[Publisher logo. Links to publisher website, opened in a new window.](http://www.dowjones.com/)

**Corporate News:** [**Barnes & Noble**](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1502240535?pq-origsite=summon) **Posts Profit as Digital Device Sales Tumble**

false[Trachtenberg, Jeffrey A](http://search.proquest.com.ezproxy.trident.edu:2048/indexinglinkhandler/sng/au/Trachtenberg,+Jeffrey+A/$N?accountid=28844). [**Wall Street Journal**](http://search.proquest.com.ezproxy.trident.edu:2048/pubidlinkhandler/sng/pubtitle/Wall+Street+Journal/$N/10482/DocView/1502240535/fulltextwithgraphics/$B/1?accountid=28844)**, Eastern edition** [New York, N.Y] 27 Feb 2014: B.4.

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After months of studying Barnes & Noble's digital strategy, the company's new chief executive, Michael Huseby, confirmed plans announced by his predecessor, William Lynch, to scale back the company's efforts in the hardware space.

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Barnes & Noble Inc. showed the benefits of a cost-conscious chief executive with a stronger bottom line for its fiscal third quarter. But a continuing decline of its e-book sales and stagnant performance at its retail stores underlined continuing uncertainty about the bookseller's long-term future.

One thing did become clearer on Wednesday. After months of studying Barnes & Noble's digital strategy, the company's new chief executive, Michael Huseby, confirmed plans announced by his predecessor, William Lynch, to scale back the company's efforts in the hardware space. Barnes & Noble will likely make its next color tablet in collaboration with a third-party manufacturer, Mr. Huseby declared, an idea disclosed last June but put on hold when Mr. Lynch left the following month. Mr. Huseby has been running the company since, initially as president and since last month CEO.

This shift is part of an effort by Barnes & Noble to reduce its investment in the Nook business. Already Nook staff has been trimmed by about 26%, or 190 people, from the start of the fiscal year through layoffs and attrition, Barnes & Noble said. That includes 75 people laid off in the current fourth quarter and for which Barnes & Noble will take a $2.4 million charge.

"We're in a rebuilding period," Mr. Huseby said on a conference call with Wall Street analysts. "We have to bring things down a little before we can bring them back up."

The cost-cutting had an impact in the company's third fiscal quarter, which ended Jan. 25, helping it report a $63.2 million net profit compared with a $3.7 million loss a year earlier, despite a 10% drop in revenue.

Much of the profit improvement was due to a big reduction in losses at the company's Nook business, which includes e-books, devices and accessories. Before interest, taxes, depreciation and amortization, the unit's loss narrowed to $61.8 million from $190 million a year earlier, when the loss was inflated by a $74 million inventory write-down. The smaller loss also reflected a $52 million reduction in Nook expenses, including lower spending on advertising.

The cost-cutting has its own consequences. Barnes & Noble didn't release a new color tablet during the holiday season, helping it reduce spending. But the company noted that the absence of a new tablet hurt third-quarter sales. Digital device and accessory sales fell 58.2% to $100 million, while digital content sales dropped 26.5% to $57 million.

Digital content sales have declined now for four straight quarters. The retailer claimed a 27% share of the U.S. e-book market in October 2012; on Wednesday, Mr. Huseby said publishers indicated Barnes & Noble was holding steady at about 20%. That highlights a challenge he faces: With e-books accounting for about 22% of trade publishers' total revenue through November, according to a monthly survey by the Association of American Publishers, Barnes & Noble needs a presence in the digital market. That, in turn, requires that Barnes & Noble keep selling new e-readers and tablets on which e-books are read.

So far, however, the cost of competing in the hardware space with companies like Amazon.com Inc. and Apple Inc. has proved too much for Barnes & Noble. Maxim Group analyst John Tinker said that by collaborating with a third-party manufacturer for its next device, Barnes & Noble will be able to keep its costs in line. Barnes & Noble expects to debut a new reading-centric Nook color tablet in the early part of its fiscal 2015 year, which starts in May.

One question is whether the next tablet from Barnes & Noble, made by another company, will be as sophisticated as the devices it made itself. "Chances are it won't stand apart from a new tablet from Apple or Amazon," said one industry executive familiar with hardware manufacturing who asked not to be identified. "But they may get 85% of the way there. Tablets are a maturing category today. They mostly have a similar look, size and thickness. When was the last time you saw something really exciting?"

Meanwhile, Barnes & Noble continues to face a slow decline at its big retail stores division, which generates the bulk of the company's profits. Revenue in the latest quarter fell 6.3% to $1.4 billion, due to 4.9% lower sales at stores open at least a year, and lower sales at BarnesandNoble.com. "Core" same-store sales, excluding Nook products, fell 0.5%.

Ebitda at the unit fell 7.5% to $200 million.

[Publisher logo. Links to publisher website, opened in a new window.](http://www.nytimes.com/)

[**Barnes & Noble**](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1500897168?pq-origsite=summon) **Receives Conditional Offer: [Brief]**

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. [**New York Times**](http://search.proquest.com.ezproxy.trident.edu:2048/pubidlinkhandler/sng/pubtitle/New+York+Times/$N/11561/DocView/1500897168/fulltext/$B/1?accountid=28844)**, Late Edition (East Coast)** [New York, N.Y] 22 Feb 2014: B.2.

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In its most recent quarterly earnings, which did not include the holiday season, Barnes & Noble reported a drop in revenues but a jump in earnings as it trimmed expenses.

