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E-COMMERCE REPORT

Online Battle of Low-Cost Books

By **BOB TEDESCHI**

Is [Amazon.com](#) becoming the Napster of the book business?

The analogy may not be far off, say some observers of the used-book industry. Publishers, particularly textbook publishers, have long countered used-book sales by churning out new editions every couple of years. But the Web, particularly sites like Amazon and [eBay](#), have given millions of consumers an easy way to find cheap books - often for under \$1 - without paying royalty fees to publishers or authors.

Mass-market publishers are not certain the used-book phenomenon is a problem worth addressing, but others in the industry have already made up their minds.

"We think it's not good for the industry and it has an effect, but we can't measure it," said Paul Aiken, executive director of the Authors Guild, a trade group. "There has always been used-book sales, but it's always been a background noise sort of thing. Now it's right there next to the new book on Amazon."

Lorraine Shanley, a principal at Market Partners International, a publishing consultant, said that the industry was just starting to appreciate the dimensions of the problem.

"Used books are to consumer books as Napster was to the music industry," she said. "The question becomes, 'How does the book industry address its used-book problem?' There aren't any easy answers, especially as no one is breaking any laws here."

Ms. Shanley, whose company reported on used books this month in its newsletter, Publishing Trends, said that publishers were beginning to see the effects. "We've asked publishers how much of an issue it is, and the responses are either 'I have so many other problems to deal with,' or 'Yes, it's an issue, but as there are no easy fixes, I can't really focus on it,'" she said.

Greg Greeley, Amazon's vice president for media products for North America and Japan, strenuously disagreed with the notion that online sales of used books harmed the publishing industry. And Kathryn Blough, the vice president for the Association of American Publishers, said that she "wouldn't jump to the conclusion that used books are eating away at the new-book market."

Ms. Blough said used-book sales were growing, particularly online, and new-book sales had been "a little flat." The publishers association reported earlier this year that 2003 sales for mass-market paperbacks and for hardcover and paperback books were virtually unchanged from 2002, when they reached roughly \$3.5 billion. But Ms. Blough said the new-book market could be weak for several reasons, including a slow economy and a sharp increase in other media vying for the book reader's attention.

Amazon has listed used books alongside new books since late 2000. But analysts and industry executives said the momentum among consumers and newly minted used-book sellers was just now approaching the point of biting into new-book sales.

"We've not been able to pinpoint a definite effect, but my gut is that absolutely there's an effect," said Dominique

Raccah, chief executive of Sourcebooks Inc. of Naperville, Ill., a publisher of both fiction and nonfiction titles. "And it concerns me that we're not formalizing a reasonable, proactive response."

The industry's response so far has been to consider a study on the effects of the used-book market, but in the meantime, some research already suggests that used-book purchases are surging.

Based on consumer surveys, Ipsos BookTrends, which is a division of the research and consulting firm Ipsos-Insight, said that 15 percent of all books for adults and teenagers that were purchased from April to December 2003 were used - an increase of 5 percentage points from the same period in 2002. Meanwhile, the Web's share of sales in the same time period increased to 12.7 percent from 9.7 percent.

"This is not a new phenomenon," said Albert N. Greco, a professor at Fordham University's graduate school of business administration. "But now it's different. The computer and the Internet have revolutionized things."

Furthermore, Mr. Greco said, there is no stigma attached to buying used books. "It's not like buying a used pair of shoes. And the prices are very reasonable," he said. "You can find good-quality used paperbacks on Amazon for under \$2, and in some cases under \$1."

Last week, for instance, used copies of Alexander McCall Smith's detective novel "Tears of the Giraffe," which was No. 5 on Amazon's paperback best-seller list, sold for 55 cents, compared to Amazon's list price of \$9.56.

Of course, Amazon and eBay are not the only used-book merchants online. Alibris, the Advanced Book Exchange and others have also attracted a following among online buyers of the dog-eared. But industry executives and analysts widely acknowledge Amazon as the engine of the market.

Mr. Greeley, the Amazon executive, declined to cite statistics on the company's used-book effort, but he said sales had been growing nicely since Amazon started listing used books alongside new books and offering to sell its customers' used books for a 15 percent commission. Low-volume sellers must pay an additional commission of 99 cents a book.

Mr. Greeley said the site now carried "millions and millions of titles - many that you can't find through traditional channels."

Mr. Greeley also disputes the contention that Amazon could be hurting publishers or authors by selling books that yield no royalties. "Our interests are incredibly aligned with publishers and authors," he said. "We see this as a virtuous cycle. The lower prices of used books allow people to experiment with authors and genres in ways they might not have otherwise.

"We definitely see people who buy at a lower price point come back and buy new books in that same genre," Mr. Greeley added.

Advanced Book Exchange, a Canadian company that sells books through its Web site, Abebooks.com, recently added new books to its offering of used titles. Executives said that the company's used-book sales were increasing 20 to 30 percent a year, reaching \$110 million in the last 12 months. That figure includes sales in Canada and Europe, but 70 percent of online sales are to American customers.

Abebooks.com's number of used-book sellers has also jumped, to 12,000 from 8,000 two years ago, the company said. And the number of books available roughly doubled, to 55 million from 30 million, in the same period.

The company's chief executive, Hannes Blum, said he believed new-book sales might be even softer were it not for the used-books market. "We're increasing the demand for books over all," he said.

But Professor Greco of Fordham, who conducts publishing industry research on behalf of the Book Industry Study Group, said he was "absolutely convinced that used-book sales will ultimately cut into an industry that's not growing at all."

He said that when publishers began to study the impact of used books on their backlists - the roster of older paperback books that enjoy steady demand from students and the mass market - they would find signs of damage from the used-book sellers.

"Trade publishing houses live and die with their backlist revenues," Professor Greco said. "The thing is, when you've got 8,000 to 12,000 titles in your backlists, unless you monitor carefully you won't notice the blips, because they're small right now. Ultimately, though, they won't be."

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