

THE
BOOK
INDUSTRY
IN SWEDEN

The development from 1973 to 2003

A report from the Swedish Booksellers Association and the Swedish Publishers Association

Introduction

When the Swedish Publishers Association 30 years ago decided to start producing statistics the decision was based on the conviction that the industry faced great changes. It was therefore important to systematically gather information so that analyses and comments could be based on reliable data. The publishing industry was pulling out of a crisis that had passed its peak a couple of years earlier. The structural changes due to the transit into a system of free pricing had just begun. The first chapter in this report shows what factors that were decisive in the development of the book industry and the shape of it when the great changes began.

Everybody can see that much has happened during those 30 years. The changes are visible in almost all parts of the industry: in the organisation and working methods of the publishing houses; in the development of the retail channels; in the structure and importance of the booksellers; in the growth and stagnation of the book clubs; in the improved distribution; in the ways authors have tried to adapt to a more market oriented role. Much of this can be found in the statistics for the past 30 years, while many changes are hard to prove using figures.

We are sure that we still face many important changes. It is with great satisfaction that we note that none of the authors who have contributed to this report expresses any thoughts that are disheartening or threatening. Today we find hardly any of the ominous suspicions of yesterday about how new technology would replace the old-fashioned book. Nor do we see any support for the threat of increased inability to read which were heard before. On the contrary, we find a growing interest in reading in many groups in our society, which of course matches the strong sales development. This gives us good reason to hope that we can keep adapting to, and make good use of, new technology in a sensible manner, so that the ongoing modernisation of the book industry can be meaningful and realised without sacrificing good old values.

In fact books seem to have a stronger standing now than at any time during the 30 years which this report covers. The reasons for this are many, and it is our firm belief that this report proves them. In the search for one over-arching explanation we propose that it is the well-developed professionalization of business procedures which are needed to be successful in a free price environment. There can hardly be any doubt that the strongly regulated conditions which ruled the book market before 1970 was a stumbling-block for all that has been decisive in the positive development since: market based creativity, renewal in publishing formats and launching plans, greater efficiency in sales channels with the transformation of booksellers into modern retailers as the prime example.

We fully understand that this declaration is not uncontroversial. The process which we brand as positive has been described by others as "commercialisation" and been deemed negative from a cultural point of view. This has been expressed not only by some voices in the Swedish debate, but also from our colleagues in other countries – countries which have kept the fixed price system and where they still fight to keep it. The arguments used are those we heard in Sweden in the 1960's and they are still not persuasive. Today we know how the book industry can develop in a country which over a longer period has free pricing.

The notion that financial and cultural interests are on colliding courses has always had its proponents. Nobody will seriously assert that business is a threat to culture, but some are still prepared to draw far reaching conclusions about the need for culturally motivated subsidies, which are still in place. Few areas of cultural life can exist purely on market based conditions, and actions from outside should be designed so that these conditions suffer as little as possible. If you create vast and specialised systems for subsidies, exceptions and privileges, you run the risk of making it difficult to gauge the real demand which is the obvious prerequisite for any business. In this report you will find that in Sweden the public involvement in the book industry has been carefully balanced.

A great majority of the people working in publishing and book selling has been drawn into it because of their interest in books and literature. This is true also for those who are primarily involved in the financial aspects of the business. There are also idealists and enthusiasts who try to defy the economic realities in order to publish or sell books that are too advanced for the market to cope with. We need those people who dare to cross borders and who invest in projects which their colleagues have declared impossible. They can prove that old truths do not always hold, and that calculations that were deemed unyielding must be revised. But mostly you still have to assume that financial principles and cultural ambitions must harmonise and balance.

The developments in the Swedish book trade during the past 30 years have not passed without antagonism or conflicts. Looking back we can see that they were natural and unavoidable, but we can also see that they have led forward to better solutions, both in publishing and in the sales channels. One bone of contention was for several years the rapidly growing book clubs that increased their market share, thereby worrying booksellers. The interest of department stores in developing their book departments was another reason for traditional booksellers to worry. But as these channels stabilised booksellers could once again strengthen their position and persuade both publishers and book buyers that a strong specialised retail trade is essential to the book industry, now as well as before.

The situation for booksellers is very different today compared to 30 years ago. Their market share is somewhat smaller but their influence and possibilities are vastly greater. The gradual liberation from publishers, which has taken place through the dismantling of general agreements, has been viewed with mixed feelings, even misgivings. It is obvious however that this liberation has increased the incentives for mobilising resources within the retail trade, for creating chains and other forms of cooperation, and for new forms of strategic planning and structural changes. This has no doubt meant a shift of power from publishers to booksellers. Statistics prove that this development has been advantageous to the whole industry. We think that the process will continue.

Naturally the book industry like other parts of Swedish society since the early 1970's has been affected by alterations in business climate, demographic changes, development of disposable income, raised taxes etc. Aside from the switch to free pricing the most important change for the book industry specifically was the lowering of the VAT (Value Added Tax) from 25% to 6%, effective from January 1, 2002. The role-played by the industry to promote that decision is described in this report.

The lower VAT will have a great influence on the industry and the ways in which it works. The improved level of costs from which the whole industry benefits will have dynamic effects – establishing of new enterprises, new publishing forms, bolder investments, a wider range of

publishing and distribution. The promises made by the industry to make sure that the lower VAT is passed on to book buyers will therefore soon be harder to measure. This does in no way mean that resolve is weakening.

During the past 30 years a number of governmental studies have dissected the book industry and come up with suggestions for changes big and small. This has stimulated the debate and increased the knowledge about various aspects of the industry. But it has also made it clear to us that it is important that we take responsibility for the information about ourselves. We perceive it as a sign of strength that the Swedish Publishers Association and the Swedish Booksellers Association have produced this report together. It reflects the beliefs of our organisations. We hope that it will be useful to all those who wish to know something about the conditions of the Swedish book trade at the start of the 21st century. It shows a picture painted in light colours, but we want to remind our readers that this can quickly change should the conditions become less favourable. The book trade is vulnerable and experience shows that success if mismanaged can turn into its opposite. The farsightedness that is the best character of the business always demands reflection. With this report we strive to share that with as many people as possible.

Dag Klackenberg, Chairman of the Swedish Booksellers Association

Jonas Modig, Chairman of the Swedish Publishers Association

1. The book industry before deregulation

When the free pricing system was introduced in Sweden it meant the abolishing of the ways the market had functioned for 130 years. Although the so-called commission system had seen many changes from within it had leant unification and stability to the whole industry.

Before the commission system was introduced books were sold by anybody who had reason to handle books in their professions. There were professional booksellers, but they met competition from others, to whom book selling was a sideline – teachers, priests, parish clerks, book printers, and others. Since the customer base for each was limited, profitability was low, and many went bankrupt. Consequently book selling was an investment full of risks for the publishers.

During the 19th century the market for books grew, partly thanks to political initiatives which promoted reading. Freedom of the press became part of the constitution in 1809, and elementary school for all became law in 1842. Libraries for the general public started appearing, newspapers became more popular, and the novel made its breakthrough as a vehicle for entertainment, information and debate.

In an expanding market where retail was poorly organised it became apparent that publishers had to do something to protect their interests. Hence the Swedish Book Publishers Association was founded in 1843. It was an organisation for publishers, but the aim was to control the book trade. The idea was simple: sell as much as possible through one single bookseller who has a solid customer base. Thereby the booksellers could make money and the publishers would not run the risk of loss through bankruptcy. Book buyers needed only one source for all books, and distribution, returns and accounting were simplified.

The commission system

All this was taken care of by the commission system, which meant that the publishers appointed retailers. The association decided who was trustworthy and had a big enough customer base. It was a patriarchal system where publishers decided and booksellers obeyed – but it was highly favourable to those who were part of the system.

