

# **Australian Booksellers Association Inc**

# **Response to Draft Report of the**

# **Competition Policy Review**

**Submitted 17 November 2014**

The Australian Booksellers Association is Australia's industry organisation for booksellers, providing advocacy, partnerships and commercial benefit to members. It is the peak body representing the interests of Australian booksellers.

The objective of the ABA is to see Australia's booksellers are part of a commercially thriving industry, profiting from technological advances and participating in active and prominent community partnerships, ultimately benefiting the consumer by being the primary vehicle to connect writer to reader in a vibrant, efficient supply chain.

The ABA welcomes the opportunity to respond to the issues raised in the Draft Report of the Competition Policy Review.

We will begin this response with a historical overview of the industry – particularly over the last 40-50 years, and the current market before addressing some of the key challenges facing the sector. The report concludes with a number of recommendations for the Competition Policy Review.

The Submission also includes a number of case studies, showing specific examples of how many booksellers are addressing the challenges and opportunities of the current marketplace.

## Introduction and Historical Background

Retail bookselling in Australia experienced an unprecedented period of growth in the 1970s and 1980s – with a range of already established chains and franchises – Collins Booksellers, Angus and Robertson and Dymocks, who had expanded from ‘High Street’ locations into shopping malls and plazas; campus and educational bookshops; and an independent, antiquarian and specialist bookshop market, featuring the growth and expansion of shops like Birchalls, Hill of Content, Readings, Gleebooks and Abbey’s. It was a healthy, growing industry coinciding with the massive growth of an Australian publishing industry.

From the late 1970s when a retail price maintenance program in Australia was eliminated, the book industry generally had very little price competition, with some discounting on lead titles, but otherwise competition was based on other grounds – quality of service, range of goods, accessibility and marketing.

In the 1990s, this growth was consolidated, with some of the chains and franchises changing ownership. At the same time, the industry faced a significant *disruption*, when Discount Department Stores (DDS’s – Big W, Kmart) entered the market, stocking 100-200 bestselling/frontlist titles, and engaging in deep discounting. Discounts would range from 30-50% or more off the recommended retail price (RRP), with lead titles treated as loss leaders driving people through the door who might also buy whitegoods, clothing or groceries justifying discounted book sales.

This placed traditional booksellers into the position of responding now to *‘Do you have XXX, and how much is it?’*, but rather *‘How much are you selling it for?’* Booksellers were sometimes purchasing multiple copies of titles from the DDS’s because it was frequently cheaper than purchasing from the publisher or wholesaler.

In the 2000s, there was some turbulence, with Collins Booksellers going into receivership, and then having a buy-out from key franchisees; Dymocks continuing solid growth; Angus & Robertson being purchased by RedGroup which in turn was financed by a private equity company, Private Equity Partners, who also purchased Australian rights to Borders.

In 2011, RedGroup went into receivership with the loss of more than 150 shops, causing a flurry of concerns. When coupled with the international collapse of Borders and the rise of Amazon – this became a portent of *‘the death of the physical bookshop’*, and with the introduction of e-Books, *‘the death of the physical book’*. This was not helped by a flurry of perspectives from politicians and the media who did not do enough fact-checking to understand that ‘disruption’ does not mean ‘destruction’.

In 2012-13, the Book Industry Strategy Group was formed by the then Federal Minister for Innovation, Industry, Science and Research, Senator Kim Carr, offering a number of recommendations to reform, support and respond to issues in the book industry – primarily relating to digital disruption. Although there were a number of significant recommendations from the BISG, and with the subsequently created Book Industry Consultative Council (chaired by David Throsby), there have been no tangible outcomes at governmental level.

The book industry, like other sectors of society, has responded to those challenges. Some of the changes were unanticipated, and therefore reactive. However, the last two years, since the BISG report, has seen less flailing about and a significant amount of cooperation and planning within the sector. The industry clearly has challenges in adjusting to a number of key concerns, and is making great progress in addressing those challenges.

### **Current retail market for books**

After a period of the dust settling following the collapse of RedGroup, and the attendant media coverage, the situation has stabilised. There have been some shop closures, but nearly a matching number of businesses opening. E-books have eaten into some of the sales, particularly fiction, but according to Nielsen Bookscan data, 2014 has seen a significant growth in children's books and stable non-fiction sales. In the most recent reported sales period (October 2014) sales were up on last year.

