

Amazon.com opens big doors for small publishers

By Elizabeth M. Gillespie, The Associated Press

SEATTLE — Cellular biologist Bruce Lipton holds no fond memories of his early struggles to get his book published. One by one, the big houses in New York looked at *Biology of Belief: Unleashing the Power of Consciousness, Matter and Miracles*, but eventually said no, suggesting his theory that signals outside cells control genes was too radical for mainstream readers.



Cellular Biologist Bruce Lipton sells his book through Amazon.com.
By Marcio Jose Sanchez, AP

"I wasted a whole year with them," Lipton fumed.

Then he signed on with an independent press that relies heavily on Amazon.com Inc. Since then, he and his publisher say, more than 42,000 copies have sold in six months.

"To go in and end up using Amazon as a way of getting out there and jumping ahead of a lot of the big corporations ... that was really fun," said Lipton, a former University of Wisconsin medical school professor who lives in Santa Cruz., Calif., about 100 miles south of his publisher, Santa Rosa-based Elite Books.

With its limitless shelf space, Seattle-based Amazon has helped countless other authors and small publishers earn the same bragging rights in the past decade, giving readers throughout the world instant access to books

they might never have found.

"Book publishing at one time was clubby, and that really has changed," Al Greco, senior researcher at the Institute for Publishing Research in Bergenfield, N.J., says

Using data Amazon has collected about what its customers buy, considered buying, browsed but never bought, recommended to others or even wished someone would buy for them, the bookseller is able to recommend more purchases and direct searches toward products it thinks a customer is most likely to want.

In the process, it has essentially made the buying public part of a marketing machine that's driven up demand for books that once might have been much harder to find.

Ask small publishers what they like most about Amazon, and they'll say it's the global reach. Another huge plus, they say, is that Amazon pays its bills — and on time.

"I spent seven months trying to collect from a major bookstore chain. Amazon drops the money in my checking account every single month without fail," says Cathy Stucker, who runs her own publishing company out of her home in Sugar Land, Texas, and has sold hundreds of copies of her main title, *The Mystery Shopper's Manual* on Amazon.

It's common for publishers to spend months waiting to get paid, then receive a shipment of unsold books returned — often with an order for a new batch of books. That makes cash flow a big problem for the little guys.

"Basically, they get your inventory on consignment," says David Cole, founder of Bay Tree Publishing in Berkley, Calif.

By comparison, Amazon typically orders books in fairly small numbers and rarely returns them.

Greg Greely, vice president of the company's worldwide media division, says Amazon sends back less than 10% of the books it orders, while some reports suggest that brick-and-mortar stores return up to half of their shipments.

In 1998, when Amazon created its Advantage program for small publishers, it touted the service as a way to help level the playing field in

an industry that has long favored the big dogs. Today, many small publishers say it's worked.

"All publishers are basically equal, because just about all publishers' titles are on Amazon and can be delivered to your door in a couple days," says Kent Sturgis, president of the Independent Book Publishers Association.

Amazon keeps track of sales and inventory for its Advantage publishers, and automatically reorders books when stocks are running low. Members pay a \$29.95 fee, and Amazon takes a 55% cut of sales — about what most wholesalers charge.

Amazon would not disclose how many members belong to its Advantage program, other than to say "tens of thousands." It also wouldn't discuss details of a separate co-op fee system that has generated grumbling from some small publishers. Amazon started out selling nothing but books, but now sells power tools, beauty supplies and virutally everything else. It doesn't disclose how many books it sells each year. Nor do its major competitors.

Because those numbers remain tightly held secrets, no one is sure how many books get sold online each year, though experts say it's a growing slice of the publishing pie.

Internet book sales make up the bulk of so-called "direct-to-consumer" sales, which also include sales from catalogs and toll-free numbers. While direct-to-consumer sales have been rising in recent years, sales at Barnes & Noble, Inc., and Borders Group, the nation's two largest book retail chains, have remained relatively stagnant.

Researcher Greco's best estimate is that online sales account for 7% to 10% of total U.S. book sales annually — up from virtually nil 10 years ago.

"Without Amazon," he says, "I think it's safe to say there would've been a larger erosion in sales."

Some experts say that Amazon hurts independent bookstores, which can't match its vast inventory. Others contend that Amazon doesn't bear all the blame because its rise coincided with the growth of giant bookstores and mass merchandisers such as Wal-Mart Stores, Inc., Target Corp., and wholesale price clubs.

Powell's Books, a chain of local bookstores in Portland, Ore., has seen its

sales increase steadily in the last several years. The company points to both its own Web sales, which started in 1994 — a year before Amazon went live on the Internet — and Amazon's success making millions of people feel comfortable shopping online.

"Once they were converted and the idea was no longer scary to them, we could market to them and position ourselves as an alternative," Dave Weich, Powell's director of marketing and development, says.

Books, music and videos, which Amazon lumps into a single category, bring in most of the company's money. But as part of global revenue, the media division is shrinking slightly. Last year, media products accounted for 74% of \$6.9 billion in revenue — down from 79% of 2002's total sales of \$3.9 billion.

Barnes & Noble's online division did \$420 million in sales last year — about 9% of the company's total sales, and up from \$151 million the year before.

Many publishers say Amazon's benefits outweigh its pitfalls, but one gripe is widespread: Amazon has driven up sales of used books — great for thrifty readers, but bad, they say, for authors who depend on royalties.

"That's done more to hurt publishing, big and small, than anything, and readers don't think about it," says Fran Baker, a romance writer who runs her own publishing company, Delphi Books, in Lee's Summit, Mo., outside Kansas City.

Amazon, though, has seen used books spur sales of new books. "We've found customers that do buy used books are more likely to come back and buy (new books) from that publisher or that author," Greely says. "It's a way of introducing customers to new genres, new areas of interest."