the supermarket owners told them either to do this or else paperback books would no longer be sold in supermarkets. The capturing of ISBN data by a scanning device is deemed to be so valuable to the major bookselling chains such as B. Dalton and Walden Book Company that they place their own "product" identification stickers on each book by hand. B. Dalton and Walden Book Co. capture data to develop statistics on rate-of-sale of individual books, which helps book buyers decide on the necessity for a reorder. These data advise the buyers of the kinds of books required for each store to achieve maximum sale. By use of this information, most

chains have reduced returns to publishers to about one-half the industry averages. The chain bookstores have also used these basic data to create computer systems by which orders are transmitted from the chain head-quarter's computer to the publisher's computer without a hard copy, and to generate accounting data. There is consensus that the capture and use of the machine-readable codes has helped these chains achieve a higher than average level of profitability. With an industry-wide agreement on "product" identification, and the installation of systems to read and manipulate these data, publishers and retailers would improve in profitability and provide better service to customers.

Item No.2-Standard Address Number

The Standard Address Number (SAN) is designed to identify each participant in book marketing. Given the number of individual locations of bookstores and libraries and the divisions within publishing conglomerates, it is important that every publisher be identified by a Standard Address Number (SAN), so that when a bookseller addresses an order to a publisher it reaches the publisher for whom it is intended. It is also of equal importance that when a book order is shipped to a specific bookstore it arrives at that bookstore and not another branch of the same chain in that city. For example, the use of the SAN would preclude books ordered by the Stanford University Book Store on the campus from being shipped to another university bookstore on the campus, or the Stanford library, or the Stanford Book Store in downtown Palo Alto.

The SAN is essential to the implementation of consolidated shipping and automated book ordering. Some time ago, a valiant effort was made to provide consolidated freight service to bookstores and demonstrated major economies. Bookstores consigned their orders from various publishers to a single freight consolidating point, which held these orders until there was sufficient weight assembled to qualify for the lowest freight rate.

A freight consolidation service called ZIP-SAN³⁴, started in 1983, performed effectively, but ceased operations within six months because most publishers had not coded their accounts with a SAN, and the cost to ZIP-SAN to look up Standard Address Numbers or to update publishers' records was prohibitive.

Freight costs are a make-or-break item in a bookstore's profitability. This was dramatically illustrated when the oil crisis suddenly increased book freight rates and forced many hardcover publishers to institute a freight pass-through.³⁵ If publishers and booksellers used the

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SAN, it would be possible to consolidate shipments using regional depots and begin the reform of the present inefficient system of physical distribution.

Item No.3-Revision of the Federal Tax Code

Tax incentives have been used to encourage businesses to expand their role in society for the public good. Prior to the Supreme Court decision in the Thor Power Tool Case,³⁶ publishers could evaluate their book inventories and make a judgment as to the salability of the books in the inventory. If publishers believed that some part of their inventory might be used in the future and the remaining portion would not be sold, publishers were allowed by some IRS districts to reduce the value of "unsalable" inventory without having to destroy the books. Under this practice, publishers kept many books in stock where the demand was modest. After the Thor Power Tool decision by the Supreme Court, the IRS required that publishers destroy books or remainder them if they intended to take a tax deduction. Immediately thereafter, publishers began a major destruction of slow-selling hardcover scientific and professional books, putting many valuable books out of print forever.

To stop this madness a bill was introduced in the Senate to enable publishers to deduct for slow-selling stock without having to destroy the books. When it appeared that the bill might pass, Senator Proxmire, at the eleventh hour, killed the bill—and the bill has never been revived.³⁷ Publishers, in order to get tax relief, now destroy books that otherwise might be retained.

The 250 million returned paperback books that are now being destroyed by wholesalers and retailers are costed out by publishers in accordance with normal accounting principles. A tax deduction equivalent to the production costs is allowed. Paperback publishers who have been beset by illegal sales of the coverless books fear any secondary use of their books, and continue to make certain that the body of the book is destroyed when covers are returned for credit.

Using the same logic that provided tax incentives to encourage businesses to create opportunities in "enterprise zones"³⁸ (economically depressed areas), at this hypothetical meeting the IRS should consider a tax incentive that would enable paperback returns to be recycled rather than destroyed. The customer, or a trusted intermediary, could place a special marking on the covers, and books could be donated to public and not-for-profit organizations, removing them from the normal stream of commerce. Assuming the average retail price of a paperback book at three dollars a copy, the 250 million returns *each year* could provide a

charitable contribution at retail of \$750 million if books were contributed and not destroyed. The following lists some of the tough issues which might be discussed and resolved in this hypothetical meeting of publishers, the IRS, other government officials, and representatives of the Congress if it were ever to take place:

1. What marking can be developed to identify books to prevent these books finding their way back to the publishers a second time?
2. How are the books to be selected and by whom?
3. What organizations are *really* unable to purchase books—since publishers would be unwilling to reduce their present sales to public institutions that might be able to purchase books if public funds were appropriated?
4. What is a fair tax incentive for the publisher who takes the risk that these books, despite the marking device, might be returned?