The system was based on giving the booksellers certain advantages, in order to ensure their profitability. The publishers' control of establishment granted each bookseller a local monopoly, and credit terms were generous. Booksellers accounted for their sales and paid once a year, and they had free right of return. (Thus a major part of the bookseller's stock was actually owned by the publishers.) This was to make sure that a wide variety of books were available all over the country. The booksellers were obliged to receive, and for a certain time stock, all books which were sent out, and publishers had the right to send out every book they published.

Booksellers were not allowed to use pricing a competing tool. Fixed prices were the basis for the whole system. Any given book should have the same price no matter where it was sold. Otherwise retailers could concentrate on the most profitable titles, sell them at a discount and thereby disrupt the whole market.

In practice the system never really worked completely. Aside from the appointed booksellers there was also a wide range of "free book-traders" who were not appointed by the Publishers Association but who still sold the publishers' books. The publishers, in the manner of talented politicians, skilfully managed to support two incompatible ways of doing business. The reason was simply that they realised that it was difficult to reach new groups of customers through the appointed network.

The growth of the book market can be measured in several ways. When the Publishers Association was founded in 1843 there were 74 appointed booksellers. 130 years later there were 313. Statistics regarding publishing is more uncertain but it is fair to assume that the number of novels published annually increased tenfold from the 1860's until the 1960's.

The commission system survived since it was protected by both publishers and booksellers through their trade organisations. By using arguments in defence of culture and education they managed to stop the government and parliament from introducing free competition through free pricing into the book market. But from the early 1950's the days of the commission system were numbered. In 1953 a new law was introduced to promote competition, prohibiting producers from deciding (or even trying to influence) the retailers' prices. The book industry managed to be exempted several times, but in 1965 it was definitely decided that publishers and booksellers must abide by the law, thereby making fixed prices illegal from April 1, 1970.

2. Deregulation and Trade Agreements

The deregulation of the Swedish book industry on April 1, 1970, brought both expectations and misgivings. As it turned out many of the things which caused concern never happened, and many of the changes which have taken place were hardly foreseen.

April 1, 1970 is said to be the day when the Swedish book prices became free, meaning that retailers were from that day on free to set their own prices, without any influence from publishers. But several other important things happened at the same time: the commission system was abolished, the Publishers Association could no longer decide who had the right to be a bookseller, and the terms for returns and credit were changed.

What were the great misgivings?

Within the industry there was a worry that smaller publishers would suffer from the introduction of free pricing. But the apprehensions regarding booksellers was even greater. Free pricing would mean the bankruptcy of regular booksellers. Department stores and other retailers carrying a limited range of titles would take over the profitable part of the book business. Thereby books aimed at a narrower, more literary, market would find it more difficult to reach its customers and readers.

In reality though, publishers and booksellers had fought to keep their privileges, and they were scared about the changes they must face in an uncertain world, where their bulwark had been torn down.

During the first five to seven years hardly anything happened! Prices were rarely used as a competitive tool, the bookstores survived, the department stores did not rush to stock best-sellers, and the crisis in the publishing companies was neither specifically a problem for smaller houses nor due to free pricing. But some of the changes that were to come started to make themselves noted. The first book clubs selling new books at lower prices were established. Textbooks were sold to students at a discount. The first steps to form retail chains were taken. Schools and libraries started buying directly from publishers or through new kinds of intermediaries.

The first trade agreement

In order to reduce the risks of the developments which were expected, a trade agreement was reached between the Publishers and the Booksellers Associations effective April 1, 1970. Hereby both parties tried to maintain the old conditions as much as possible within the new legal structure.

A *subscription* would ensure that new titles were be available everywhere. Very detailed terms for discount, payment and returns were specified. The subscription included all new titles from publishers who signed the agreement, which also gave the booksellers a *special annual discount* of 4% on their net purchases. The discount levels in publishers' general business terms were based on a *recommended retail price* and applied to all retailers. Every retailer was free to deviate from the recommended retail price, but obviously it promoted restraint.

The agreement also specified that booksellers should have preferred treatment when publishers offered books for the *annual sale*. The *Book Trade Council* was appointed to monitor the agreement and to settle disputes. The agreement also regulated who could be signatories. A *bookseller* must carry a wide enough stock, have a suitable business location, have the necessary trade experience, meet financial requirements, and be thought to reach a reasonable sales level. *Publishers* were required to publish continually (sic), be financially stable and to conduct their business on bookseller friendly terms.

The second trade agreement

Changes were made to the agreement already in 1973. According to the new book trade agreement a bookseller must carry at least 4,000 general Swedish trade titles in stock, and be prepared to order any other book from publishers who had signed the agreement. Publisher's net price was introduced as the basis for discounting, although the recommended retail price was not abolished until 1977. The special annual discount for booksellers was modified.

Competition increases

During the seventies the atmosphere between booksellers and publishers became tenser. Booksellers were increasingly irritated by what they perceived as the publishers' favourable terms towards the book clubs. Booksellers thought that the clubs were given undue discounts, which they had no chance to achieve themselves. From 1977 therefore competitive use of prices had increased, partly due to the abolishment of recommended retail price, but also because booksellers, despite the unfavourable discounts, started competing with the book clubs, and because the student owned Akademibokhandeln started selling trade books at general discount ("always 20% off"). After a slow start in the early seventies many started to believe that price differences were too wide.

In the fall of 1980 the trade organisations finally reached a new agreement. This included some commitments which were culturally important and which made government subsidies possible. This was a prerequisite for the new subscription agreement. A new clause was introduced which said that publishers must recognise the unique role played by booksellers, who must not be treated unfairly compared to other retailers (book clubs included). Booksellers in turn promised to stock a wide range of books from the participating publishers, and to actively promote them. Subscription terms were changed. The discount was raised dramatically, and the government subsidised much of this increase.

Yet the booksellers wanted the Commissioner for Freedom of Commerce to act, since they still believed that book clubs were offered unreasonably high discounts. The issue was settled by an agreement in 1982 where the publishers promised that their sales conditions would be governed by "price according to performance". It was also agreed that the book clubs should not offer more than 25% off recommended retail price (which no longer existed!) and that they would not compare their prices to bookstore prices in their advertising.

The book trade agreement is dissolved

During the 1980's the trade agreement was negotiated several times, although the changes were minor.

The bookstore chains grew bigger and stronger, which led to demands for better conditions. The chains wanted better discounts since they bought larger volumes per order, and they wanted better support for their marketing efforts, as they sent out even more catalogues to more households. The publishers found it increasingly hard to meet the demands for higher

discounts and marketing contribution, and at the same time to abide by the trade agreements' conditions regarding booksellers' annual discount (bonus), subscription copies and returns. In the spring of 1991 Bonniers declared that they no longer wanted to be a signatory to the trade agreement. They wanted instead to simplify their business terms, and at the same time favour those retailers who worked actively to promote Bonniers' books. Chain management realised that they would profit from the new terms. Increased marketing contribution would more than offset the lost annual discount. Independent bookstores however found it difficult to benefit from changing conditions.

Although Bonniers' decision hardly came as a surprise to others, the industry seemed taken somewhat unawares. Most publishers said that they would continue as before. Within months however they had second thoughts about the situation, and before the end of the year the book trade agreement had ceased to exist.

Ten years later the agreement almost seems to be forgotten. The publishers deal directly with bookstores and chain management as with other retailers, and they adhere to "price according to performance", especially regarding discounts and marketing contributions.

New roles for trade organisations

Handling issues and conflicts regarding the trade agreements was an important part of the work at both the Publishers and the Booksellers Associations. Since 1992 those tasks are no longer bothering their offices. For the Publishers Association there has been a similar development in relation to the authors.

Among the booksellers several other tasks that were usually handled by the Booksellers Association are now taken care of by the chains. In the mid-nineties it seemed that the chains really saw no meaning in being members of a traditional trade association. In the last couple of years the attitude has changed, and representatives for the chains have become more actively involved in the work of the Booksellers Association.