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G Asset Management, a little-known investment firm, offered on Thursday to acquire 51 percent of Barnes & Noble in a deal that would value the bookseller's shares at $22 apiece.

Barnes & Noble stock jumped 10 percent on the news in midday trading on Friday, but did not approach the implied offer price, trading around $18 a share.

If G Asset Management cannot take control of the full company, it said it would be willing to acquire 51 percent of Barnes & Noble's Nook business, valuing the e-reader unit at $5 per share. The investment company, run by Michael Glickstein, said it believed that breaking up the company would unlock shareholder value. But the highly conditional offers are subject to obtaining financing, conducting due diligence and negotiations with the company.

G Asset Management has had Barnes & Noble in its sights for some time. Last November, it proposed separating the Nook business in a deal that would have valued the retailer at $20 a share.

Barnes & Noble is the last big national bookstore chain, in the wake of the collapse of its chief rival, Borders. Late last year, Barnes & Noble's chairman, Leonard S. Riggio, abandoned plans to buy the company's bookstores. Mr. Riggio backed out over concerns about shareholder lawsuits that might have followed such a deal.

That failed deal followed the company's halting of talks with [Microsoft](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1500897168?pq-origsite=summon), already an 18 percent owner of the Nook business, about a full takeover of that unit.

In its most recent quarterly earnings, which did not include the holiday season, Barnes & Noble reported a drop in revenues but a jump in earnings as it trimmed expenses.

This is a more complete version of the story than the one that appeared in print.

[Publisher logo. Links to publisher website, opened in a new window.](http://www.washingtonpost.com/)

**Amazon books getting no shelf space**

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. [**The Washington Post**](http://search.proquest.com.ezproxy.trident.edu:2048/pubidlinkhandler/sng/pubtitle/The+Washington+Post/$N/10327/DocView/1120089795/fulltext/$B/1?accountid=28844) [Washington, D.C] 31 Oct 2012: C.4.

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"Care of Wooden Floors," by Will Wiles, is the kind of novel you'd expect to see on a "staff picks" shelf at an independent bookstore. A slim but sophisticated farce by a relatively unknown author, the book is full of witty asides and snappy comments about modern life; its wry, endearingly hapless narrator feels like he might have stepped out of a Nick Hornbystory.

But many local stores, both independents and chains, are refusing to stock it. They don't want to promote what they see as a predatory publisher. "Care of Wooden Floors" was issued this month by New Harvest, a new collaboration between Houghton Mifflin Harcourt and the arch-nemesis of brick-and-mortar bookstores: Amazon.

Earlier this year the two companies signed a licensing agreement whereby Amazon Publishing acquires, edits, markets and publicizes books that are then distributed by Houghton Mifflin Harcourt's sales force, according to Alexandra Woodworth, a publicist for Amazon/New Harvest. The partnership was an effort to woo bookstores into stocking Amazon-published books. But many booksellers are balking.

"We don't want to do anything that will support their publishing venture," said Mark LaFramboise, chief buyer for Politics & Prose in Washington. The bookstore is not stocking Wiles's novel, though it will order the book upon customer request.

"Amazon has not been a very cooperative fellow bookseller in any fashion," LaFramboise said. "They pretty much want nothing more than our demise."

Busboys and Poets is not carrying Wiles's novel, either. "We are certainly not trying to be a satellite showroom for Amazon," owner Andy Shallal said. "We don't support Amazon's 'Wal-Martization' of bookstores." (Busboys's Web site takes that position even further, saying Amazon "has strong-armed many publishers into reducing the prices of their books and eBooks.") Busboys will not special-order the book but will direct interested customers to the Amazon site.

It's not just the independents that are protesting. Barnes & Noble also has decided not to stock New Harvest books in its 689 stores. It will, however, sell them on its Web site and special-order them for customers. "Our decision is based on Amazon's continued push for exclusivity with publishers, agents and the authors they represent," Jaime Carey, B&N's chief merchandising officer, said in a statement in January.

Woodworth would not disclose how many copies of "Care of Wooden Floors" were being printed or had sold since its release Oct. 9. "We're excited about the reaction so far," she said. Features about the book have been aired on NPR and appeared in the [New York Times](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1120089795?pq-origsite=summon), where a full-page ad for the book ran in the Book Review earlier this month.

Wiles's novel was originally published in the Britain by Fourth Estateand received generally positive reviews there. Amazon will not provide sales figures for the book, which was ranked 40,588 on its U.S. site as of Tuesday. According to Nielsen BookScan, fewer than 1,000 copies of the book had been sold as of last week. "My Mother Was Nuts," Penny Marshall's memoir, which New Harvest published Sept. 18, sold just 7,000 copies in its first month, despite a reported $800,000 advance; Jessica Valenti's "Why Have Kids?," released by New Harvest on Sept. 4, has sold 1,000.

Without prominent display in bookstores, "authors are not going to get the kind of exposure they want," said Becky Anderson, president of the [American Booksellers Association](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1120089795?pq-origsite=summon), a trade organization for independent booksellers. "If I were an author, I would think twice" about signing on with Amazon.

Then again, if enough bookstores refuse to sell Amazon's books, they could become just the kind of hard-to-get, underappreciated gems that independent bookstores typically champion.

**THE E BOOK WARS Amazon Versus the Rest**

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In May 2011, Amazon hired publishing insider Larry Kirshbaum to lead its new New York-based Amazon Publishing imprint, which has been working hard to attract key authors and publishing alliances.