### **Digital disruption**

As well as the advent of online bookselling, the last ten years has seen the growth and development of the e-book market.

A concerted effort led by two of the greatest corporate marketers since Henry Ford – Jeff Bezos (Amazon) and Steve Jobs (Apple) – made a series of pronouncements, which incidentally served the best interests of their corporation. All of them led to the same idea: that within 5 years, a figure in the vicinity of 50% of the books purchased would be e-books. And it was bought by the media, and the public. In a typical newspaper, after a pronouncement by Jobs, it would be covered as international news, technology news, business news, entertainment news – and it would rapidly be accepted as 'fact'. In fact it was a marketing campaign aimed at getting an eager public to accept it as truth, and therefore make it true.

For several years, particularly in the US and Britain, bell curves and rapid uptake seemed to validate this marketing exercise. Approximately 12 months ago, e-books sales in the US reached a plateau of approximately 30% of the market, and have since dipped slightly or levelled. Recent figures from the US show e-books dropping to 20-25% of sales. In Australia, the market is experiencing slower growth, and although not having settled – and is closer to 12-15%.

In the meantime, Bezos and Amazon have taken over more than 70% of the e-Books market through very successful branding (that figure is over 90% in the U.S.) – where Kindle is used generically as describing an e-book reader, and e-books are often – in Amazon-fashion – sold below cost. It is also designed to be a closed ecosystem.

### **Challenges: The Perfect Storm**

In a typical bookshop, for the local bookseller, it can seem like a perfect storm:

- Books purchased online from offshore providers do not have the 10% GST impost that local businesses are required to collect.
- When the currency is strong, and with prices *set by local distributing channels*, there is often a price incentive even prior to the GST to going offshore. As the frontline connection between the consumer and the book, the retailer is often regarded as a source of perceived overpricing, when in fact they operate with relatively narrow margins, with Australian recommended prices set by the supplier, and the necessity (and expectation by the consumer) of high stock holdings compared to other retail sectors.
- There is massive competition coming from Amazon and Book Depository, global online retailers who often price their books in an anticompetitive manner. Books are frequently sold to the consumer at an apparent loss– often at less than the wholesale price the Australian retailer would pay from the supplier. Whereas in the short term, this would appear to be a gain to the consumer, it is not sustainable. This can be verified by viewing quarterly financial reports from Amazon (which also owns Book Depository). Those same overseas retailers offer subsidised, and sometimes free postage. The loss for the third quarter of 2014 was US\$437 million dollars.
- Australia has a wages system which strives to ensure that wage earners receive a fair living income. The ABA supports that view. As we operate in a retail world with consumer expectations of extended hours and seven day a week trading, there needs to be flexibility in the workplace that ensures that owner/operators are not having to work on weekends, evenings and public holidays because they can't afford the penalty rate imposts. Frequently they are cutting hours from people they would otherwise employ. No one gains from this arrangement.
- Australia has some of the highest rental costs in the developed world, and this has become an increasing impost in doing business – particularly in shopping centres and increasingly on High Streets.

## **Solutions:**

### **Goods and Services Tax on offshore purchases**

The GST should be charged on *all* purchases – rather than the current levy which only applies on purchases of \$1000 or more. This can be achieved with an elegant simplicity. When a consumer purchases a book on-line, it is always (99%+) paid for by Credit Card or PayPal. The Credit Card/PayPal provider simply tabulates the GST automatically and charges the consumer. The Credit Card/PayPal provider then remits this to the Australian Taxation Office.

This has two major outcomes:

- Across the retail sector, it brings a minimum of 2-3 billion dollars back into the GST coffers to support schools, hospitals, roads and other key infrastructure in all Australian States and Territories.
- It brings tax fairness and equity back into the mix. When the GST was introduced, E-commerce from international sites was not envisaged. This loophole is an unintended consequence of changes in consumer buying behaviour.
- This would result in a *NET ECONOMIC GAIN* to the economy while providing tax fairness.