The existence of the Publishers Association was never similarly questioned. Both parties have also become more and more aware of the important role the associations play in relation to media and politicians. The trade organisations also provide a forum for discussing issues, which are not automatically taken care of by the chains.

A brave new world?

Working without a general trade agreement has opened new possibilities and provided openings for the shift of power in the book industry. It is easy for the big and financially strong publishers to sell their books to the booksellers, while for smaller houses it has become more important to find other channels for their books, not least through companies and organisations which buy larger quantities for their own use. For some publishers securing a major order outside the regular trade is today a prerequisite for publishing.

Among retailers the chains and other big operators can command better conditions than the small and independent. Therefore the chains' buyers have a greater influence over which titles are bought and promoted than retailers had before, when all titles were sent out on subscription and the actual purchasing decisions were made by many more people acting independently of one another.

The bookstores have to all intents and purposes survived these changes, and all members of the Booksellers Association are required to order any book they do not carry in stock. These orders are delivered faster today than before.

At the same time books have become available through more efficient channels than before, such as book clubs, department stores, gas stations, airport kiosks, grocery stores and other "non-book retailers". On top of all this ordering over the Internet has become important for a growing number of book buyers.

3. The Development of the Bookstores

The deregulation of the book market did not cause the death of the bookstores that many people had feared. It is true that the booksellers' market share has decreased somewhat and that the number of bookstores is today slightly smaller, but these alterations are not remarkable considering a 30 year period when much of Swedish society and its commercial structure have changed dramatically. .

The booksellers' market share

Discussing the deregulation of the Swedish book market, you can easily be led to believe that before 1970 all books were sold by the regular bookstores. That was definitely not the case. Already in 1961 (almost 10 years before the deregulation) bookstores took care of 46% of total book sales, other retailers 11%, libraries and organisations 9%, and direct sales from publishers accounted for 34%. Publishers sold directly through reprint book clubs, door-to-door and mail order. School and libraries bought almost all their books through the bookstores. This did not change significantly during the sixties.

The deregulation led the schools and libraries to demand better discounts. Already during the first half of the seventies close to 50% of the orders from schools and libraries were placed directly with publishers. Below is described how the book clubs have increased their market share substantially since 1970. Free pricing on the other hand has meant that door-to-door selling as well as ordering through workplace representatives hardly exist anymore.

Still bookstores account for about 40% of the total book sales. The bookstores have stood their ground, despite major changes, because they have become more professional both in their commercial orientation and in their financial management. One proof of this is the creation and growth of the bookstore chains, by which marketing efforts by the bookstores have developed considerably. And so has in-store promotion.

The number of bookstores

In the last 50 years the whole retail trade in Sweden has changed dramatically (as has the retail trade in most countries). Many small stores catering to local needs have disappeared, and their places have been taken by a decreasing number of big stores, often run by chains. This structural development has been slower and less disruptive in the book market. This is of course due to the protection offered by the fixed price system and the gradual transition to free pricing, and to some extent to the subsidies aimed at helping the bookstores survive. Today more than 90% of the population in Sweden has a bookstore in their municipality or urban district.

According to a government study in 1997 there were 331 general bookstores and 190 specialised bookstores. This meant a decrease since 1983 of five (!) general stores. It should however be noted that among those 331 some in 1997 carried a more limited stock than they had 14 years before. Since 1997 there has been hardly any change in the number of bookstores.

The number of specialised stores on the other hand has increased dramatically during the past 15 years. These stores sell primarily school- and textbooks, religious literature, and books catering to different professions and hobbies.

Bookstore chains

In Sweden there were no bookstore chains before 1970. The reason is simple: the rules and regulations of the commission system made it impossible to achieve any economies of scale in purchasing, and the booksellers played a very limited role in the marketing efforts made outside their stores.

During the seventies several chains were established, and some of them have since strengthened their positions. Stores chains can roughly be said to be of two different kinds: integrated retail chains or voluntary retail chains.

In an integrated chain a number of stores are operated by the same owner. The owner or management for such a chain can make all the decisions for the company (within the limits of laws and collective agreements). The owner of course decides about the level of uniformity, central purchasing, and cooperation within the chain. Akademibokhandeln is today the only integrated bookstore chain in Sweden.

In voluntary chains on the other hand a number of independent bookstore owners have joined forces primarily in purchasing and marketing. The reason for becoming a member of this kind of chain is that all participants can benefit from the economies of scale that the group achieves. To do this the individual bookseller must give up parts of his/her independent decision making. The chain management therefore must always make sure that the members perceive that the sacrifices made are worth the benefit from their membership (or co-ownership). The cooperation can stretch further than purchasing and marketing, to for example store design and computer systems.

Akademibokhandelsgruppen (ABG)

ABG was formed in 1992 by stores which had been owned by Academus AB (owned by student unions) and ESSELTE Bookstores (a subsidiary of a major stationery supplier). Academus was bought by the Swedish Cooperative Wholesale Society (KF) in 1987, and ESSELTE Bookstores in 1990. ABG is today part of KF Media, which also own P A Norstedt & Söner (publishing) and Bokus (Internet bookstore).

Since 1998 when they operated 29 stores, ABG has expanded quickly by acquisition and by opening new stores. They now have more than 50 stores, 18 of which are campus located textbook stores. The recent expansion is mainly in general trade stores. ABG is the biggest bookstore chain in Sweden and make up about 30% of the retail trade in books. Imported books, primarily textbooks and professional books, make up 15 to 20% of the total sales.

BOKIA

Bokia is the biggest voluntary bookstore chain in Sweden, its 92 member companies operating 98 stores. The typical Bokia-store is smaller than the competing Akademibokhandeln, and it derives its sales from general Swedish trade titles and stationery. When it was founded in 1986 Bokia had 80 members. It built its success on centralised purchasing and aggressive marketing.

Since the early nineties Bokia's main concern has been to build and develop its brand by using the common profile. In the past few years the group has lost members to the JB-group (see below) and ten stores have been taken over by Akademibokhandeln. This illustrates one of the weaknesses in a voluntary chain: the lack of risk capital.

Until 2003 Bokia was run as a cooperative where each member had its equal share. The cooperative in turn owned Bokia AB. During 2003 the cooperative has been liquidated and the members were given the opportunity to become shareholders. This way Bokia has raised capital and is now able to easier and quicker make acquisitions and establish new stores. The change has not been without controversy since the bigger members and the head office has acquired more power than before. New stores are planned, but they will not automatically become shareholders.

The JB-Group

Rather a network than a chain the JB-Group has 38 members. The group has no staff. In the market place each member act under their own company name. The JB-Group is therefore a concept primarily in its dealings with suppliers. Wettergren's in Gothenburg is the group's biggest member, but it includes also Exlibris with its four stores in the Stockholm area, and Hamrelius and Malmö bookstores.

The Service booksellers

The association of service booksellers has 50 members, small operations with a local monopoly. These stores have accepted a subscription service for new titles, and in return they receive a government assortment subsidy.

Hence the service booksellers do not constitute a chain. They get no marketing contribution for subscription titles, and they do no purchasing together, but they appoint members to a selection committee which select subscription titles. Each bookseller takes care of his own marketing, sometimes in cooperation with other local storekeepers.

Ugglan (The Owl)

Founded in 1994 Ugglan has 47 members who were previously service bookstores. It is a voluntary chain with stores in smaller towns and they are working on developing its brand. Ten stores are called Ugglan, and the name is printed on catalogues, gift-certificates etc.

Independent bookstores

Although the chain development has been intense for two decades there are still independent bookstores. Among the more well known are Hedengrens, Bok-Skotten and NK in Stockholm, and Partille Bookstore on the outskirts of Gothenburg.