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The move to electronic publication of books is creating some of the same issues and problems for publishers and distributors that the music industry - not to mention, the information industry - has been dealing with for years now: disintermediation.

For print books, the use of distributors and aggregators to streamline order fulfillment and distribution is well-established as a key valueadded service. As we move to books and materials that live in the cloud and sales resulting from some type of electronic payment for access anytime/anywhere, many of the traditional delivery services and roles are no longer needed. Early in 2012, signs of increasing tensions have appeared regarding control of the evolving distribution process for both print and electronic books.

Booksellers: 'We're Not Shocked, Just Disappointed'

For some time, booksellers and publishers have expressed concern about the growing power and influence of Amazon in the book arena. For 140 years now, Publishers Weekly [PW) has reigned as a "bible" of the publishing industry. Co-managing editor Iim Milliot believes that "Amazon's strong-arm efforts to work special deals from publishers [are] having major impacts on the publishing industry." Whether it's the company's price check app or its aggressive demand to publishers on co-op and retail discounts," Milliot explains, "many have come to actively explore ways to lessen publishers' dependence on Amazon."

On the print book front, tensions arose during the last holiday season when Amazon offered potential customers a discount if they went into brick-and-mortar bookstores, applied the Amazon price check app on books they wanted to purchase, and then chose to purchase them from Amazon instead ofthat bookstore. In return for conducting this test, Amazon gave customers a discount of up to $15. Called "showrooming"' by the industry, statistics show that an increasing number of customers were already doing just that.

The [American Booksellers Association](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon)'s CEO OrenTeicher published an open letter at the time to Amazon founder, president, and CEO Jeff Bezos in which Teicher questioned Amazon's motives and intent. "We're not shocked, just disappointed," he declared. Labeling the program, which would deny local booksellers the ability to collect sales taxes used to support their communities "a cheesy marketing move," Teicher called this "the latest in a series of steps to expand your market at the expense of cities and towns nationwide, stripping them of their unique character and the financial wherewithal to pay for essential needs like schools, fire and police departments, and libraries" ("[ABA](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) Responds to Amazon App Promo," Dec. 11, 2011 [http://news.bookweb.org/ news/aba-responds-amazon-app-promo]).

In Ianuary, Barnes & Noble (B&N) decided to stop carrying Amazon-published titles in their brick-and-mortar stores "based on Amazon's continued push for exclusivity with publishers, agents and the authors they represent ... [which] have prohibited us from offering certain ebooks to our customers." In B&N's view, "Amazon has proven they would not be a good publishing partner ... as they continue to pull content off the market for their own self interest." This decision applied to all 705 B&N stores. Since this initial skirmish, Canada's Indigo Books and Music "congratulated B&N for taking a leadership stance on the matter." Indigo VP Ianet Eger explained, "In our view Amazon's actions are not in the long-term interests of the reading public or the publishing and book retailing industry, globally" ("Indigo and [Books-A-Million](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) Join Boycott of Amazon Print Titles," Lisa Campbell, Feb. 6, 2012 [www.thebookseller.com/news/indigo-and-books-millionjoin-boycott-of-Amazon-print-titles.html]).

Books-A-Million, the second-largest brick-and-mortar bookseller in the U.S., followed quickly, noting that it had "joined with B&N and will not carry Amazon Publishing titles, including those published under Houghton Mifflin Harcourt's New Harvest imprint." The dust had no time to settle when IndieCommerce [www.indiecommerce.com], the [American Booksellers Association](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon)'s "e-commerce product for independent bookstores," began to remove all Amazon titles from its database. Director Matt Supko confirmed to member independents that "only publishers' titles that are made available to retailers for sale in all available formats will be included in the IndieCommerce inventory database" ("IndieCommerce Adopts Policy Change for Title Listings," Feb. 11, 2012 [http:// news.bookweb.org/news/indieconi merce-adopts-policychange-title-listings]).

"While Amazon is seeking to distribute its print catalog through conventional means," Supko continued, "it seems that they are simultaneously pursuing a strategy of locking in ebook exclusives which other retailers are not allowed to sell. IndieCommerce believes that this is wrong."

IPG Versus Amazon

In December 2011, PW reported that "Amazon has been asking for a steeper wholesale discount on books," noting that "although e-books are sold on the agency model, print books continue to be sold on the wholesale model, in which retailers purchase titles at a certain percentage off the list price." On Feb. 21, Independent Publishers Group (IPG) , the country's second-largest independent book distributor, sent word to its 400 -plus publishing clients that "[Amazon.com](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) has failed to renew its agreement with IPG to sell Kindle titles."

IPG president Mark Suchomel declared, "[Amazon.com](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) is putting pressure on publishers and distributors to change their terms for electronic and print books to be more favorable toward Amazon. Our electronic book agreement recently came up for renewal, and Amazon took the opportunity to propose new terms for electronic and print purchases that would have substantially changed your revenue from the sale of both." Suchomel adds, "It's obvious that publishers can't continue to agree to terms that increasingly reduce already narrow margins. I have spoken directly with many of our clients and every one of them agrees that we need to hold firm with the terms we now offer." Suchomel says he is not sure what has changed at Amazon over the last few months to make it now unacceptable to buy from IPG at terms that are acceptable to IPG's other customers. ("Amazon vs. IPG - Here We Go Again," Karen Holt, Feb. 24, 2012 [http://blog.authors guild.org/2012/02/24/amazon-v-ipg-here-we-go-again]).