It would be a milestone in government-industry cooperation if by the use of tax incentives publishers could be encouraged to keep slow-selling books in print longer, and if a considerable portion of 250 million paperback books could be used rather than destroyed.

Item No. 4—Reshaping the Distribution System

In most systems of marketing consumer goods, manufacturers make an election as to how they will distribute their merchandise. For example, some of the typical patterns range from a distribution system that is direct from the manufacturer to a retailer (e.g., Calvin Klein jeans), or from the manufacturer to the consumer by door-to-door salespersons (e.g., Avon or Fuller Brush), or a wholesaler who sells only one manufacturer's product (e.g., beer and automobiles), or a regional wholesaler who sells products of competing manufacturers in the same industry (tobacco and magazine wholesalers). It is rare that a manufacturer uses all these means to distribute the same consumer "product." It is possible for a consumer to buy the *same* book from a book club, the publisher, by mail, or from a bookstore. The retailer, in some instances, can buy the *same* book from a book wholesaler, a magazine wholesaler or direct from the publisher. This is marketing anarchy. It would not be unreasonable to believe that some of the wasteful book returns result from a retailer ordering the same book from the publisher and one or more wholesalers, to insure that at least one source delivers his order to enable him to keep bestselling books in stock.

At the same time, some booksellers claim price discrimination. The present lawsuit brought by the Northern California Booksellers Associ-

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ation claims that publishers extend preferential prices to chain book-sellers.³⁹ A major task force of publishers, wholesalers and retailers (chain store and independents), with the help of the FTC, should attempt to suggest a method to simplify the distribution structure. Once simplified, there should be legally supportable savings that might be passed on properly to businesses involved in bringing the book to the customer. There are savings to the publisher that could be measured. There is a cost saving in reducing returns. There are cost savings involved in receiving orders directly on a computer-to-computer basis. A list of potential changes in practice can be developed, and a method developed to assign dollar values so that those who participate in a reformed marketing system benefit from the cost savings realized.

The reason, many believe, that there has not been such an investigation, or a major overhaul of the marketing systems and a new approach to pricing of books to wholesalers, chain retailers and independent retailers, is the vulnerability of the publisher. The pricing and distribution structure, which has been subject to review on several occasions by the Federal Trade Commission, could be attacked. There is a body of thought that holds it is better to patch and defend the existing system rather than either risk careful scrutiny by the Federal Trade Commission, or create a new system with appropriate discounts for services rendered at each level. Those who defend the status quo believe that market forces will, eventually, solve the problem. These are the traditional arguments and could be accepted if the cost to the industry were acceptable. However, waiting for an evolutionary solution would be expensive and protracted.

Item No.5-Revised Postal Rates

In Benjamin Franklin's day the post office was considered a liberating force because it made possible a wider dissemination of information and culture. In recent years, the Postal Commission, reacting to the pressure from Congress, has increased postal rates on a regular basis, largely eroding the preferential rates for books. Even with rate increases, postal services have deteriorated so that now it costs almost \$10 to buy the overnight service that was normally expected from the best postal system in the world. An inexpensive postal rate for books is essential to promote reading, because book post is the most prevalent method of delivering crucial small quantities to libraries and bookstores. In order to meet these needs, in addition to a general lowering of rates there should be a special bargain postal rate at the \$1.50 or \$2 level available for overnight delivery of a book. This would enable a retailer to deliver a

special-order book to a customer on an expedited basis, making a larger share of the 500,000 books in print available.

Item No.6—Other Items

An article on marketing has its limit, and this article has arrived at this point. It is to be hoped that the agenda of this hypothetical meeting has been set forth in sufficient detail for the reader to appreciate the business aspects of the problem and to add "other items." The agenda terms discussed previously are reformations of trade practices and uses of government proper for the general good. The other items discussed must include the promotion of reading books. The economics to be realized from new business initiatives will be hollow victories if the illiterates are not taught how to read. Nor will there be any real benefits if those who now read should stop reading books.

It will never be possible, given the 660,000 titles in print, the more than 50,000 new books released each year, the modest size and great diversity of the audience, and the limited size of the entire industry, to create a slick, snappy 100-percent-effective distribution system.

Given the present national administration's move toward deregulation of industries, simplification of taxes, and reduction of appropriations devoted to arts and culture, the cynics would say that prospects for action are unlikely. Given the publishers', authors', and booksellers' predilections to protect freedom of expression, the cynics also would say that a groundswell of support from the book community for government intervention seems unlikely.

Nevertheless, this is a time for the people of the United States, as represented by its government, to prove the cynics wrong. It is possible to have an effective national system of marketing of books, and this can be achieved in the decade of the 1980s if there is a cultural coalition of the people of the book—authors, publishers, wholesalers, librarians, and readers—and they demand these reforms.

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