### **Tax Fairness**

There is increased evidence that Amazon – a key competitor from offshore who have an Australian website and office has engaged in questionable taxation avoidance schemes involving making large ‘overpayments’ for services provided by their own offshore companies located in tax havens like Luxembourg and Ireland. (‘Amazon and the Case of the Missing \$1.7 billion’; Neil Chenoweth; *Australian Financial Review*, 7 November 2014).

- The Australian Taxation Office needs the authority and manpower to identify these tax avoidance schemes and either rectify with regulation, legislation and penalties as appropriate).

### **Australia Post and Universal Postal Union Treaty**

As a long-term strategy, the government and Australia Post should negotiate a more appropriate balance of trade agreement within the ambit of the Universal Postal Union Treaty, and negotiate singular agreements – particularly with Royal Mail in the United Kingdom.

## **Putting some teeth into the ACCC**

Previous conversations regarding anti-competitive behaviour by overseas online retailers get a sympathetic hearing from the ACCC, but from the perspective of this sector, no action. The ACCC needs to be able to act on off-shore businesses who engage in anti-competitive behaviour or dumping, in clear breach of the ACCC's own terms. Being told action will be two years or more, with an uncertain outcome and at considerable cost – and only if the ACCC, with its limited resources prioritises booksellers' concerns – is unacceptable, and unfair to the hundreds of businesses impacted by these practices. The ACCC should be in a position to act quickly when *prima facie* evidence of breaches are presented.

## **Wage Fairness**

While protecting the rights of employees, there should be flexibility for small businesses trading over seven days and into the evenings to negotiate pay rates at or above the award that don't have onerous penalty rates.

## **Leasing costs**

A fair, universal system should operate with standard leasing agreement language, and an ombudsman to access for easy dispute resolution.

## **Parallel Importation Restrictions**

Understanding that concerns that in a world where a consumer can get just about any book they want from the major markets of the UK and US within a week by bypassing the local bookseller and distributors, the Australian Booksellers Association worked closely with the Australian Publishers Association to hammer out the 'Book Industry Speed to Market Initiative'.

One of the key recommendations of the BISG, the initiative resulted in a voluntary reduction of the 30/90 day rule governing the importing of books to 14/14, and will take effect from 1 June 2012. It allows any bookseller – after checking local sources, to order any new release or backlist that is not guaranteed as arriving within 14 days, in any quantity. The initiative has been successful thus far with no breaches acted upon.

*In Draft Recommendation 9 of the Competition review, it is proposed that: 'Remaining restrictions on parallel imports should be removed unless it can be shown that they are in the public interest; and the objectives of the restrictions can only be achieved by restricting competition.'*

Relaxation of Parallel Importation Restrictions for books cannot be viewed in isolation to the other issues dealt with. There are significant competitive hurdles for book retailers to overcome, which – in effect – give competitive advantages to overseas suppliers:

- Because of anomalies in the current International Postal Union Treaty, there is an imbalance that is allowing postage from the United Kingdom to be subsidised by Royal Mail and to be delivered for the cost of a first class letter within Australia, without the reciprocal options being available. This needs to be revisited as part of Australia's obligations under the International Postal Union Treaty.
- GST is currently not charged on books purchased from overseas suppliers, but domestic booksellers have to collect 10%.
- E-commerce: Effectively it is an open market for consumers. The consumer can legally purchase online from overseas on-line retailers. This means that titles in Australia *MUST* be available at the same time that they are published in English language in their country of origin. If not the consumer can order the book, and receive it within 5-7 days from retailers like Amazon and Book Depository, and ignore the existing supply chain.
- Within this framework, you have major E-commerce providers flouting the anti-dumping restrictions and anti-competitive guidelines of the ACCC, with the ACCC seeming unable or unwilling to act.

***To view relaxation of Parallel Importation Restrictions without dealing with these other challenges would be a massive and possibly irrevocable error in judgment – with resultant potential significant negative impact on book retailers, Australian publishers, authors and broadly speaking, Australian culture.***

## Summing up

Booksellers have actively engaged with solutions in the digital space –

- Booksellers have moved to online live data point of sales systems.
- Booksellers have actively sought out other solutions that allow people to use their device of choice and purchase from their bookseller of choice.
- Most booksellers have at least a web-based landing page, and more and more have active e-commerce sites.
- Booksellers have actively engaged with social media – through Facebook, Twitter and other relevant sites

Bookshops expect to operate on a level playing field.