Most of IPG's client publishers are small. Only nine publishers have 100-plus titles with IPG, and 71 offer only a single title. Publications cover all aspects of fiction and nonfiction, with particular strengths in biography, business, history, juvenile, social science, sports, photography, and travel. For most of these publishers, having a partner who can provide sales, marketing, and distribution is essential to their operations - making this issue with Amazon a bit of a David versus Goliath battle.

Countering claims that ebooks should be much cheaper than print books to align with apps, music, or other media, IPG's CEO Curt Matthews argues that "an e-book still needs all of the expensive editorial services ... and, if it is going to sell, it has to be marketed, distributed, and publicized, just as a print edition must be. And the author royalty on an ebook sale is usually about the same as it is for a print book, even though the list price of the e -edition is lower. We have noted that for our $14.95 paperback the printing amounts to about $1.50. Warehousing and shipping will add another $1.50 to the real cost of selling a printed book. A web retailer should be able to work on a narrower margin than a bricksand-mortar bookstore, which could lower the price of an eedition perhaps another $2.00. Deduct these specifically print-related costs from the price of a printed book and the minimum price for a straightforward e-book comes to about $10.00 - less than the price of the print version but not some small fraction of the print price. Certainly not 99 cents, and not $5.00 either" ("What Should an E-Book Cost?" Curt Matthews, Feb. 24, 2012 [www.ipgbook.com/why-ipg-has-not-been-ableto-agree-on-terms-with-amazon-news-32.php]).

If Amazon had been hoping for a white flag of surrender, it instead received indications of strong support for IPG and its members. [Educational Development Corp.](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) pulled its Usborne titles from Amazon. EDC president Randall White explained that its support of open distribution channels was "critical to the long-term growth of EDC, and a way to demonstrate our support of the local booksellers, museum shops, gift stores, and others who sell our books to consumers. ... We want to support them in every way we can, and we've seen how, working together, not only can we survive without Amazon, but we can thrive" ("EDC Discontinues Usborne Books on Amazon," Feb. 27, 2012 [www.publish ersweekly.com/pw/by-topic/industry-news/publishernews/article/50810-edc-discontinues-usborne-books-onamazon.html]).

The Science Fiction & Fantasy Writers of America decided to remove Amazon links for books listed on its website, unless no other source is available, noting that "our authors depend on people buying their books and a significant percentage of them have books distributed through IPG" ("SFWA Is Redirecting [Amazon.com](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) Links," Feb. 28, 2012 [www.sfwa.org/ 20 12 / 02 / sfwa-is-redirecting-amazon- corn-links] ) .

Distributor Copia expressed its own concern about "a very big bookseller [that] has stopped selling ebooks from the Independent Publishers Group. Why? Allegedly because the scrappy, innovative IPG refused the bookseller's 'laws of the jungle' pricing demands. Copia salutes IPG for protecting their authors." Copia also began offering special pricing for IPG best-sellers from its webpage [http://campaign.r20.constant contact.com/render?llr=lap9bseab&v=001bNszPz862Yz9RrV K9xQy3aQIB5zmXc9UUMpzTklkIWxkNss6BMK83Vq31Am NQqsV6t5kI6U44ShQQRsGf4nK40GINndlebNKolQ-KZc2Y wslIos-XEl4sKLF8Dk67GbxXWfqqiK3q3eVweEBIFCliA==].

IPG's Suchomel tells Searcher, "The industry response has been incredible. Accounts are contacting us asking how they can help. Others in the industry are offering support and are helping to spread the word to consumers. Our publishers have been wonderfully supportive."

Others wonder how long IPG can hold out against Amazon. Amazon has signed co-op agreements with two other distributors of independent presses recently - Perseus Books Group and National Book Network. Is this an effort to freeze IPG from the market?

Amazon Moves Into Publishing

In May 2011, Amazon hired publishing insider Larry Kirshbaum to lead its new New York-based Amazon Publishing imprint, which has been working hard to attract key authors and publishing alliances. At the time, the company stressed that this was an experimental endeavor. "What we're building is more like an in-house laboratory where authors and editors and marketers can test new ideas," Ieff Belle, vicepresident of Amazon Publishing and Kirshbaum's boss, was quoted as saying. "Success to us means working with authors who want to find new ways to connect with more readers" [http://mobile.businessweek.com/magazine/amazons-hitman-01252012.html]. Given the company's deep pockets and thirst for conquest, Amazon could, in fact, become what Bloomburg Businessweek has called "an unstoppable competitor to big publishing houses" [www.businessweek.com/ magazine/amazons-hit-man-01252012.html]. In an article in The [New York Times](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon), David Streitfeld noted that Amazon published 122 books last fall "in an array of genres, in both physical and e-book form. It is a striking acceleration of the retailer's fledgling publishing program that will place Amazon squarely in competition with the New York houses that are also its most prominent suppliers" ("Amazon Rewrites the Rules of Book Publishing," Oct. 16, 2011 [www.nytimes. com/201 1/10/ 17/technology/amazon-rewrites-the-rulesof-book-publishing.html?\_r=2] ).

One of Amazon's stated missions is "to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices." As IBISWorld analyst Mary Nanfelt reports, "Amazon does have a very strong position within the distribution of ebooks especially since it controls the most popular e-reader, the Kindle. Currently, Amazon is not at too much risk; however, if more publishers refuse to agree to Amazon's contract terms, the number of books Amazon offers will decline. Then the company could lose some book sales to BarnesandNoble.com who has more favorable agreements with book publishers and continues to increase the number of books it offers."

