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# Working with US Book Wholesalers

A Guide for Canadian Publishers

3<sup>rd</sup> Edition

## Working with US Book Wholesalers: A Guide for Canadian Publishers

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# Introduction

The United States represents a tremendous market opportunity for Canadian publishers. Even considering the regular tumult in the publishing business, the overall book market in the US is still robust. The American Association of Publishers StatShot Monthly report<sup>1</sup> showed bookselling revenue for the first quarter of 2019 at \$2.5 billion, up 6.7% over 2018. According to a presentation by Joe Matthews of iPg at the 2019 London Book Fair, the total 2018 US book market was \$17 billion USD.<sup>2</sup> These are certainly very healthy figures and present a real opportunity for any publisher looking to grow in this market.

One important connection for publishers looking to expand both their understanding of and opportunities in the US bookselling marketplace is the Independent Book Publishers Association (IBPA): <https://www.ibpa-online.org/>. From its beginnings almost 40 years ago in Southern California, the IBPA has represented and supported independent publishers of all sizes and types. With a membership of over 3,000, the IBPA is uniquely positioned to provide education, conferences, and awards to the independent publishing community. The IBPA can also help with booth space at the larger US national shows and other sales/marketing opportunities. There are even member discounts for certain services and conferences.

On balance, several things must be considered in order to do a meaningful amount of business in the US. Some of the main issues are where to print, what to do about ebooks and audiobooks, and how to navigate the fees/discounts required to do business in the US. Bottom line: in order to make a serious step forward in the US market, a publisher must find an effective way to work with US-based wholesalers.

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<sup>1</sup> For more information on the findings of this report, see <https://newsroom.publishers.org/aap-statshot-publisher-revenue-increased-by-67-in-first-quarter-of-2019/>.

<sup>2</sup> <https://www.londonbookfair.co.uk/en/Sessions/72615/Accessing-US-Market-An-Overview-of-the-Retail-Distribution-and-Library-Markets-in-the-USA>

# What is Wholesaling?

Over the years, the US publishing industry has used the terms “distributor,” “wholesaler,” “jobber,” and “sales agent” to mean pretty much the same thing. For the purpose of this report, we will define “wholesaler” to mean a firm that sits between the publisher and whatever outlet is the final point of sale for the publisher’s books.

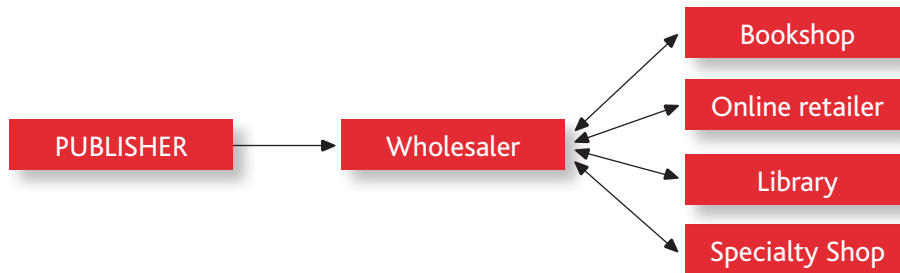
While some wholesalers also provide distribution services, perhaps even distributing titles to rival wholesalers, distributors do not provide wholesaling services. In practice, the wholesaler you choose should be able and willing to perform a wide variety of functions for your publishing house. Wholesalers offer a variety of services to publishers and retailers, including the following:

- Acting as a single point of US contact for the publisher
- Acting as a single point of purchase for the booksellers
- Providing an inventory of a broad range of books from a large number of publishers
- Purchasing this inventory and usually paying publishers for it within 90 days
- Selling to a broad range of customers
- Offering digital conversion, “warehousing,” and distribution services
- Providing a very fast turnaround on print retail orders
- Offering reasonable discounts to retail accounts
- Providing print-on-demand services
- Arranging marketing services for publishers to retailers
- Giving guidance on, and perhaps booth space at, important US conferences

The most basic of these functions is providing a US-based warehouse from which orders can be processed and shipped. This should be true regardless of the output type (print, audiobook, digital) of your final product. However, providing order processing and shipping, no matter how critical to the overall flow, will do nothing to help you sell books. That only provides a fulfillment centre, still leaving all the selling up to you. Note that wholesalers do not necessarily actively sell books through sales representatives and do not rely solely on the publisher’s publicity and marketing efforts to stimulate demand from retailers.

