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In Bookstore Chains, Display Space Is For Sale

by Mary B. W. Tabor

One of Lynn Snowden's bleakest times as an author was a grim 20 minutes she spent sobbing at a Barnes & Noble counter in midtown Manhattan.

Having found her book "Nine Lives" on a back shelf, she asked a clerk if he would shift it to the front of the store. When he twice refused, saying that the book "wasn't on his schedule to be moved," she began to shake and cry. "It was horrible," she recalled. "It was like my book wasn't good enough."

What Ms. Snowden assumed was that her book's position in the store depended solely on the manager's discretion. What she did not know was that the front of the store, as well as the windows, ends of aisles and other display spaces in many bookstores now often carry price tags. And in her case, her publisher, W. W. Norton, had chosen not to pay.

Selling space in stores is nothing new to grocers, department stores and most other retailers. Floor and shelf position have long been treated as prime real estate, the most expensive areas being near the front of the store and at the cash register.

But in the rarefied world of bookselling, where store owners prided themselves on showcasing books that reflected their personal tastes, letting a publisher influence displays with payment or account credit has been considered counterintuitive, if not unseemly.

That is changing. In a growing trend that increasingly treats books like tennis shoes, there is little that a publisher cannot pay for these days when it comes to bookstore display space, especially in the big national chains, according to documents obtained by The New York Times and interviews with publishing executives and store owners.

The practice – which involves the promotion of books, using money from publishers called cooperative advertising allowances – has encouraged discounting and helped bigger bookstores draw customers.

But it has also prompted lawsuits contending that independent dealers are being trampled, as well as concern that the sale of bookstore retail space, along with the growing power of chains, tends to homogenize bookstores and hinder prospects for all but mass-appeal books from deep-pocketed publishers.

"The big books of the season that get heavy co-op advertising and the chains' cooperation are going to get much bigger play than the smaller books that aren't expected to be potential best sellers," said Roger Straus, president of Farrar, Straus & Giroux.

Though the price per title is not high, by offering publishers dozens of such programs – any of which link advertising space, displays and discounts – and selling them repeatedly, the chains stand to make a substantial amount of money for what is a low-margin industry. In 1994, Barnes & Noble's superstores and mall stores made a profit of \$25.5 million on \$1.6 billion in all sales, including fees for display space. That's about 1.6 percent.

Much Promotion, Less Elaboration

Though most chains and other bookstores are reluctant to discuss their promotional programs in detail, selling space in stores is becoming more common.

At Barnes & Noble, for example, joining the "Discover Great New Writers" program, which assures that a book appears face out in the front of all 358 superstores for two or three months and gets a review in a special brochure, costs publishers \$1,500 a title, according to the chain's 1996 promotions guide and publishing executives. To have a book featured for one month on a cardboard floor display in front, called a dump, a publisher pays \$10,000.

At the company's mall stores – B. Dalton, Doubleday and Scribner's – end-of-aisle, or endcap, displays cost \$3,000 a title for one month; a two-month spot in "New Arrivals" costs \$2,500, according to the documents.

And at Borders, publishers pay \$15,000 to advertise a book with a 30 percent discount in a 1996 pre-Christmas issue of USA Today. This provides top-tier listing in ads and front-of-store display for the month.

The chains and other bookstores refuse to comment on how much they make from the programs. But publishers, who collectively pay millions to the chains in co-op money each year, say that the amount is high and that the money helps discount books. "Given the profit margins in retail these days, I suspect we drop a lot of money onto their bottom line," a high-ranking publishing executive said.

In the case of Borders, if publishers buy all 16 slots in the pre-Christmas ad – which include some less expensive placements – the chain collects \$120,000. Since the space costs \$45,000, according to the newspaper, Borders could make \$75,000 for that one advertisement. Barnes & Noble gets \$150,000 for its Discover New Writers program for the year, and \$120,000 for the dumps.

But the practices have recently come under attack, with the American Booksellers Association insisting, in part, that many publishers favor the chains by unfairly giving them more co-op money and by streamlining the big stores' reimbursement process. Many independents complain that co-op money is sometimes not available to them. When it is, they are asked to produce reams of receipts before collecting what often amounts to a few dollars.

"Publishers are very stingy with the co-op money," said Warren Cassell owner of Just Books, an independent store in Greenwich, Conn. More than once, he said, publishers refused his requests for promotional dollars, saying they had exhausted that title's co-op budget.

Small Protests Become Lawsuits

Already at a disadvantage because chains buy in bulk, many independents say that the uneven allotment of co-op money helps the chains offer discounts that smaller competitors cannot afford.

Last year the association – which represents the nation's 4,500 bookstore owners, including the chains – sued five publishers over the co-op and pricing practices, saying they unfairly favored the chains. Three of the publishers – Penguin U.S.A., Houghton Mifflin and Hugh Lauter Levin Associates – have settled, agreeing to establish new policies while denying wrongdoing. Cases against the two others – St. Martin's Press, now a unit of Holtzbrinck, and Rutledge Hill Press – continue.