Several of the independent stores are specialised in textbooks (often student union owned) and/or schoolbooks. LäroMedia is the biggest bookstore company in Sweden after Akademibokhandeln. Among the independent there are those which are very specialised, such as Jure (law books, Stockholm) and Nya Musik & Mission (religious books, Jönköping). The SF-bookstore is Stockholm based, while Datorbokhandeln PC-boken only has its Malmö store left.

The group of independents is very diverse, but it is obvious that for success you must be big and/or specialised. A local monopoly can be beneficial, but history proves that more books are sold per capita in towns with more than one bookstore.

Booksellers sales development and profitability

The Swedish trade magazine Svensk Bokhandel (Swedish Book Trade) publishes annually figures on booksellers' sales development and profitability. The most recent was based on the accounts up to March 31, 2003.

Compared to the year before sales had increased by 10% to SEK 3,9 billion, inclusive of schoolbooks and stationery. Since many companies do not have the calendar year as their fiscal year, these figures do not show the full extent of the increase in sales due to the lowered VAT (January 1, 2002), but indicates its strong influence. The profitability also showed nice growth, but still it must be stated that running a bookstore is rarely a very profitable profession, although there are exceptions.

In that last report it could also be noted that Akademibokhandeln had passed Bokia and thus had become the biggest bookstore chain in Sweden (SEK 1,065 billion, compared to SEK 910 billion). The JB-Group came in a good third (SEK 710 billion). These groups managed a net result of 2.5-3.8% on sales, which is on or slightly above the industry average of 2.6%. There is a small group of companies which manages between 5 and 10%.

From where do booksellers get their books?

In order to be successful and profitable as a retailer you need saleable stock that ties up as little capital as possible. This requires skilled purchases and favourable credit terms, but also quick distribution from suppliers at low cost. Few Swedish bookstores have a high stock turnover. Below two (which means carrying half the year's sales in stock) is not unusual, and above three only a few manages continually.

Installing computer systems has given booksellers better tools to manage purchases and inventory. But they are still dependent on efficient distribution. This has always been a subject on the agenda when booksellers and publishers get together.

The major publishing groups (Bonniers, Liber, Natur och Kultur) have their own warehouses and distribution terminals, and perform this service for others. Many smaller publishers handle their own distribution.

Seelig has for many years held a central position in the Swedish book market. Founded in 1848 it is still the only wholesaler in Sweden. Seelig has also provided information services to bookstores, and they have developed tools to help booksellers manage their inventory and purchases. They have also run an import service.

Förlagssystem was established in 1989 to distribute books for some book clubs and small publishers. It has grown rapidly and today handles some 60 publishers, many of which used to be Seelig's clients. Förlagssystem handles about 25% of the distribution of general Swedish trade books.

A shift of power

The regulation has affected the power balance in the book industry. Decision making not only about pricing but also about purchasing and marketing has changed. Booksellers today are less dependent on their suppliers compared to 30 years ago. Publishers can no longer treat booksellers as their servants, who would sell any book that was published. The booksellers have become customers, and the publishers who have let this affect the way they do business, have seen their sales grow. The professionalization of bookstore management in terms of marketing and finances has therefore created a more equal relationship between the different parties in the book industry.

At the same time the way that book sellers look at their own customers has changed, and the developed promotion has made Swedish bookstores much more inspiring to visit than they were 30 years ago. There are those who think that the book trade has become frighteningly commercialised. They should be reminded that what has happened is that booksellers, with the help of publishers, have become much better at satisfying the needs of their customers, making them come back more often to buy more books and to read more. There is no doubt that the deregulation has vitalized the Swedish book trade!

4. Book clubs and other retailers

Already in the 1960's the bookstores accounted for less than half of all books sold in Sweden. By what other ways have books reached their readers, and how has this traffic changed since the early seventies?

Some have said that free pricing made it possible for the book clubs to compete with bookstores using the price as a competitive weapon. That is not really true. They had that possibility already within the fixed price system. It is more true to say that the changed climate brought about by free pricing paved the way for the clubs and their aggressive development.

The book club expansion

To recover from the crisis in the late 1960's publishers looked for new sales channels. Bonniers had planned already in 1967 to launch a club using Bertelsmann in Germany as their model. The planned cooperation never happened, and therefore Bonniers launched their own assortment book club, where they offered books from their front list. Members were recruited in different ways: by telephone, member-get-member and by direct mail. Membership was also offered through bookstores.

The establishing of Bonnier's Book Club was successful, and in 1973 they launched *Månadens Bok* (Book of the Month) together with Norstedts. It was modelled on Book of the Month Club, which offered its members a main selection every month together with a limited number of alternative titles.

In 1973 the Swedish book clubs had some 375,000 members, which was rather low by international standards. But in just two years it grew by another 200,000. The biggest clubs at that time were Svalan, *Vår Bok*, Bra Böckers Bokklubb, Bonniers Bokklubb and *Månadens Bok*.

Apart from Bonniers, Bra Böcker were very successful during the seventies. Their concept was a package deal, by which the member received one volume of Bra Böckers Lexicon (encyclopaedia) and two novels every other period, and a coffee-table book and two novels the period in between. This packaging made the members stay on, and at their peak Bra Böcker had 400,000 members.

Book clubs: a danger to literature?

The rapid expansion of the book clubs was successful but also controversial. Some people saw in them a threat to serious literature. The debate was especially fierce when *Månadens Bok* started, and authors threatened to boycott it. But the boycott was never carried out. At the end of the day most writers gladly saw their books marketed through a major club.

Looking back you could rather make the argument that book clubs helped spread also serious literature - and still do. Most people today agree that it is important that books are sold through many channels and can reach their readers in many ways.

Book clubs peak

The growth of the book clubs slowed down in the early 1980's, and the cost to recruit new members began to rise. Bra Böcker started several niche clubs (poetry, crime) to no avail.

They also published multi-volume works (e.g. on home medicine), but those did not sell nearly as well as the encyclopaedia. In 1982 Bonniers launched a package book club to compete with Bra Böcker, but it never made it and was cancelled after little more than a year.

Book club members wanted a wider range of titles to choose from and the assortment clubs became more popular. Månadens Bok picked up on this trend and was transformed in the early eighties.

As the market was saturated the competition between the clubs became more fierce. And in 1988 Natur och Kultur together with a group of smaller publishers started Böckernas Klubb, an assortment club with a more literary profile than its competitors. BK was rapidly established and showed a profit already in 1991. During the nineties Norstedts became part owners.

Book clubs and bookstores

Early on the bookstores played an important role in recruiting members to the clubs. The stores were also used to distribute books to members. As the clubs grew they became less enthusiastic about the cooperation and it was soon terminated. Booksellers in turn grew more and more irritated by what they perceived as unfair competition.

The booksellers decided to compete with the clubs, using prices very aggressively. The market expansion, which the book clubs helped bring about and the massive marketing of selected titles which they produced, the whole book market has benefited from.

The past decade – niche clubs and Internet

In the late eighties and early nineties several niche clubs were established, aimed at carefully targeted customer groups. Clio (1987) which sells history books and Pablo (1999) specialising in art books are both owned by Norstedts. Natur och Kultur operates a psychology club, and Svenskt Militärhistoriskt Bibliotek (Library for military history) has been a huge success.

During the nineties the clubs refined their working methods. Thanks to better databases and analysis tools the clubs improved their accuracy. Some clubs built loyalty programmes to increase the value of membership. The book clubs have not, as some thought, been overtaken by the Internet bookstores, but they have changed the ways the clubs work. Therefore these channels exist side by side and have extended the market further. Using database analysis and home page design the offers can be targeted to ever more selected groups of members.

Other retailers

According to the "Rules for the Swedish Book Trade" by which booksellers and publishers had to adhere before deregulation, certain kinds of books were not included and could therefore be sold in kiosks, stationery stores and by book agents.

Regarded as free literature was for example very cheap books, bibles, maps, travel guides, books of strict local interest, theatre plays, calendars and yearbooks. Apart from this professional books could be sold in stores catering to that certain profession. Thus there were ample opportunities for the publishers to find a market for each book.