Good E-Reader staff writer Mercy Pilkington explains, "While it's easy to imply that Amazon bullied its way to the top, it could not have done so without the customers who approved of the business model and made them who they are. No company is completely bullet-proof in terms of keeping its status in the market. Amazon has shown a fairly decent track record of not only adapting to the wants of the customers and the industry, but actually spearheading the new technology."

"Amazon wants more content, which is why they are getting into publishing," Milliot confirms. "The margins would be better without the middlemen." He adds, "Amazon works on pretty small margins now. For their ebook discounts, they admitted that they were losing money pricing titles at $9.99. So," Milliot concludes, "skipping the middlemen would allow them to fatten their margins and make some money on this."

Where Stand the Authors?

Authors appear generally focused on their own changing roles and opportunities throughout this debate and escalating battle. Authors haven't necessarily been completely satisfied with the existing publishing model. Many are finding moderate success using the web, social media, and self-promotion. Others are finding success through Amazon, [Apple](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon), and other new publishing opportunities.

"So far," notes Milliot, "Amazon has not been able to offer widespread distribution to authors that it has signed. No major fiction author has signed with Amazon yet, although a few bestselling nonfiction authors - including Tim Ferriss and Deepak Chopra - have signed with Amazon."

Joe Konrath posted a blog last year in which he and Barry Eisler explored the new world of self-publishing; both are authors who have signed on to publish with Amazon. "I'm selling 3000 ebooks a day by pricing reasonably. There aren't too many Big 6 authors selling that well. And I'm getting much better royalties than they are," Konrath notes. "[Simon and Schuster](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) or [Random House](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) should have invented the ereader. They should have been selling ebooks from their websites a decade ago. Instead, an online bookseller, Amazon, is leading the revolution" ("Ebooks and Self-Publishing - A Dialog Between Authors Barry Eisler and Joe Konrath," March 19, 2011 [http://jakonrath.blogspot.com/2011/03/ ebooks-and-self-publishing-dialog.html]).

Writing in the Guardian, Frédéric Filloux notes: "At some point, for the market's upper crust, by deploying agents under the leadership of Mr. Kirshbaum and of its regional surrogates, Amazon will 'own' the entire talent-scouting food chain. For the bottom-end, a tech company like Amazon is well-positioned for real-time monitoring and early detection of an author gaining traction in e-sales, agitating on the blogosphere or buzzing on social networks" ("Ebooks: The Giant Disruption," Feb. 27, 2012 [www.guardian.co.uk/technology/ 2012/feb/27/ebooks-giant-disruption-publishing].

Sol Rosenberg, Copia's vice president for business development and content acquisition, believes that "self-publishing is also a new opportunity. In a certain light it could almost be looked at as a minor league system." As he puts it, "Lots of authors don't want to deal with marketing and production. So if they break through as a self-published author, some of them will be happy to sign with a bigger publisher."

"I've had giants of self-publishing assure methat myproblem is that I have to price all of my books at $0.99," explains author Jim C. Hines, "but plenty of $0.99 e-books fail. I've seen people raise their e-book prices and sell 'more' copies. Lots of people experiment with offering free books long enough to hit bestseller lists, then change the prices back. And of course, this all depends on whether or not Amazon's pricing terms stay the same ... that lovely 70% royalty is nice, but there's no guarantee it will stick around forever."

Author Jim Hanas, whose book Why They Cried was one of the IPG titles removed from Amazon, blogged that although "I have not been an Amazon-hater in the past," he was now encouraging readers to get his book elsewhere, even removing Amazon buttons from his website. He added that: "I blew my entire Amazon gift card balance on - and this is the delicious part - a Kobo Touch eReader. That's right. Amazon doesn't handle these directly, of course, but you can spend gift card balances with Amazon merchants, which is how I was able to buy the Kobo. It should arrive in a week and then, as a reader at least, I'll be Amazon-free" ("Next I Blew My Entire Amazon Gift Card Balance On," posted Feb. 21, 2012 [http://jimhanas.com/post/18126941334/next-i-blewmy-entire-amazon-gift-card-balance-on]).

Hanas believes that "Amazon has generated a tremendous amount of goodwill by creating the most usable e -reading system available and by providing a path for aspiring writers to bypass traditional publishing. However, as the company becomes more willing to exert its influence - on both traditional distributors and self-publishers - it risks alienating its best advocates with every step." Hanas adds, "Perhaps the company has enough to spare - or at least enough users financially committed to its platform, either as consumers or content creators - but each aggressive move costs them at least some ofthat goodwill."

Understanding Terms - How Much Wiggle Room Exists?

The world of bookselling is a bit more complicated than it might seem to the casual buyer. Many policies and practices have evolved over decades if not centuries. "Amazon is always looking at ways to improve their position across the board," notes Milliot, "from co-op dollars to better volume discounts." But then, everyone involved - from authors to buyers - also wants to get the best deal that they can in a product category famous for small margins.

"The way it works is that there are volume discounts on the number of titles you get; if you buy five, you might get 43%; if you get 1,000, you might get 50%," Milliot explains. "Today, the top range might be 52%. I don't know what number Amazon is trying to get, but they are trying to go beyond the top range. The huge problem with this is that the chains and major publishers were sued about 10 years ago by [ABA](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) for disparity of discounts. It's a power play, because for publishers to grant Amazon a better discount, they'd have to grant that to all of their accounts, and they can't do that and remain competitive.