Then, a week and a half ago, the association, most of whose members are smaller Independents, said it was suing Random House, a unit of Advance Publications, on similar charges.

"This kind of discrimination is what has been driving independents out of business," said Jerald R. Jacobs, a Washington lawyer representing the booksellers group. "A difference of only 1 or 2 percent can mean the difference between survival and bankruptcy."

Mr. Jacobs argues that the practices violate Federal antitrust laws because chains and independents work off different promotions schedules. To gather evidence for its suit, the booksellers association has hired a private investigator, the James Mintz Group of New York.

The dispute between chains and independents has percolated, albeit quietly, for years. The Federal Trade Commission began investigating price and promotional-allowance discrimination in the publishing industry in 1979, and in 1989 filed a complaint against Random House; Simon & Schuster, now part of Viacom Inc., and four other publishers. All six agreed to a settlement in 1992. But that settlement has not been made final because the commission has been

deadlocked over whether to demand the same terms from a seventh publisher, Bantam Doubleday Dell, part of Bertelsmann.

The publishers, for their part, complain that they are caught in the middle – that the chains wield an increasingly big stick. "We are occasionally forced to buy into these kinds of programs, even for books that would do well on their own, just so that when we do have a book or an author who needs extra exposure, they're willing to accommodate it," said a sales executive who spoke on condition of anonymity, expressing fear of commercial retribution.

Another executive from a major house, who also refused to speak for attribution, said: "Part of the problem is that we're scared of them. If they don't like our terms of sale, they threaten not to buy books, which can substantially hurt our relationship with authors and agents."

But the chains – which deny using strongarm practices – insist that if they are influential, it is because they are bigger and better retailers than their quirky competitors. In many cases, the larger bookstores have tripled their retail space and spruced up decaying urban shopping areas, making book buying more appealing.

The addition of cafes and the availability of deep discounts, late hours and extensive stock has all but revolutionized bookselling.

Big Operations Now Sell More

In 1994, the chains for the first, time outsold independents, taking a 25 percent share of the market, compared with the independents' 21 percent. Direct-mail book clubs, price clubs and other outlets sell the rest. And in more than a few notable cases, like that of Endicott Booksellers in Manhattan, which closed last summer, independents have fallen under the competitive pressure.

The chains also say that the buyers and managers make the final decisions about which books are displayed, and that most publishers are more than eager to put up the money to promote their books.

"We make recommendations on titles we think should be supported in the stores," said Lisa Herling, a Barnes & Noble spokeswoman. "There is give and take, but that's between the publisher and the sales representatives." Asked if the company would include a book not backed by co-op money in a promotional program, Ms. Herling replied, "That has not been an issue."

Spokesmen for Borders and the Dart Group's Crown Books did not return calls seeking comment.

In Lynn Snowden's case, Norton spent its allotted marketing money for "Nine Lives" on publicity, like author photographs and book signings, rather than on in-store placement at the chains, according to Louise Brockett, a spokeswoman.

The book, which received sparkling reviews, sold only 11,000 copies, her agent, Richard S. Pine, said.

Sales executives at big and small publishing houses say that if they pay, the chains, and a growing number of independents, will display.

St. Martin's Press, for example, offers stores a 75-cent-a-book rebate if the book is displayed in the front of the store. It deducts 25 cents more if the book is promoted another way – sold at a discount or put in the 'window. "It's a function of the appeal of the book," said Tom McCormack, St. Martin's chairman. "But our experience has been good in terms of getting what we paid for."

Brian Baxter, who worked at B. Dalton for 19 years before it was bought by Barnes & Noble, said that he and other employees repeatedly devised creative store promotional programs only to see the company attach price tags to them. "The publishers ended up deciding what was a good book," said Mr. Baxter, who started Baxter's Books in Minneapolis after being laid off.

Still, many independents vow never to sell store space. "I know it's money and it's retail, but I want to put books on display that I think our customers want to see," said Linda Marotta, head buyer for Shakespeare & Company in New York.

But a growing number of store owners say they would rather swim with the chains than sink. At Wordsworth in Cambridge, Mass., publishers can subsidize window displays, light boxes, endcaps and discrete bays that display their books, said Judith Rosen, advertising and promotions director for the store.

Roxanne Coady, owner of R. J. Julia Booksellers in Madison, Conn., has begun seeking about \$50 to \$100 a title for books going in the window and on endcaps.

And at the Harry W. Schwartz Bookshops in Milwaukee, the marketing department has begun looking at how much to charge for different sections of the store. "It's retailing in the 90's," said Avin Mark Domnitz, a co-owner. "The Schwartz bookstores have been in Milwaukee for 68 years, and we are going to do whatever we need to do to continue to serve our community."
