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Selling to Mass Merchandisers and Non-Traditional Accounts in the United States

A Guide for Canadian Publishers

3rd Edition

**Selling to Mass Merchandisers and Non-Traditional Accounts in the
United States: A Guide for Canadian Publishers, 3rd edition**

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Introduction

When a publishing company, especially one from outside the United States of America, begins to investigate how to sell books within the US, they primarily consider a rather modest set of categories of booksellers. The three most common categories are the major brick and mortar chains, the major online booksellers, and the independent bookstores. As a basic reference, here are some quick facts and figures on those three categories to help you gain some insight into the state of things.

Brick and Mortar Chains: At this point, there are really only two brick and mortar chains of any consequence left in the USA. They are Barnes & Noble, with approximately 630 stores, and Books-A-Million, with approximately 260 stores.

Major Online Booksellers: While most experts regularly report that there are two major online booksellers, Amazon.com is the truly key force in online book sales. In fact, Amazon is THE force here. Amazon's total sales for 2017 were \$80 billion USD. Media sales were \$14 billion (17% of the total; see "Amazon Revenues" 2018). The only other major online bookseller is Barnes & Noble's e-commerce site (<https://www.barnesandnoble.com>). For the most similar year-to-year comparison, Barnes & Noble's total (retail and online) sales for fiscal 2017 were less than \$4 billion USD (Milliot 2017). Based on these figures, one can see that Amazon media alone outsells all of Barnes & Noble combined by more than three times.

Independent Bookstores: Here the recent news is very encouraging. There has actually been year-on-year growth in the total number of independent bookstores in the US every year since 2009. In 2017, there were over 2,300 bookstores, representing over 1,700 bookselling firms. Those numbers are up from 1,651 bookstores and 1,401 bookselling firms in 2009 (Nobel 2017; "Number of Independent Bookstores" 2018).

Mass Merchandisers: When we discuss mass merchandisers, the implication is that these are physical stores, typically very large, selling a very wide variety of products to a very wide audience. This is in contrast to a typical bookstore, which carries a very narrow range of products and sells to a narrow segment of the general population. These stores are often referred to as Big Box stores because of their large physical size.

Some examples of US mass merchandisers include the following:

Company	2014 US Sales (in billions USD) ¹	Main Product Line
Walmart	\$343.6	General merchandise
Kroger	\$103	Groceries
Costco	\$79.7	General merchandise
Home Depot	\$74.2	Hardware / DIY
Walgreens	\$72.6	Pharmacy – General
Target	\$72.6	General merchandise
CVS	\$68	Pharmacy – General
Lowe's	\$54.8	Hardware / DIY
Safeway	\$36.3	Groceries
Best Buy	\$36	Electronics
Publix Supermarkets	\$30.5	Groceries
Apple Stores/iTunes	\$28.3	ebooks/content
Macy's	\$28	Department store
Rite Aid	\$26.5	Pharmacy
Royal Ahold/USA	\$26	Groceries
TJX	\$22.2	Clothes, general merchandise
H-E-B	\$19.8	Groceries
Albertsons	\$19.4	Groceries
Kohl's	\$19	Department store
Dollar General	\$19	General merchandise
Delhaize America	\$17	Groceries
Meijer	\$15.7	General merchandise, groceries
ShopRite	\$15	Pharmacy
Ace Hardware	\$14.2	Hardware, general merchandise
BJ's Wholesale	\$13.8	General merchandise

¹ For more information, see "Top 100 Retailers Chart 2015" at <https://nrf.com/2015/top100-table>.

Each of these merchants sells books to varying degrees. The three main categories of books sold in stores of these types are as follows:

- **Fiction:** Primarily paperback in Mystery, Romance, and Science Fiction
- **Children's:** Mix of binding and packing types, including toys and other branding or marketing tie-ins
- **Informational:** Selected to complement the type of store, for example gardening and DIY projects at Home Depot and Lowes, or cooking and dieting at Kroger and Safeway

The price points are typically low and the copy count turn is typically high to very high. Doing steady business with these stores is a wonderful thing, as a publisher can print and sell books in very high volume. However, even getting an appointment to see the book buyers at these stores is very, very difficult. Working with these stores is almost as difficult as getting that first appointment. There is very little leeway for missed shipments or publishing delays; returns can also be a problem.

Since the upside to being carried by these mammoth retailers is so high, just about every producer in every category, including books, is doing whatever they can to break into these accounts.