"Co-op fees are another area that publishers work with their distributors," Milliot clarifies. "Co-op is extra dollars that booksellers get to promote the books - sort of a shared advertising fund. Based on sales, now with online retailing, you pay for putting up pictures of the books and other information on their sites. Most of the money, though, goes to the bottom line. Co-op is a bit fuzzier. You don't have to really offer every vendor the same co-op deals. For bricks-andmortar stores, especially in the chains, most of the books given prime display in store windows are paid for by the publishers of those books."

Beyond co-op deals and pricing, publishers are investigating a variety of other options, including an increased role for independent booksellers. However, Milliot advises, "Booksellers will still need to work closer with publishers to develop a more profitable relationship." As he explains, "There is a need to address the fundamental selling model, such as extending the dating, allowing booksellers to keep titles on shelves longer, or giving booksellers a chance to build an audience while helping them improve their cash flow."

Another experiment being tried is the selling of books on consignment. Windowing, "offering print books for a time before ebooks go on sale," is also under consideration, according to Milliot. Both instituting minimum retail pricing and extending the agency model are also under discussion. Adding more sales channels for publishers is another possibility.

Robinson Patman and the Future of Amazon's Model

Amazon isn't the first company powerful enough to impose concessions out of its suppliers. Walmart has used its market prowess in this way for years. However, publishers and other producers have legal issues, as well as small margins, that prevent them from bending to the wishes of Amazon or any other company. The Robinson Patman Act was passed by Congress in the 1930s to prevent the development of monopolies.

"Robinson Patman Act doesn't stop companies from asking for a better deal, but it stops the producers, the publishers, from caving in. Soif some publisher gives Amazon a special deal," explains former publisher and now respected consultant loe Esposito, "that publisher has to give every distributor that same deal, forcing their prices and profits down. The spiral continues, then, as Amazon comes back to ask for even more of a preferential price."

The Shelf Awareness blog notes that Amazon's "terms call for publishers to begin paying co-op on e-books (3% in at least one case) in addition to print books, and change allocation of all co-op so that less of it goes to specific merchandising programs and more to what might politely be called Amazon overhead. In some cases, the e-tailer is also boosting its fee for converting PDFs or print books to Kindle files. We assume that such terms are at the core of the dispute between Amazon and Independent Publishers Group" ("IPGAmazon Update: On Bad Terms," March I1 2012 [www.shelfawareness.com/issue.html?issue=1679#ml5217]).

Can independents such as IPG hold out for long given this pressure? "It would be very, very hard for major publishing houses and university presses to be heroic. A large percentage of their profits comes from Amazon today," Esposito believes. At the same time, "I can assure you that there isn't a publisher in the United States that hasn't been schooled in this act by their legal departments." How will the IPG-Amazon problem be resolved? "It's difficult to predict," Esposito concedes. "We don't know the particulars of the disagreement, of what Amazon is requesting, and what the company refuses to do."

Asked specifically about the act and its restrictions on IPG's potential response, Suchomel would only tell Searcher, "There always has been and always will be pressure on publishers from accounts for more margin. As a representative of many publishers, we can help protect the margin of our clients and level the playing field somewhat, but we need to continually keep our publishers healthy and give them the best environment possible for success."

Is there another resolution possible? "There is a way to avoid this and Amazon knows what it is," Esposito notes: "Charge more for the products. Amazon's strategy is to try to drive the price down so that their competitors have to match their pricing. This," he says, "is how they continue to grow by using the market as a scale to continue to shift the market to lower and lower priced goods." However, as Esposito points out, "Some types of goods aren't going to be able to be produced any longer." While Amazon claims it is representing the best interests of the consumer by driving the prices down, Esposito questions how consumers are being served if prices are being driven down to a point where the editorial quality is being compromised.

Without more information on the exact nature of the issues with IPG, it is hard to know if Amazon is seeking to sep - arate print book distribution issues from ebooks, which, being electronic, might not require the presence of middlemen in the distribution cycle. Is the company bent on taking the central role in publishing as well as distribution? At this point, it's impossible to say.

"Publishers are holding firm as best they can," explains Milliot, "because they know that they can't grant anything to Amazon that they can't offer to every distributor or chain. The Department of Justice is investigating ebook prices and other issues, so I can assure you publishers are being very careful not to violate Roberson Patman and keeping to the letter of the law in any of their dealings."

Do We Need Limits?

"Amazon controls about 60% of the ebook marketplace and, depending on the publisher, anywhere from 15% to 40% of print book market, with a combined market share of 25% to 50% to 60% of the total book market today," Esposito states. Understandably, this level of control of the market is a growing concern to regulators, publishers, distributors, and others.

"It gets to the point where you say, look I'm a neo-liberal, I don't like to have restrictions or regulations; I'm an advocate of an open market but in some areas and in some markets, maybe we have to draw a line here." Esposito continues, "When you're dealing with any sort of information-based industry, like publishing, at some point those free-market sentiments fail to resonate with our moral center."

Esposito believes that although Amazon is now at a point where its economic influence is such that the company has gone from simply being the best - "They are the best, they innovate, they invest, they think long-term, they've gotten where they are because they are smart, and anybody who doesn't agree with this is lying" - at some point, it has to be determined if there isn't a social policy issue here. "Can we really allow Amazon to have such a major position in terms of the free-flow of information?" he asks. "In my opinion, Amazon has now begun to tiptoe across that line, for the first time, and it really bothers me because they don't have to do this."