Bookshops are not seeking government hand-outs or hand-holding.

Bookshops are businesses that pay their fair share of taxes, and collect taxes on behalf of the government.

Bookshops expect to have the ability to operate in an economy that doesn't passively or actively protect off-shore businesses that hide behind the language of free market while engaging in anti-competitive behaviour.

Booksellers are part of a proud industry that operates in cultural and educational space, the entertainment space and as small businesses contributing to the economy in communities throughout Australia.

**SUBMITTED BY      Australian Booksellers Association**



**Patricia Genat, President**



**Joel Becker, Chief Executive Officer**

## Case Studies

On the following pages are examples of some bookshops around Australia who have successfully navigated the changing landscape for bookshops in Australia, and engage in industry best practice.

- Readings (Victoria)
- Dillons (South Australia)
- Booktopia (New South Wales)
- Dymocks (South Australia)
- The Little Bookroom (Victoria)
- Pages and Pages/Boomerang (New South Wales)

## Readings Books & Music

One of Readings' biggest selling titles so far this year was a previously little known children's book called *Song for a Scarlet Runner*. The adventure story by Tasmanian author Julie Hunt was the winner of the inaugural Readings Children's Book Prize, and Readings sold over 1000 copies, surpassing expectations.

Readings Managing Director Mark Rubbo says the idea for the new award 'came out of a concern that we were just focusing on big names.' As a result, the award is only open to relatively new authors. The shortlisted titles and eventual winner are publicised through all Readings' communication channels.

In September, Readings announced the shortlist for its Readings New Australian Writing Award, another new prize, again open only to emerging authors – those publishing their first or second book.

'More and more we are trying to create our "own" titles,' Rubbo says. This does not mean publishing books, but rather identifying 'books that we think are important.' Certainly, this builds an association in the customer's mind between that book and the Readings brand, but for Rubbo, the prizes are also 'part of Readings being part of the cultural fabric.'

In itself, this is part of a continuous effort to build and support a Readings community. Events are being re-jigged to ensure they remain relevant. The Readings website and social media channels are also crucial to fostering a sense of community. 'We are spending more energy and resources on marketing,' Rubbo acknowledges, although it is hard to quantify the results.

However, hard data has been brought to bear on Readings' approach, after a survey of customers in 2013. The results showed that while customers loved Readings, 'they were not particularly faithful.' Online purchasing was a large factor; e-book penetration seemed relatively small; but most respondents bought 'from everywhere.'

Readings' website was redesigned in a direct response to the survey results, making it 'less overtly transactional.' Sales of books from the Readings website continue to grow, especially since the introduction of free postage. 'We can't compete on price so we're trying to offer something,' says Rubbo. However, Readings loses money on online sales because of this, and even more so since Australia Post rates went up at the beginning of the year by more than 12%. It can cost \$8 to send a book that might have an RRP of as little as \$20, eroding any profit margins. 'It's something we're still grappling with: how do you afford to offer the complete experience to the customer, both online and instore?' He would like to offer a 'click-and-collect' type service where customers can make a purchase online and then come into the store to pick the book up, but is yet to find adequate technology to support such an initiative.

The past few years have been the toughest in Readings' long history, but Rubbo is feeling more optimistic than he has for a while. He wonders whether people have been 'experimenting' with e-books and online purchasing, and speculates that purchasing patterns will settle down. Sales are beginning to turn around. 'We've done a lot. We do connect with customers.'

## Dillons Norwood Bookshop

Dillons Norwood Bookshop focuses on giving its customers what they want, when they want it.

‘People don’t want to wait for a book anymore,’ says manager Laura Herft. ‘We have to recognise that.’ Thus Dillons tries to predict and anticipate which books customers will want and make sure that stock never runs out while there is demand for a title. A focused strategy of using analysis of past sales to predict future sales is key to achieving this.

Bookshop customers were once happy to wait while their local bookshop ordered in a book from the distributor, a process that could take weeks. Now, with the ubiquity of internet shopping and the sense of immediacy that brings, ‘people just say “I’ll get it myself,” if we don’t have it in stock’ Herft explains.