For these mass merchandisers, the best path is through a US-based wholesaler, as these firms have dedicated salespeople for servicing these accounts with regular appointments throughout the year. Wholesalers also have practical experience in dealing with the billing, shipping, and delivery systems and processes required by the mass merchandisers. There is a significant opportunity here if you can get your books into these outlets. On balance, there are also significant challenges. The wholesalers can help with both aspects (see page 12 of this report for more details on these wholesalers).

Non-Traditional Accounts

Other bookselling opportunities exist beyond the mass merchandisers. Perhaps chief among them would be museum bookstores/gift shops. According to the Federal Government Institute of Museum and Library Services, there are 35,000 active museums in the US (see "Government Doubles Official Estimate" 2014).

This list covers a variety of institutions including zoos, planetariums, and botanical gardens. Although exact figures are not available, it is generally thought that up to 25% of these institutions have bookstores. Further, most museums have gift shops that carry books tailored to a wide variety of interests and collections.

America is a huge country in love with roadways for both commerce and family holidays. Another area where many books are sold—both paperbacks and physical audiobooks—is right along America's almost 50,000 miles of Interstate Highway. The

two major outlet types here are 1) truck stops and 2) Cracker Barrel restaurants and Old Country Stores.

According to the National Association of Truck Stop Owners (<https://www.natso.com/about>), there are over 1,700 chain-owned truck stops in the USA. According to the Cracker Barrel Old Country Store website (<https://crackerbarrel.com/>), there are 650 Cracker Barrels in 45 states across the country.

Resetting the Clock

Since this guide was last published in 2007, just about every aspect of publishing, book-selling, technology, and retail has changed dramatically. The way books are written, laid out, formatted, printed (including ebooks), distributed, and sold have all been subject to enormous technological and commercial change. An entire market guide could easily be written comparing the publishing and retailing industries over this period. However, we will just highlight some key factors to help the reader grasp the scope of change since the last guide.

Amazon

In 2007, total sales at Amazon (all categories and all markets worldwide) were just under \$15 billion USD. This compares with the \$80 billion USD in media sales in the US only during 2017.

In 2007, Amazon Web Services (AWS) was less than a year old, having been re-launched as a full service during 2006, after being completely rethought and even renamed. By 2017, AWS had become a very strong, flourishing part of Amazon's overall corporate structure, recording over \$17 billion USD in sales.

In 2007, Amazon had no physical stores of any kind. In 2017, Amazon owned and operated over 450 Whole Foods grocery stores and several physical bookstores, with plans to open at least three more bookstores. When the new stores open, Amazon will be one of the top five physical bookstore chains.

Digital

Here again, an entire report could be written just on this topic. For the purposes of this report, here is a brief overview.

In 2007, ebooks were still settling in as a concept, with file formats, rights management, and software/hardware readers in a state of tumult and confusion. There were too many standards, too many rights fights (authors/publishers and digital asset protection), and too many physical devices. Pricing was all over the place. In addition, in 2007, Amazon released its first Kindle.

In 2017, the vast majority of ebook issues have stabilized, including taming the wildly varied predictions of both doom and opportunity that ebooks generated. Consumer appetite for ebooks has settled in somewhere between 18% and 20% of all book sales. In the US, Amazon is basically the ebook market. Various reports place their market share at anywhere from 65–85% of all ebooks sold.

Physical Retail

Storefront retail in the US has changed dramatically since 2007. Over 20% of the mass merchandise firms listed in the 2007 report either have closed completely or been merged into other retailers. In fact, the bulk of all major US retailers, regardless of product type, are either reducing their expansion plans or euphemistically “growing smaller” by closing stores. The combination of some firms closing and remaining firms reducing their store count led to a net closure of over 3,500 stores for the ten-year period ending in 2017.

New Opportunities

On a positive front, more books than ever are being published and many of those are coming from independent presses. More positive news is that more independent bookstores continue to open. Between 2009 and 2017, there was a 40% increase in the number of independent bookstores in the US.

The vast changes in these very important aspects of book publishing and bookselling—including significant file format changes, a massive adjustment in the overall retail landscape, and the addition of more bookstores and more publishers, just to name the key factors—have completely altered the US book business. The balance of this report has been prepared with these changes in mind.

Defining Mass Merchandisers and Non-Traditional Booksellers

For the purposes of this report, we will use the following definition of a mass merchandiser:

A physically large retail store, as either a stand-alone or a key anchor store for a shopping mall, with a very large amount of merchandise available. The merchandise mix could be very broad across a wide variety of product categories (e.g., Walmart) or very deep in product specialty category with supporting sales from other categories (e.g., grocery for Kroger or prescriptions at Walgreens). US mass merchandisers typically have hundreds, if not thousands, of physical stores.