Department stores and grocery stores

When the first trade agreement was signed after the deregulation there were department stores with book departments which were qualified signatories. In 1981 there were more than a hundred department stores, which sold books all year, and 18 that had joined the trade agreement. Since the early eighties the annual sale has been an important opportunity for department stores and hypermarkets.

Åhléns

When Åhléns decided to start selling books in the late 1970's the concept was simple: follow the book clubs! Their stores had the same customers as the rapidly growing clubs, who had already made the book selections and invested in marketing. Åhléns opted for a limited number of titles which they sold at high discounts in large volumes.

Åhléns has since widened their assortment and thus the number of copies per title has gone down. They sell books in 70 department stores and a typical book department carries some 1,200 titles. Purchasing is done centrally and reordering is automatic. Åhléns operate their own warehouse, and the main store in central Stockholm account for 25-30% of all book sales within the company.

The Consumers Cooperative

KF owns Akademibokhandeln, but they also supply their grocery stores (Coop Konsum) and hypermarkets (Coop Forum) with books. In 2003 they sold books for about SEK 160 million, and the profitability is good. The hypermarkets carry less than 1,000 titles, the grocery stores a couple of paperback shelves. All stores take part in the annual sale.

ICA Specab

The biggest chain in Sweden for perishables, ICA, sell books in over 50 of their stores, and 150 take part in the annual sale.

The paperback boom

Sales of paperbacks have increased by more than 200% since 1993 according to statistics from the Publishers Association. There are several reasons for this: many titles now appear quicker in paperback, more titles are published in paperback, and other forms of reprints have decreased. But most important: the supply of paperbacks to non-book-store retailers has become much more customer oriented, although fewer stores now carry paperbacks. In this development Pocketgrossisten has played a decisive role.

Ten years ago Pocketgrossisten took over from Presam, wholesaler to kiosks, grocery stores, gas stations and newspaper stalls. Pocketgrossisten provided a more careful selection, better suited to the need of each customer, visiting big outlets every week and sending best-sellers packages monthly to the smaller. Starting out with 700 customers they have since doubled that.

Internet bookstores

The SF-bookstore in Stockholm and Wettergrens in Gothenburg started selling books on the Internet in the mid-nineties. In 1997 akademibokhandeln.se opened and so did bokus.com, bokhandeln.com, internetbokhandeln.com and adlibris.com. Since then several other booksellers and publishers have started selling over the Internet directly to consumers, libraries and other end users, while e-business between publishers and booksellers has been very slow. Swedes obviously order from amazon.com and other sites outside of Sweden.

Adlibris and Bokus have grown and together they sold for more than SEK 200 million in 2003, which is probably about half of the volume of books sold over the Internet in Sweden. There are no official statistics so this is just an estimate.

Selling over the Internet is also important for very specialised booksellers with customers all over the country. The SF-bookstore is one example. Another is Naturbokhandeln on Öland (an island off the East Coast of Sweden) which is visited by great numbers of ornithologists for a few weeks in the spring and the autumn. The rest of the year it is very desolate.

Antiquarian booksellers

Antiquarian booksellers are of very little importance when it comes to selling books which publishers or their distributors still carry in stock, although there are some who sell books still on the publishers' lists. But as stockists and purveyors of books that are sold out through other channels they have a cultural importance. Hence they are vital for libraries, researchers and book collectors (and some bookstores). There are some 280 antiquarian booksellers in Sweden, about 50 of which are members of the Swedish Antiquarian Booksellers Association. Most are small and barely profitable operations.

Other retailers

In addition to the channels covered above books are sold in many different places, albeit each of them represent small volumes:

- Museums, community centres, tourist offices.
- Retailers such as toy-stores and photo shops.
- Trade fairs and events.

Publishers' direct sales

In the early sixties selling directly accounted for a third of total publishers' sales. During the 40 years, which have passed, this selling has transformed.

Schools and libraries

Before 1970 almost all textbooks were sold through the bookstores. This changed very quickly during the first years after deregulation. Today less than half the textbooks are sold by local booksellers. Direct sales from publishers make up about a third. The rest is handled by specialised intermediaries.

Before 1970 the libraries bought virtually everything through the bookstores. Today they buy mostly from Bibliotekstjänst (the Swedish Library Service, a library owned wholesaler), who in turn buys from the publishers. A minor part of library purchases still go through bookstores.

Door-to-door and mail order

Selling in the customer's home today occurs extremely rarely. There was a time when this was the regular way to sell multi-volume encyclopaedias, the collected works of popular authors and subscriptions for yearbooks. Several publishers had their own sales force or contracted agents for this kind of selling.

Yearbooks are still published and they are still sold directly to consumers, while publishing of multi-volume encyclopaedias has ceased. Nationalencyklopedin, the latest major encyclopaedia for the Swedish market was sold through several channels. It seems very unlikely that another "paper edition" will appear. Instead customers can subscribe to their Internet service.

The kind of multi-volume non-fiction works that were previously sold door-to-door, have later, in adapted editions, been sold by the book clubs. Volumes have gone down. Closely related to door-to-door is the selling that was historically carried out by workplace agents. Their role has rather been shouldered by the bookstores which organise information events for companies and associations, either in the stores or at the customers' office or plant. Mail order business is of very limited importance today.

Sales to companies and organisations

Many small publishers would hardly survive if they did not find their customers outside of bookstores and clubs. They sell in bulk to companies, magazines, trade unions, sports clubs, folk high schools and other educators. These customers in turn use the books for education, as gifts for employees or customers, or they sell them to members, subscribers' etc.

Dynamics and sales growth

In Sweden you find a vital network of bookstores and many Swedes are book club members. Yet it is obvious that many people find their books through other channels and that the development of new channels for distribution and sales have played an important role in finding new customers and readers. The deregulation of the book industry has helped create a dynamic which has led to increased book sales. More selling points and more exposure of books have stimulated the entire industry.

5. The publishing industry

During the period covered by this report the number of books published has increased. At the same time the publishers have become better at selling what they produce: marketing and financial control of the publishing business has improved. Profitability has been strengthened.

Publishers in crisis

In the late sixties and early seventies the publishing industry faced a deep crisis. Several publishing houses, especially among the bigger, incurred heavy losses, which forced them to cut down the number of titles, and to reduce staff. Bonniers, who was most badly hurt, went from 350 titles published in 1965 to 200 in 1972.

The crisis occurred after some very good years for the industry, and some may have been lulled into thinking that this would continue. The regulated existence had helped conserve an inefficient and old-fashioned structure. The crisis was due to too optimistic publishing and growing stock. The situation was aggravated by the general recession in the early 1970's.

The measures that were taken to remedy the conditions were those of regular financial restraint, that is cutting down publishing, staff and stock. Hence the publishers were better equipped to meet the new, deregulated reality. On top of this the new freedom forced publishers to become more market oriented, both towards the booksellers and towards the new channels which began to gain importance.

Financial control

Among some people there is a popular belief that cultural and financial interests are in conflict with each other. All experience point in the other direction. In order to develop the cultural sides of publishing, which risk not being able to cover their own costs, it is essential to have a good economy and to have good financial planning. Already the publishers in the 19th century understood that literary ambitions must be combined with the publishing of books that had a broader appeal, in order to make both ends meet.

It is important to remember that the profits in publishing stem not only from the odd successful novel but more importantly from long-term investments in non-fiction projects as well as from well timed books on current affairs, that is a mix of light and heavy, short-term and long-term, expensive and cheap, ambitious and ephemeral.

Calculating the price of a book used to be simple. You added the costs, which were usually well known, and added the profit you wanted to make. Calculation and pricing have become more market oriented. What price is the market willing to pay? Counting backwards from the consumer price you can decide what cost the price will allow. When estimating the profit margin the risk level must also be regarded. Publishing a new book by an author who has written a string of best-sellers is not as risky as publishing one by a new, unknown writer.