Dillons does offer its customers an online presence through the Copia bookselling website, via which they can order both e-books and hardcopies. Herft has plans to implement the consumer direct fulfilment service offered by Title Page, the Australian book industry’s online price and availability service, even though this will mean reduced margins.

But increasingly, the key to success for Dillons is ‘investing in the right stock in the right amount at the right time.’ Sales figures are a way to understand customers. Owner Ross Dillon devotes hours to analysing weekly sales reports, and then extrapolating from those figures to generate order quantities. ‘We have to gamble,’ says Herft. ‘If we are too conservative and don’t have enough copies of a major book that customers want we lose sales.’ This is particularly important during seasonal sales peaks. Herft gives the example of Paul Kelly’s \$49.99 hardback *Triumph and Demise* as a Father’s Day present. The store invested in getting in plenty of copies, knowing that otherwise customers buy a cheaper book or, more likely, would walk out of the store to buy the book elsewhere, leaving Dillons with reduced sales. Early ordering of books before busy periods also frees up staff to interact with customers face-to-face.

Dillons reinvented itself as an independent bookshop just months before REDgroup Retail went into administration. Situated on a busy shopping strip in Adelaide’s affluent eastern suburbs, and the only bookshop in the neighbourhood, Dillons continues to attract foot traffic and regular customers plan trips into the store. ‘Things feel consistent in terms of the number of customers.’ However, as the costs of rent and utilities continue to soar, and as competition from Amazon and Book Depository increases, growth is imperative if the business is to survive.

Dillons balances a consistent approach with some experimentation. ‘Our primary function will always be to sell books. But we are constantly trying new products to keep things interesting for our customers.’ The shop’s Facebook presence has grown in the last two years, now a necessity to communicate with customers, and Herft has noticed more and more customers using Facebook to submit enquiries.

Unwilling to compete with the Discount Department Stores on price for big new titles, Dillons has chosen not to mark down huge specials on new releases, but instead to offer a carefully curated selection of remainder titles to customers who are looking for a lower price point.

Herft is keen to see a strong Australian book industry overall. As bookshops close, Herft worries about the health of Australian publishing. ‘I don’t want to see fewer Australian publishers, with us having to get more books in from overseas,’ she says.

## Booktopia

After Booktopia was established in 2004, people warned co-founder and CEO Tony Nash that he had missed the boat. After all, Amazon was 10 years old, and was already selling to Australian customers. Well-known Australian bookselling chains like Angus & Robertson, Dymocks and Collins already had websites up and running for over five years. How could an unknown hope to compete? And as the years went by, there were further predictions of doom and gloom.

So much for the naysayers. Booktopia is now a \$40 million business.

Asked about the effects of factors such as the rise of Book Depository, the cost of postage, and the lack of GST being collected on books coming in from overseas, Nash replies: 'We have built a successful business with all those conditions in place. We have increased business by 40% every year, and are on track to do that for the next three years.' On track, then, to become a \$100 million business. Booktopia has recently moved from a 4000m<sup>2</sup> distribution centre to one the size of two football fields at 10,000m<sup>2</sup>.

A self-described entrepreneur, Nash has several strategies to drive success.

Booktopia started as a side project when Nash saw an opportunity while consulting to Angus & Robertson on Search Engine Optimisation. He has a background in IT and sales, both of which have been crucial to Booktopia. 'You have to know how to get traffic and convert it into sales.'

Nash recognised that the successful bricks-and-mortar bookshops were surviving because they were passionate and knowledgeable about books. He translated this level of book expertise to the online environment by employing 'book people'. The website contains recommendations according to reader; the blog is filled with book reviews, author Q&As, and even TV interviews.

But business skills are just as crucial as book knowledge. Nash has built a leadership team of people with diverse backgrounds. A continuous focus on achieving growth targets keeps the business from becoming complacent. Marketing strategies and promotions are developed with both book and business perspectives in mind.

Behind the customer interface is a great deal of technology. Software is written in-house. Booktopia has just invested heavily in automation to go along with its new distribution centre. The high volumes of traffic and sales yields meaningful data for analysis, with complex proprietary algorithms again developed in-house. Nash describes these algorithms as Booktopia's 'secret herbs and spices.'