Among the many services available, the most critical that makes the wholesaler worthwhile for the publisher is acting as a single point of contact to handle everything in this market. Similarly, the most important service a wholesaler can provide to the buyers (i.e., bookstores, online retailers, libraries, specialty shops) is acting as a consolidation point for ordering the overwhelming majority of titles from the huge

number of publishers operating in the market. By handling the mass of information, inventory, and sales terms for the publisher and buyer alike, the wholesaler provides a significant value to all concerned. In essence, the flow goes like this:



Long gone are the days when a small- to medium-sized publisher could do enough effective hand-selling or mass mailing to earn a return on their investment. Also, long gone are the days when an independent bookshop owner could take the time to review all the new/upcoming titles from all the publishers and then do a proper selection for their particular clientele. With the incredible expansion in the number of titles being published each year there is simply no way to keep up with all the new titles. The ever-increasing pressure on physical bookshops means that managing inventory is more important than ever. The wholesaler addresses both of these issues.

Beyond just filling orders, your wholesaler should offer a series of support services that will raise awareness and interest in your titles and that should, ultimately, lead to actual sales.

## Current Market Context

This guide was last updated 12 years ago, and what a decade it has been! There have been huge changes in just about every aspect of the book publishing/bookselling marketplace. Perhaps the most significant change has been the release of Amazon's Kindle in November 2007—perhaps the most impactful technical change in publishing since Gutenberg.

While the idea of various portable reading devices dates back to the late 1960s, the idea was realized in the early 1970s with the creation of Dynabook. The device had so little impact on publishing and reading that few people have even heard of it. Certainly, the technology of the day could not deliver a comparable reading experience to that of a print book. These devices were neither elegant nor readily available to the average reader. Critically, it was very difficult to get any titles for them, let alone currently popular ones.

In 2007, Amazon did so much more than just create a convenient, dependable, affordable ebook reading device. They embedded that device within the ecosystem of what was becoming the number one place for book purchasing in the US, Amazon.com.

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Even in those long-ago days of 2007, Amazon was doing almost \$15 billion in sales. With an ever-expanding list of print titles available for sale online, a very simple user-interface for purchasing, and the relatively new (2005) service called Amazon Prime, they had secured a position at the centre of US book buying.

With Kindle and all the associated publisher and self-publishing features and services, Amazon changed the way that about 20% of all books are now sold. Other firms have developed ebook readers and reading software, but Amazon still sells more ebooks than all other ebook sellers combined.

These ebook changes present both opportunities and challenges for publishers. A good wholesaler partner can help publishers with both. On the opportunity side, a wholesaler can handle ebook distribution to any/all outlets so that publishers can reach a wide array of audiences without tying up dollars on printing and inventory. On the challenge side, a wholesaler can handle all the digital storage, multiple file formats, DRM, metadata, and distribution channels from a single point of contact. This allows the publisher to participate in any ebook channel that makes sense without having to develop all that internal technical expertise.

Another big factor emerging in bookselling since 2007 is downloadable audiobooks. Created in the 1930s, audiobooks were a stodgy format primarily intended to serve those with visual impairments. In recent years, they have become a significant force in bookselling. Over the decades, the format has transitioned from vinyl records, to cassette tapes, to DVDs, to “pre-loaded” players, and now to web-based downloadable files. By 2012, downloadable formats accounted for the majority of audiobook sales, a growth trend that continues to this day. Once reserved for classics like Poe, Shakespeare, and the Bible, downloadable audiobooks now cover all areas and genres of publishing.

As with ebooks, downloadable audiobooks allow publishers to ignore costly items like inventory management and shipping charges. In either format, the buyer just locates a title they like, buys it online, and then has the content available to enjoy in a matter of minutes. Ebooks and downloadable audiobooks also allow for creative marketing and sampling of new authors or new titles in order to seed the marketplace, often for free, before final production of the full title is complete. In this way, these digital formats become akin to movie trailers shown weeks, or sometimes months, before the full feature film hits the cinema.