The high level of interest in the seventies and eighties made carrying stock expensive, and helped bring about better print-run decisions in order to avoid overstock. Therefore the life span of books are often shorter today than before.

A dynamic industry

It is not an easy task to determine how many publishers there are in Sweden, or how many there were in 1970. No license or registration is required to publish books. A publishing house could be anything from a big conglomerate to a very small company, publishing only a few titles every year. In addition there are many other companies, organisations and associations that publish books, often highly specialised, in conjunction with their main operations.

According to a government survey in 1974 about a hundred publishers made up practically the entire market for general trade books in Sweden. Half of these were members of the Swedish Publishers Association. There were probably several hundred others who published books at this time, many of which were very small companies. In 2003 approximately 250 professional publishing companies produce books for the regular Swedish book market according to statistics from the Publishers Association.

The publishing industry has low barriers of entry, which means that it is easy to start a new company. There are no legal barriers, and the capital requirements are low, and they can at least partly be financed by printers' credits. Behind the figures above therefore you find constant movement and change: new publishers appear, some grow and survive, others are bought up by competitors, while some never make it and disappear. As in many other industries during the second half of the 19th century big companies in publishing have become even bigger by internal growth and by acquisition. The number of newly started companies however have few parallels in other industries.

The major groups of publishers

The major publishers of general trade books in the early 1970's were Bonniers, Almqvist & Wiksell, Norstedts, Det Bästa, B Wahlström, Rabén & Sjögren, K G Bertmark, och Tiden/FiB. The big schoolbook publishers were ESSELTE (which also owned Norstedts), Almqvist & Wiksell and Natur och Kultur. But much has changed.

The Bonniers Group which already in 1970 included Forum and Wahlström & Widstrand has acquired or started over ten new companies. In the sixties Bonniers sold its share of Svenska Bokförlaget (schoolbooks) but in 1993 they started Bonnier Utbildning to re-enter that market. Bonniers are also the sole or main owner of a number of book clubs and they have since the early nineties acquired publishing houses in Norway, Denmark, Finland, Germany, England and France.

KF Media after a series of acquisitions and mergers owns P A Norstedt & Söner, Prisma, AW Gebers, Tiden and Rabén & Sjögren, and they are involved in several book clubs. (And they own Akademibokhandeln.)

Natur och Kultur, without giving up their position in the schoolbook market, has developed their trade publishing by acquisitions of Askild & Kärnekull (later Legenda), Biblioteksförlaget, Fripress and LT. They also operate some book clubs.

K G Bertmarks and the family owned B Wahlströms have basically the same structures as before, although Bertmarks have changed owners a couple of times. Det Bästa (a subsidiary of Readers Digest) still sell non-fiction, and today also videos and CDs, by mail order.

Some of today's major groups were not on the list in 1970. Verbum has developed from a Christian niche publisher to a group that publishes schoolbooks and general trade books, as well as bibles and other religious literature.

Liber, owned by the Dutch Wolters Kluwer, is Sweden's biggest schoolbook publisher, and the major producer of law books. They have acquired for example the schoolbook divisions of ESSELTE and Almqvist & Wiksell.

Richters which is owned by the Danish Egmont foundation publishes mainly mass market literature, handbooks and Disney-based children's books. These are sold primarily through their own book clubs.

Bra Böcker was founded in the mid-sixties, and grew to become one of the biggest groups of publishers in the eighties. During the nineties profits fell drastically, which forced a series of structural changes. At its most successful Bra Böcker was a serious challenger to the well-established, Stockholm based groups.

The smaller publishers

The never-ending stream of new publishing operations is vitalising for the industry. New companies are founded both by people with publishing experience who have left their old jobs to try their luck elsewhere, and by people from other industries who bring not only new publishing projects but also work experience which helps them challenge existing structures.

The first few years of the period which this report covers was dominated by the political turn to the left. This inspired great interest in the third world and its literature, as well as in the injustices of the first and second. This was obviously picked up by existing publishers, but it promoted the forming of new companies. A later trend that led to publishing innovations is the IT-boom. Despite the worries about the future for reading that the rapidly growing use of computers created, computerisation requires a big handbook library. Computer book publishers were badly hurt by the bursting of the IT-bubble.

Educational publishing

The educational publishers in Sweden are organised in the Swedish Association of Educational Publishers. The association today has 25 members, the main business of which is to produce educational materials in the form of printed materials, audio-visual materials and computer software. The members of the association make up 95% of the total sales of educational materials, and its four largest members, Gleerups Utbildning AB, Bonnier Utbildning AB, Liber AB and Bokförlaget Natur och Kultur, have 80% of that market. They sell through teaching aids centres and directly to schools and municipalities. A far from insignificant volume is still sold through the bookstores.

The seventies was a golden decade for the educational publishers. The schools were given increasing funds for the programme of pedagogical development in the Swedish school system. New subjects were added, the most important of which were foreign languages.

During the eighties conditions began to change. The will to experiment and to reform decreased. The study of literature returned to the classrooms, and computers slowly entered the Swedish schools.

During the past decade schools have had to cope with reductions. Total sales of educational materials has gone down by 10% during the nineties. This is primarily due to the general recession during the first half of the decade and to the changing priorities by the state and the municipalities. The educational publishers have worked to increase the awareness among teachers, parents and politicians of the importance of printed books. The sales trend has now turned.

Internationalisation

The book trade handles primarily local products. Books in Swedish are to very great extent sold in Sweden. There is some export to Finland, where a couple of hundred thousand people still have Swedish as their mother tongue. In Denmark and Norway people read more books in Swedish than the other way around, and in Copenhagen and Oslo you easily find current Swedish books. Books are also exported to university libraries and academic institutions in different places around the world where Swedish is taught.

Books are naturally imported into Sweden. About 90% of the imports come from the USA and the UK. Books in German, French and Spanish make up most of the rest. Much of the import is academic books, primarily textbooks for students at universities, and for the university libraries. But the import also include professional books, handbooks and fiction. The market share of imported books is increasing, but it is probably not more than 10% of total book sales in Sweden.

For the members of the Publishers Association export make up 3% of total sales. That share is probably smaller for publishers who are not members. The export is not mainly books, but translation rights. Swedish literature sells well in neighbouring countries, Germany, The Netherlands, France and lately increasingly in the USA and the UK. Revenues from abroad are a growing source of income for Swedish authors.

International co-production has been of great importance for the publishing of children's books in Sweden. Hundreds of titles annually this way reach readers in many countries. Books for adults are naturally also co-produced, but for those Sweden is importer rather than exporter.

During the last 10 to 15 years a new form of internationalisation has occurred: Swedish acquisition of publishers' abroad (Bonniers) and a growing interest among foreign publishers to invest in the Swedish book market (Liber – Wolters Kluwer). Most likely this development will continue.

Trade fairs

In 1986 Bok & Bibliotek (Göteborg Book Fair) in Gothenburg took place for the first time. The fair was quickly established as an important event for authors', publishers, booksellers, librarians and others to get together. The fair is annually visited by more than 100,000 people, many of whom are members of the general public, hungry for reading.

New publishing formats

It was no accident that the Swedish Book Publishers Association dropped "book" from its name in 1996, and thus is called the Swedish Publishers Association. Since the seventies Electronic Publishing has been on the agenda whenever publishers meet. During the nineties multimedia was the trend that caught on with publishers (and booksellers). CD-ROM based products were to be a complement to paper-books. Sales of electronically published products

from Swedish publishers have decreased by 90% since 1998. Some dictionaries and other language related products still exist, little else. E-books have not gained a foothold in the Swedish market.

There is one alternative publishing format that has been a success the last two or three years: more and more people are listening to books. In just a few years the numbers of titles has increased dramatically, and sales have multiplied through retailers and clubs.