Investments reflect the business's focus 'on what the customers want'. It's not about being the cheapest (although there is keen pricing on many titles, and a remainders section), but about offering the customer fast delivery of well-packed titles with access to an Australian call-centre (with more than half the call-centre staff having experience in bricks-and-mortar bookshops). Nash also believes many customers recognise the value of a business that invests in Australia through donations and sponsorships as well as by employing locals. 'We have always positioned ourselves as the legitimate Australian alternative to Book Depository and Amazon,' he says, and is clearly confident as he talks about 'committing to the next level'.

## Dymocks Adelaide

Over the last few years, Mandy Macky, Managing Director of Dymocks Adelaide, a franchise bookshop in the heart of Adelaide's main CBD shopping mall, has seen several bookshops nearby close down or severely reduce their stockholding.

Around four years ago (just before REDGroup Retail went into administration) Macky recognised the need for new strategies. E-books, Amazon and Book Depository, and soaring rents and overheads were all eating into sales volume and profits. Ultimately, after staff meetings and one-on-one discussions with her most experienced staff, two core strategies were identified and implemented: creating market niches where Dymocks Adelaide can use both size and specialisation to advantage; and making sure that customers have a positive experience when they come into the store.

Seeing that some categories were continuing to do well while others stalled, Macky and her staff decided to focus on creating expertise and ensuring breadth of stock in the most promising genres.

For example, sales of romance books in the shop are less than a quarter of what they were just a few years ago, probably due in part, Macky thinks, to romance readers being particularly likely to buy e-books. On the other hand, science fiction remains Dymocks Adelaide's second biggest selling category after general fiction, as sci-fi readers seem to prefer a paper copy – and often collect different editions of a book.

Other specialties include history and military, sports, and cooking titles. Sales of children's books continue to grow. 'We also concentrate on things that make people feel better,' says Macky, such as health books. Those bookshop closures mentioned above have meant that Dymocks Adelaide has adopted new niches, such as art, or has extended the range, such as going into more technical and professional cookery books. Such specialisations have provided a focus for the store's non-book range. 'We've had to diversify and carry non-book items, but it is all related.' As well, being seen as experts in a field means customers continue to come to them for special orders of hard-to-find books.

The second strategy is to take advantage of a physical bookshop's ability to capitalise on people's emotional attachment to a local store. For customers, says Macky, 'It has to be a good experience; there has to be a good range. We have to make it a place that people want to come and browse.' Increased training and a strong emphasis on customer service have been embraced by staff. 'We had one particularly difficult customer who we had to work really hard to bring around. Now he loves coming to spend time in the store. The staff could really see the proof of our approach in that.' Staff let customers know help is available without being overbearing.

Getting customers' interest without hassling them also carries over to the store's social media strategy, so Twitter and Facebook content ('social media is really important') is focused on entertainment and fun. 'For instance, if we've got lots of new stock, our "Twitter Queen" will tweet about how we've been unpacking stock all morning, letting people know that they should come in without hitting them over the head with it.' Competitions also serve to promote the shop without being too obvious.

While competition from Book Depository and Amazon remains strong, Macky has noticed an increase in the number of people making a deliberate decision to buy books in a bricks-and-mortar store. 'People are saying "we want to buy from you because we want to be able to browse here in the future."'

## The Little Bookroom

2014 has been a year of transformation and experimentation for The Little Bookroom, a specialist children's bookseller with two shops in Melbourne and a library business. Experimentation has been about working out how 'to bring more people into the shops and sell more books,' says owner Leesa Lambert. Transformation has been about changing the business model. 'There are plenty of macro issues that we don't have control of. We just have to work around them and focus on what we can do.'

The biggest transformation can be seen in Lambert shifting her business away from library supply. There has been a shift in the school library market, with less money available in schools for book purchases and leakage to online channels. The need for large stock orders also has an impact on cash flow, tying up funds that Lambert would rather use to stock her retail stores. 'We can't do the three businesses of public libraries, school libraries and retail well.' Retail has won out. 'We think the brand is strong, and we are passionate about the retail side.'