Dosdoce founder lavier Celaya agrees: "Although I admire Amazon for its culture of innovation and superb customer service," he writes on the Publishing Perspectives blog, "I do not consider it beneficial either for society (readers) or any of the entities involved in the book industry (publishers, bookstores, libraries, etc.) to allow one company to take on such a leading position in the cultural world and be able to determine its future at its own whim" ("How to Counter Amazon: Create a One World E-Book Alliance," Feb. 29, 2012 [http://publishingperspectives.com/2012/02/how-tocounter-amazon-create-a-one-world-e-book-alliance]).

'Like Being Caught in the Eye of the Hurricane'

Amazon has, to date, made no public statements on these issues. Efforts to contact Amazon for comments or interviews as a part of this story were not successful.

Today's situation is hardly calm, but as one publisher commented, we are still in the midst of a mighty seismic shift. No one is really sure what is happening next or how this will all end. "But," this publisher notes, "you know that you don't need a weatherman to tell you what the weather is today." The pub - lisher adds: "It isn't so much that publishers are entrenched as that this is a much more complex issue than readers might think - legal issues, and the rest of it. We are changing, but like with libraries, change takes time to do it right."

"Digital publishing now is publishing," noted [Random House](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) digital publisher Dan Franklin at the Independent Publishers Guild Ianuary conference. "This should now be in everyone's heads as a completely integral part of what we do. Even though, yes, at the moment it's 10% of the market. But by the end of this year it should be 20%" ("Ebooks and Apps Innovation Exciting Publishers Despite Price Concerns," Stuart Dredge, Ian. 13, 2012 [www.guardian.co.uk/technology/ appsblog/2012/jan/13/ipg-publishers-ebooks-apps-inno vation]). As the move to digital accelerates, the issue of how this content will be delivered is becoming a front- andcenter issue for producers, publishers, and distributors - and something likely to become even more disruptive, controversial, and unsettled for some time to come.

"Amazon is both one of publishers' biggest customers," notes Milliot, "and also one of their biggest potential competitors. Amazon is moving into publishing - and we have no real indication of how far they will go with this - but they seem to be ramping up almost month by month."

Independent distributors are looking at their future as well, with collaboration on strategy being used by Copia, as Rosenberg explains: "Copia operates globally, and in many places in the world, we are joining with other likeminded companies, forming consortia to successfully serve our customers and compete in this ever-changing digital shift."

Writing at GigaOm, Matthew Ingram believes we may be heading to a world that will be more like a "walled garden" where "just as a few massive chain stores eventually came to dominate the traditional printed book market in North America, the e-book marketplace is a kind of oligopoly involving a few major players - primarily Amazon, [Apple](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon), and B&N." Ingram says that "while bookstore owners of all kinds are free to decide which books they wish to put on their shelves, these new giants have far more control over whose e-books see the light of day because they also own the major e -reading platforms, and they are making decisions based not on what they think consumers want to read but on their own competitive interests" ("How the E-Book Landscape Is Becoming a Walled Garden," Feb. 29, 2012 [http://gigaom. com/2012/02/29/how-the-e-book-landscape-is-becominga-walled-garden]).

With investigations coming from both the Department of Justice and European Union on pricing, "action is the word," Milliot believes. "It seems pretty obvious from what we've been able to gather that DOI is planning to do something, and publishers are certainly paying close attention. It depends on what might be able to be worked out. Same thing with the class action lawsuit. DOJ's investigation is giving more credence to the existing class action suit, which is also moving along."

Like a gathering storm, the coming years will be interesting to follow. Welcome to the new world of publishing, reading, and access!

**Sidebar**

"I think something that will need to change is how the consumers view the publishers. Face it, when you go buy a hard copy or ebook of the next major best-selling title that everyone is talking about, do you know who the publisher is? I would venture that the majority of the reading public can't name most of the Big Six or identify them by their logos. Publishers need to do a better job of branding themselves in the eyes of the consumer."

Mercy Pilkington, Good E-Reader.com

**Sidebar**

Amazon Avoids Most Sales Taxes

One source of frustration from many circles is that Amazon has been able to avoid collecting (and disbursing to local governments) sales taxes on its online products. This year, both Arizona and Virginia are considering legislation that would force Amazon to collect and pay sales taxes. The company has used the argument that federal law prohibits one state from imposing its sales tax on products shipped from a retailer elsewhere that doesn't have a physical presence in that state. Today, only Washington, Kentucky, North Dakota, Kansas, and New York collect sales taxes on Amazon purchases. Many believe a federal law is needed, but states have been happy to act on their own to "save the brick-and-mortar-store jobs," as one Arizona legislator put it.

**Sidebar**

DOJ Versus Publishers and [Apple](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon)

According to a March 8 story in The Wall Street Journal, the Department of Justice has given warning to five of the largest U.S. publishers and [Apple](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1015600312?pq-origsite=summon) that it intends to move forward with a lawsuit to settle the antitrust case. Many expect a settlement, but no one involved in the case is talking on the record. Whatever happens, you can expect that this will be yet another game-changer for ebook pricing and availability.

**Sidebar**

"In the long term, is there any company that isn't vulnerable? Amazon didn't exist when I was growing up. I think they're pretty strong at the moment, but there are definitely other companies who would love to knock Amazon out of that top spot. I wouldn't even try to predict whether they'll still be the dominant online retailer a decade from now."