Relationship to authors

The cooperation between the Swedish Publishers Association and the Swedish Writers' Union dates back to a standard agreement which was established in 1947 in the Nordic countries. It was replaced in 1980 by the general agreement for publishing contracts between author and publisher, signed by the Swedish Publishers Association and the Swedish Writers' Union.

The general agreement naturally did not take into account the rapid development in digital and electronic (CD-ROM, Internet) communication possibilities which have come to influence the publishing of works of literature. It has also been urgently felt to make a linguistic and terminological revision to the agreement. In the beginning of 1995, while the agreement from 1980 was still valid, the Publishers Association invited the Writers' Union to negotiations about fundamental questions of mutual interest.

The publishers maintained that an agreement must take into consideration the interest of the publisher to be able to publish a work in any format demanded by readers and buyers, while at the same time preventing a parallel publishing which would be a direct competition. This must naturally be balanced by the interest of the writer to be in control of the use of the work, and to receive remuneration for sales in different formats, and to be able to regain the publishing rights once the publisher has ceased to practice his/her publishing measures.

In September 1995 the publishers cancelled the agreement, which thereby expired in February 1996. For several years thereafter the parties tried to no avail to reach a new agreement. This has caused no great problem for publishers in their relations with authors.

Swedish authors have traditionally been loyal to their publishers. If and when they have shifted it has only very rarely been solely because of financial reasons.

Since literary agents started operating on the Swedish market this has started to change. During the nineties writers have started to employ agents in order to take better advantage of their positions in relation to publishers. The most important result of the agents' activities so far has not been to make authors change publishers to get higher advance or royalty, but rather to get better deals for film rights, translation rights and the signing of other incidental earnings.

In answer to the increased use of agents the big publishers have strengthened their own efforts in this area. Norstedts founded PAN Agency in 2002 and in the fall of 2003 Bonniers created a similar organisation.

A strong industry

In 1973 the Publishers Association started producing annual statistics regarding publishing and sales of books in Sweden. It includes only the members of the association. For publishers outside of the Publishers Association no official statistics exist. The Publishers Association

use their figures to make estimates for the whole market. These estimates are based on the assumption that the members of the Publishers Association make up 75% of the sales of general trade books. (This estimate has been debated but not seriously questioned.)

According to the figures for 2002 (the statistics are published in June for the previous year) the total sales of books (general trade and schoolbooks) are estimated to have been SEK 5,600 million in consumer prices (exclusive of VAT). Schoolbooks made up SEK 1,360 million and trade books SEK 4,240 million.

For trade titles this means an increase in fixed prices since 1973 of 70%. The sales in 2002 received a considerable boost thanks to the lowering of the VAT from January 1. Publishers' sales to bookstores and wholesalers increased by 20%.

During the 30-year-period sales have continually increased in both SEK and the number of copies. In 1973 the members of the Publishers Association sold 21.4 million copies all together, and in 2002 they reached an all time high of 35.6 million copies. The increase includes both new titles and backlist. The growth has been stable over the entire period, albeit not as steep in the late 1970's and at the start of the 1990's.

The publishing of children's books has increased over the whole period, but the curve is a little uneven. Sales have risen steadily, with a slight downturn in the mid-nineties. For fiction the number of titles published has been rather stable at 1,200 per year since the mid-eighties. Paperback publishing has gone up drastically since the mid-nineties, one reason being the quicker launching of paperback editions.

For non-fiction there has been an increase in publishing over the 30 years, with a minor decrease in the years 1998-2001. The average edition has gone down from 10,000 copies in the early part of the measured period to 6,200 copies in 1998. It has since gone up again (to 8,400 copies in 2002). In the mid-nineties there was a slight decline in the sales of non-fiction, but it has gone up annually since 1998.

The long-term trend is an increased profitability. Market orientation and financial control has gradually helped improve the publishers' position and facilitated long range planning and structural changes. Publishers have also improved their print run decisions, which explains why their stock has decreased by 30% (in number of copies) since the early 1980's.

As was pointed out at the beginning of this chapter the number of publishers has gone up since 1970. The number of mid-size companies however has gone down, as in many other industries, often because of buyouts or mergers. This is not due to any industry specific condition, but related to general economic factors.

Obviously the concerns that many people had regarding the publishing industry and its deregulation were unwarranted. Not only are there still small publishers, but there are new ones coming along. Publishing has increased and few readers can claim that there is a shortage of books in Swedish. Book categories which have disappeared – like multi-volume encyclopaedias – were hit not only by free pricing, but also by new technologies and by the fact that they depended on sales methods which have become obsolete.

6. Government subsidies to the book industry

In 2003 the total government subsidies to the book industry were SEK 100 million, which corresponds to about 2% of the total book sales (consumer prices, exclusive of VAT). Despite the small sum the subsidies have undeniably been important to guarantee a broad publishing of general literature, and to support a wide network of bookstores.

” Literature is created by independent authors. It is published, marketed and sold on commercial grounds, primarily within a system of free enterprise. ”Thus spoke a social democratic Minister of Culture in 1984, and that attitude has characterised government policies vis-à-vis literature during the past 30 years. Governmental involvement should stimulate cultural activities, not regulate them.

Publishing subsidies

The subsidies for publishing were introduced in 1975. Decisions are made on a title by title basis after the books have been published. Recipients get a standard amount related to the size of the book. Decisions are based on literary quality, and commercial success or failures are not taken in account. The subsidy covers different literary categories, fiction and non-fiction, children’s books as well as books for adults, and literature in immigrant and minority languages. The subsidy still exists.

The credit subsidy that the Swedish parliament also decided on in 1975 in support of small publishers was cancelled in 1992/93, when it was no longer deemed to be of any cultural importance.

In 1976 *En bok för alla* (A book for everyone) was founded. It is a subsidised project to publish mass-market paperback editions of both light and heavier literature. The project is still running, and the books are sold through several different channels.

Booksellers’ subsidies

The Swedish Parliament decided on a credit subsidy for booksellers in 1976/77. It was aimed primarily at full service bookstores in small and midsize towns, with no competitors. The loans or guarantees were meant to finance store development and inventory investments. The government loans were to be complemented by loans or surety from *Bokbranschens Finansieringsinstitut* (The Book Trades Financial Institute) a subsidiary of the Swedish Publishers Association. The subsidy which had also come to be important for ownership changes was cancelled in 2002. The year before the subsidy totalled SEK 9 million.

In the 1990’s the subsidy for computer based catalogues made it possible for smaller bookstores to use the book trade’s computer based catalogues and order systems, in order to provide better service to customers in small remote towns.

Distribution subsidies

The government has over the years provided smaller subsidies to support distribution of books to the bookstores. During the last ten years of the general trade agreement the subsidy covered the discounts which booksellers received on subscription titles. This disappeared in 1992 when the general trade agreement was cancelled. In 1999 another subsidy for distributing titles which had received publishing subsidies was introduced. It was cancelled already in 2002.

For small bookstores, alone in their markets, there is an assortment subsidy, for purchasing a broad selection of general literature. This accounts for a tiny sum of money, and it is paid to booksellers who make up a very small market share, but for those who receive it (and their customers) this subsidy is very important.

Subsidies to promote reading

The government tries in different ways to fund projects that promote reading, especially among children. In 1997 a subsidy was decided for purchasing literature to school libraries. The government also helps fund the annual children's book catalogue, which is distributed in half a million copies to libraries, schools, day care centres etc.

Value Added Tax

From a government point of view the decision in September 2001 to lower VAT on books from 25% to 6%, effective from January 1, 2002, was seen as a subsidy to the book trade.