Lambert still wants to keep her connections with local schools, but is thinking about different ways to do this – loyalty programs benefiting school libraries, perhaps, or boosting the numbers of school-specific events.

Lambert is positive about the possibility for growth in her retail business, and believes she can benefit from the localism movement that has boosted US booksellers. Schools are part of this; so too is a connection with the City of Melbourne given the location of the city shop in one of Melbourne's renowned laneways.

Events are also crucial in connecting with communities, and in getting people into the store, and this is an area in which Lambert has been experimenting. The store has trialed different types of events, everything from launches, to 'in conversation with' events, to events for teachers. Workshops with writers are another drawcard being thrown into the mix. 'Parents want their children to read, but we've also heard them talking about how they want them to write.' So the shop's forthcoming holiday program includes a workshop with author Michael Pryor. There are even plans for a special Christmas window event. Lambert assesses the success of each type of event in terms of attendance numbers, the number of new customers, and, of course, resulting sales. She will then determine what types of events The Little Bookroom will invest in next year. 'We're still working on improving our publicity, but we know that getting people in makes a difference. It might just be one percent here and one percent there, but it all adds up. People find it hard to walk out of the shop without buying a book, even if it isn't the one they came in for.'

Lambert sees her regular presence on the shop floor as integral to understanding what customers want. Plus she enjoys it. 'I love being on the shop floor on a Saturday morning and talking to customers.' But as important as the shop floor is, Lambert wants to build her online business and is looking for the right e-commerce tool.

After the year of experimentation in 2014, Lambert is looking forward to a year of consolidation in 2015. 'Being in kids books puts us in a place where we can be positive.'

## Pages and Pages Booksellers

While many traditional booksellers have shied away from e-books, Pages and Pages, located in Mosman in Sydney's North Shore, saw potential in the new channel.

With sales of e-books predicted to climb to 25% of all book sales, General Manager Jon Page didn't want to lose such a large portion of his market, especially when Pages and Pages customers tend to have higher than average disposable incomes and to be enthusiastic travellers – two characteristics that make them more likely to buy e-reader devices.

'We didn't want to be afraid and bury our head in the sand. We wanted to treat e-books as books, and saw the potential to reach out to existing customers,' says General Manager Jon Page.

Pages and Pages launched its first much-publicised 'Amnesty' on Kindles in April 2013. Customers got a \$50 voucher if they renounced their Kindle and bought a Be Book e-reader. The amnesty was relaunched in November 2013, when Pages and Pages struck a deal with e-book and e-reader company Kobo. The amnesties were designed to 'frame a positive story' around alternatives to Kindle, and to educate customers on how Kindle locked them in to Amazon.

Page describes the time around the demise of the REDGroup as a 'perfect storm,' with factors like the high Australian dollar, to which he believes publishers were slow to react, and a growing awareness of Book Depository contributing to a decline in sales. 'We decided to take control of what we could take control of.'

Pages and Pages has also made strategic acquisitions to maintain its sales volume. These include online bookstore Boomerang Books, which has shown growth in every quarter of this year, and a school supply business, which came with a valuable database. Keeping volume high means maintaining the discounts off recommended retail price that publishers give booksellers according to order volume, therefore maintaining margins. 'Bricks and mortar is still the primary focus – the extra avenues make up for lost volume.'

In other ways, Pages and Pages continues to do what it has always done, but in different ways.

For example, author events have always been a key offering to customers. Now, however, there is more of an emphasis on points of difference, so there is a focus on local content and local authors, in larger spaces (the nearby Bather's Pavillion has become a regular venue), and a book club where 'we are flipping the model,' so that members buy the book from Pages & Pages as a way of gaining access to a book club discussion and then a meeting with the author.

So too has communicating with customers always been key, but now as well as a monthly print newsletter, the content is available via the web site and social media.

Page has faith in the bricks- and-mortar model. He believes that people will continue to shop in store during traditionally busy periods, such as Fathers and Mothers Days and, of course, Christmas. 'Too many people have been burnt by ordering from overseas.' Books often do not arrive in time, or arrive damaged, during these times. He also cites statistics that show e-book growth has plateaued.

'There has been lots of uncertainty in the last few years,' says Page. 'That has made it hard to plan. Now there is some certainty coming back.'