-Jim C. Hines, author

**AuthorAffiliation**

by NAncy K. Herther

Anthropology/Sociology Librarian

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**Independent retailers turn page on business**

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"The trend in the last few years for independents is an interesting one -- it's an upward one," said Meg Smith, membership and marketing officer for the [American Booksellers Association](http://search.proquest.com.ezproxy.trident.edu:2048/docview/919812040?pq-origsite=summon), which represents almost 2,000 independent bookstores. [...] we'll continue to invest in our stores which offer services other retailers don't.

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Feb. 05--The last chapter in the story of the American bookstore is far from being written and might include a surprising twist if independent retailers have their way.

Although Borders Group Inc. folded last year and bookstores have struggled to survive the recession and the rise of electronic books, independent retailers are experiencing a surge in their customer base. Consumers interested in shopping local or perusing specialty books have turned to small bookstores to fulfill their needs.

"The trend in the last few years for independents is an interesting one -- it's an upward one," said Meg Smith, membership and marketing officer for the [American Booksellers Association](http://search.proquest.com.ezproxy.trident.edu:2048/docview/919812040?pq-origsite=summon), which represents almost 2,000 independent bookstores.

"We have new stores opening up and people who are interested in the business. We have members telling us anecdotally that business during the holiday season has been better than the past few years."

The [American Booksellers Association](http://search.proquest.com.ezproxy.trident.edu:2048/docview/919812040?pq-origsite=summon) reported that 15.5 percent more people shopped at independent, brick-and-mortar bookstores for the 2011 holiday season than in 2010.

Almost 60 percent more shoppers also used Web sites to buy from them. It also reports that 41 independently owned stores were opened last year.

Toledo is seeing similar growth in 2012.

Ukazoo Books, 830 N. Westwood Rd., opened its doors two weeks ago and had a following on Facebook before that.

A new Barnes & Noble also is slated to go into a commercial complex at Dorr Street and Secor Road later this year.

While the Internet has played a role in putting some bookstores out of business, Ukazoo is reversing that trend. The company got its start in 2002 selling used books online and is now opening brick-and-mortar stores.

"Just like any other business, we're always looking to grow the business," said Jack Revelle, president and chief executive officer of Ukazoo Books. "When we went and looked when we opened the store we saw that there was a need in the community for a bookstore that had books that are of a little bit lower price level."

Mr. Revelle owns three other Ukazoo stores in Michigan, Maryland, and Pennsylvania. The store's hook is that almost all of its books are less than $6. It primarily sells used books.

The first Ukazoo Books was opened in Towson, Md., in July, 2007, and didn't become profitable until Mr. Revelle developed a software program that tracks what books are being sold.

Scanning books into the system allows employees to catalog what's hot and create a customized inventory. That model allows a store to be profitable no matter what location it moves into, Mr. Revelle said.

As a result of the software, the other three Ukazoo stores were opened within the past year.

"The software will track all of that and adjust the specific authors and different characteristics of the books," Mr. Revelle said. "It will build a best-case inventory for that store. Over time, it builds the inventory that the people coming into the stores are going to want."

Ukazoo is attempting to capitalize on what has made other independent bookstores successful -- finding out what a community wants and delivering on that, Ms. Smith said.

[Barnes and Noble](http://search.proquest.com.ezproxy.trident.edu:2048/docview/919812040?pq-origsite=summon) managed to survive and thrive while other bookstores closed by investing in electronic books and moving into competitive locations, company spokesman Amy Cianfrone wrote in an e-mail. "We've found customers and publishers alike value our shelf space, so we don't anticipate the need for bookstores diminishing anytime soon. Therefore, we'll continue to invest in our stores which offer services other retailers don't."

Caitlin McCallum, a 24-year-old Toledo resident, was at Ukazoo on Thursday and said shopping for books online just doesn't cut it. Walking through a bookstore is a "better book experience," she said.

"I like the feel, I can browse, see the book, flip through the book," Ms. McCallum said.

The Toledo area has plenty of places where customers can do that, including Barnes & Noble, Books-A-Million, and some smaller stores, but other well-known establishments didn't survive the industry shakeup.

Thackeray's Books closed in 2005 after 22 years of business in the Westgate area. The Toledo staple was supplied by Borders and couldn't compete with a new store the company was opening a few miles away at Westfield Franklin Park mall, said Clyde Dilley, who was one of Thackeray's owners.

Luckily, Mr. Dilley said, Borders hired the store's employees and bought its merchandise.

"We made arrangements that we would close a couple days before they were going to open," Mr. Dilley said. "As it turned out, it was wonderful timing and a great decision. We didn't get so much money, but we didn't lose so much. We came out of it all right."

Cheryl Baughman, one of the owners of Frogtown Books, closed her brick-and-mortar shop on North Reynolds Road in 2010. It had been open for 18 years. Ms. Baughman operates her store online and specializes in dealing rare, high-end books and historical items.

"We were open when the Internet really stared going. We thought the Internet would be a great advent but then it sort of morphed into something different," Ms. Baughman said. "Everyone kept undercutting each other so the prices went way down."

Although stories like that are common, Ms. Smith hopes independent stores that offer specialized merchandise and electronic books will continue to do well. The [American Booksellers Association](http://search.proquest.com.ezproxy.trident.edu:2048/docview/919812040?pq-origsite=summon) has partnered with [Google](http://search.proquest.com.ezproxy.trident.edu:2048/docview/919812040?pq-origsite=summon) to offer electronic books to its members -- it's one strategy to stay ahead of the curve, Ms. Smith added.

"What the bookstore of 2015 and 2020 looks like, I don't know," she said.