Since 2007, three other major trends have influenced the way books are published and sold in the US:

1. the revival of independent bookstores with the closing of the Borders national chain of bookshops
2. the significant advances in print-on-demand book creation
3. the huge increase in self-published titles



**1) Bookstores:** The closing of the Borders chain of bookstores (formally in 2011) sent shockwaves through the entire US book marketplace. The main fear was that Barnes & Noble would completely take over storefront bookselling. Well, a worse fate awaited publishers trying to deal with retail sales. Barnes & Noble struggled to make the necessary adjustments in both their physical and their online bookselling business. The company continues to make critical errors, shrinking in size and influence. As a result, retail bookselling in the US took a turn for worse.<sup>3</sup>

In contrast to the fate of large bookselling chains, independent bookstores are again on the rise in the USA. After a very difficult period of market erosion, driven by the large chains and by Amazon, the last several years has seen a true resurgence in the number, and success, of independent bookshops. According to the American Booksellers Association, the total number of independent bookstores now exceeds 2,400,<sup>4</sup> an increase of over 35% between 2009 and 2015.<sup>5</sup>

Not just more stores, but more business! These independent stores, with direct connections to their neighbourhoods and with their owners' personal love of books and bookselling, are driving nice growth. The most recent five years has seen increases in sales at a combined annual rate of over 5% — all in the midst of Amazon's continued growth and the significant struggles of the larger chains. In addition, independent bookstores tend to be much more open to taking on new authors and new publishers as a way to better serve their local, regular clients. Good news, indeed!

**2) Print-on-demand (POD):** Much like digital books, various print-on-demand services have been around for a long time. Even the best-known US service, **Lightning Source** (part of Ingram), spent many years since its 1997 founding before becoming a player of consequence in the overall US bookselling market. In 2007, Lightning Source did not even have one million titles available. Today, it has well over 15 million titles. The service is used by everyone from one-title authors wanting a quick way to get published to the biggest international publishing houses wanting Advance Reading Copies (ARCs) or a way to manage low-volume backlist titles.

With its **CreateSpace** POD solution, Amazon has a similar story. Founded as an independent company (BookSurge) in 2000, the company slowly built market understanding about the potential for this type of service. In 2005, Amazon bought the entire company and renamed it CreateSpace. Once again, the first few years were slow and steady. CreateSpace is now part of Amazon's media division along with the Kindle Publishing Program and, like Lightning Source, represents millions of titles.

Other POD options are available in the US, but these two dominate the sector with direct links to just about every kind of bookseller, both physical and online. While

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<sup>3</sup> Problems at Barnes & Noble continue to this day. In fact, the equity firm Elliott Advisors recently purchased B & N. While there is hope in the US market, since Elliott helped turn around Waterstones in the UK, there is also a serious level of trepidation.

<sup>4</sup> See <https://www.bookweb.org/aba-and-indie-bookstore-stats>

<sup>5</sup> <https://learningenglish.voanews.com/a/independent-bookstores-growing-in-the-us/4878283.html>

adjustments in the bookstore chains have brought some real challenges, POD has opened up new sales channels and provided some exciting cost and business model options that help publishers be both nimbler and more effective.

**3) Self-Publishing:** Often referred to as the vanity press, self-publishing has always been with us. These past 12 years have seen an astronomical increase in the output of self-published authors. The triple-play factors of the ease of Kindle publishing, the rise of POD, and the increasing presence of social media as a method of expression have driven self-publishing to previously unimaginable heights.

Perhaps the most striking example of this phenomenon is the *Fifty Shades of Grey* series. This worldwide publishing success story began in 2011 when E.L. James self-published the first title as both an ebook and a POD paperback. The book was picked up by a traditional publisher the following year, which led to a strong, still-selling book series, as well as a successful movie franchise. The ability to self-publish using ebook and POD innovations enabled this improbable tale to become a reality.

Significant change has occurred in just about every aspect of book publishing, file formatting, and customer selling since the previous edition of this report was published. Understanding these changes and their impact on publishers themselves is essential to success in the US market.