These mass merchandisers often have an online presence intended to complement and perhaps extend their physical retail efforts. However, very few of these firms have accomplished much with their online sales. Walmart, for instance, does less than 10% of its total sales online.

One aspect of Walmart aids the reader to understand Walmart's physical storefront presence here in America more completely. With over 5,000 stores, Walmart is within a 10-minute drive of close to 90% of the entire US population. With a position like that, Walmart is an ideal sales channel for most goods.

While all mass merchandisers should be considered non-traditional booksellers, other store types that are nowhere near as large still do sell a fair number of books. These are not usually chains, but rather location or specialty type retailers such as museum gift shops, stationary stores, and gift shops with themes like golf, sewing, hunting, or pets. The key to being successful with this type of non-traditional bookseller is to find an outlet that closely matches your content. These stores usually start with smallish orders, but can build a steady flow of business with titles that catch on with their staff and clients.

As we explore other non-traditional booksellers, we should look closely at both America's cultural centres and to the open road across its massive highway system. On the cultural side, there are thousands of museums in the US, many of which have

dedicated book and gift shops. These are excellent bookselling outlets if you can match your content to the general theme of the institution or to any special exhibits.

On the highway side, there are two main options: truck stops and Cracker Barrel. The over 1,700 franchise-owned truck stops serve as resting place, repair shop, refuelling station, and overall retail operation to serve the over 1.8 million truck drivers in the US (see Bureau of Labor Statistics 2018). These Truck Stops sell a fair number of paperback books and physical audiobooks. The main themes/genres are westerns, detective stories, Christian themes, and biographies.

Cracker Barrel is a uniquely American success story. Beginning as a single restaurant in Lebanon, Tennessee, back in 1969, Cracker Barrel now covers a large percentage of the US and serves breakfast, lunch, and dinner every day. Cracker Barrel is so popular that their customers consume over 200 million country biscuits a year. Of course, many of those meals come with a nice side of shopping. Books are sold here in four main areas: children's, cookbooks, instructional, and inspirational. Cracker Barrel also offers a wide range of physical audiobooks via a sort of rental model in which customers pay full price for the audiobook and then get all but the rental fee (approx. \$5 USD) refunded when the book is returned. The audiobook titles are mostly bestsellers and children's.

The Business of Doing Business

Before we move into the business of doing business with these mass merchandisers, it is important for the reader to have some understanding of why these stores, especially in such large numbers, exist to serve their customers in the US. There are two simple reasons why the United States has so many huge mass merchandizing firms and so many options: 1) the sheer size of our population and 2) the significant geographic diversity of our major population centres.

The United States has approximately 327 million citizens, almost ten times the population of Canada. While the total population itself would justify many Big Box stores, the way the population is spread across our country helps explain why there are so many.

Canada has ten cities with populations above 500,000. The United States has ten cities with populations above 1 million and 35 cities with populations above 500,000. While Canada does have more than 50 cities with populations over 100,000, the United States has more than 300 such cities. The State of California alone, at over 39.5 million residents, has more people than the whole of Canada.

Additionally, in terms of geographic diversity, those 35 American cities with more than 500,000 citizens are distributed from the Atlantic to the Pacific and from near the Canadian border to near the Mexican border. Simply put, the US has an awful lot of people in an awful lot of different places (for more information on the US population, see <https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>).

On the business of doing business with these huge retail outlets, the most important thing to understand is that they simply don't care about books or your business. Simply put, since they are non-traditional booksellers, they are not book buyers or book lovers. These companies have a certain amount of square footage allotted to each product category and all they are interested in doing is flipping/turning as much merchandise as possible in every one of those square feet. If the merchandise from a certain category does very well, that category may grow by "eating" space from a neighbouring category. If other merchandise does poorly, that category will shrink or be replaced.

Many of these stores are open very long hours just about every day of the year. Some are even open 24 hours. The fight over the small amount of square footage available for books in general, and perhaps your titles in particular, is constant and is measured on a daily, sometimes hourly basis. If you are a winner, life will be very good for you. If you are not, your life at that retailer will be over quickly. It is critical to understand that every item in that store (over 100,000 SKUs in an average Walmart, almost 20,000 SKUs at an average Walgreens, and 50,000 SKUs at an average Kroger or Safeway) is