Government subsidies for books in 2003 (SEK millions)

Publishing and distribution of literature	45.7
Purchasing to school libraries	29.0
Reading promotions	6.8
A book for everyone	10.2
Translating Finnish non-fiction to Swedish	0.1
Assortment	4.1
Prize dedicated to the memory of Astrid Lindgren	5.0
Sum Total	100.9

7. VAT on books

The predecessor to VAT was introduced in Sweden in 1960. The rate was 10%. It has been increased several times, and since 1996 the general rate is 25%. VAT on food is only 12%, and there is what could be called a "cultural" VAT of 6%. Until 2001 this covered for example theatre, opera, movies, concerts and newspapers. For books and magazines the rate was 25% (some journals were exempted from VAT).

Beginning in the early seventies the book industry has always claimed that it is unfair to have different VAT rates for the written word. Compared to other countries in Europe the Swedish VAT on books was for many years exceptionally high. No other country, except Denmark, levied full VAT on books.

Starting in 1998 the work within the industry was intensified to promote lowered VAT for books. The Publishers Association was the instigator, but many other parties joined in, and the campaign covered several fronts.

Reports

A commissioned report by two economists showed that the price elasticity for books most likely is at least -1 . This means that if price is lowered by 15%, sales will increase by at least 15%. The report also found that the competition in the free market would guarantee that a lowered VAT would fully be passed on to consumers. A later report came to the conclusion that a lowered VAT would cost the state no more than SEK 600 million in lost tax revenues. That was considerably less than estimated by Kulturrådet (Swedish National Council for Cultural Affairs), which had made a calculating mistake about the municipalities' book spending. The Publishers Association also stood behind a report on ways to measure the development of book prices. This was important since some politicians claimed that a lowering of the VAT would only lead to improved profit margins for publishers and retailers.

Lobbying

The parties of the industry worked intensely to inform politicians and bureaucrats involved in cultural issues about VAT. On World Book Day events were organised in bookstores and libraries to show consumers what a lower VAT would mean. In those events a lot of well-known writers also took part.

The arguments

The main reasons for lowering the VAT were:

1. Lower VAT will lead to higher sales, thus making books more available – also for people with poor reading habits.
2. It is unreasonable and unfair that the written word has different tax rates.
3. Many other arms of culture already have the lower VAT.
4. VAT on books in most other countries within the EU is not higher than 10%.
5. As an increasing number of books are ordered from Internet services abroad, the high VAT makes it hard for Swedish dealers to compete.
6. A question about education. As all students pay for their textbooks out of their own pockets the VAT becomes a tax on education.
7. A question of democracy. All members of society have a right to learn, to take part in public debate and to make their voices heard.

The decision

In the fall of 2002 the social democrats and their supporting parties came to an agreement about the budget for the following year. The 6% VAT rate on books and magazines was part of the agreement, motivated by cultural reasons. The new VAT would lead to lower prices and increased sales. Thereby more people would read more books.

The new VAT rate was applicable to printed matters, cassettes and other media that present books in spoken form, as well as products aimed at the blind and at people with other reading impairments.

The effect

Lowering the VAT from 25% to 6% means a price reduction of 15.2% (125 minus 106, divided by 125 equals 0.152). In 2002 prices in the bookstores fell by 15.9% and in the book clubs by 20.4%. Thus the lower VAT was even better for consumers than anybody had expected. Prices will be monitored for another three years.

Publishers' sales increased substantially in 2002 according to official statistics, 16% all together. Sales to booksellers and wholesalers increased by 20%. The book clubs sold more per member than the year before.

It is still too early to be certain that the lower VAT has had a lasting effect on reading. This is of course what everybody concerned hopes. It seems very probable that an increased number of books, in wider circulation among people will lead to more reading by more readers, but the effect and correlation are hard to measure. A strong focus on books in society, lower prices and many points of sales should help push the development in the desired direction.

Representatives for the industry have always maintained that the lowered VAT will not immediately lead to more reading. Other measures to promote reading are needed as a complement.

It can already be stated without any doubt that reducing the VAT was a beneficial reform. It benefits all parties in the book production chain, from writers to readers, and it benefits society as a whole by stimulating reading, learning and education.

8. Reading and new media

In the mid-1990's some observers were certain that the era of printed media would soon come to an end. They envisioned that newspapers, magazines and books would be read on computer screens via the Internet and be listened to via CD. The e-book faced a brilliant future. The big publishers were quick to form e-book departments, but after almost a decade producers and consumers are still reluctant to adopt this device. In Sweden where more than 70% of the population has access to the Internet it is not the e-book that flourishes but the printed paperback!

Media consumption – stability and change

During the past decade new media have come along without the traditional media losing ground noticeably. At the same time the total time for media use has increased somewhat, which means that the average time spent on each media has gone down. In 2002 the total time Swedes each day spent using media was five hours and 51 minutes, in 1979 it was five hours and 21 minutes (several media could be used at the same time). This during a period which is characterised by dramatically increased media offerings.

The media most people used an average day in 2002 were TV (85%), newspapers (82%) and radio (79%). This corresponds well to the numbers for the past decade. Close to 40% of all people between 9 and 79 years of age said they read a book during an average day in 2002. In 1979 it was 30%. Although this fell far below watching TV or listening to the radio, more people read books than used the Internet or watched video on a given day in 2002. The time-spent reading has increased by a couple of minutes in 20-year-perspective.

Book reading

Four Swedes out of ten are daily book readers, and six out of ten read books every week. All studies of reading habits show distinct correlation between reading habits and sex, age and education. More women/girls than men/boys read books, more younger than older people, and more with a higher education than lower. 46% of women read a book on an average day, only 30% of men do. It is hardly surprising that children of school age read more than adults. Among adults reading declines with age. Among people with higher education almost half, 49%, read a book on an average day, but only 23% among people with lower education. Only 4% say that they listened to book (CD or cassette) on an average day.

One explanation for the Swedish reading habits is the tradition. High reading ability, strong newspapers and libraries in most every municipality are others. In addition people's basic habits change very slowly.

Time spent reading

The total time spent using media is almost six hours on an average day. Total time means the sum of the self estimated time used for each media, and the measure does not take into consideration that several media could be used at the same time.

Time spent using printed media – books, newspapers, and magazines – takes almost 20% of the media time. Books and newspapers are the printed media, which claim the longest time, 21 and 28 minutes respectively. The total media time increases with age. Children spend slightly more than four hours using media, while old age pensioners spend seven hours. Total media time differs very little between men and women.

Reading time among book readers

Reading time among book readers is almost 60 minutes (on an average day). Reading time is fairly stable over time, but varies between different groups of the population. It is especially obvious when comparing age groups: people 15 to 24 years of age and pensioners spend more time reading than others.

Reading by type of literature

Close to half of the book readers read fiction and/or children's books during an average week. The reading of fiction is much more prevalent among women than among men. It is notable that fiction is read by women, girls and among those with higher education, and much less among men, blue-collar workers, pensioners and students. In 2002 as many women as men read non-fiction. Higher education strengthens the habit of reading both fiction and non-fiction.

During the last couple of years the reading of fiction has increased noticeably – this is true for almost all groups - while the reading of non-fiction shows a tendency to decrease. The interest in non-fiction declines with age, while the reading of fiction is more stable. In 2002, 87% say that they have read for pleasure, while 20% have read for school or work.

Swedes read books for other reasons than school or work, i.e. spare time, much more than people in other European countries, according to an EU Commission study of cultural habits: 71% in Sweden, 66% in Finland, 63% in Great Britain, 55% in Denmark, 40% in Germany, France and Spain, and 23% in Belgium. Swedes also read more books for pleasure – 28% say that they have read 13 books or more in a year – while the EU average is 19%. Also when it comes to reading school- or textbooks and work related literature Swedes score above the EU average.

Buy or borrow books?

Half of those who have read a book during the past week say that they have bought them, 34% have borrowed books, and 19% have got them some other way. Over-the-counter sales in bookstores have increased slightly over the past five years. Buying fiction is more common than non-fiction, while the borrowers are evenly split between fiction and non-fiction. The role of the libraries has declined somewhat in the past few years.

One out of seven book readers have received it as a gift, and almost as many have borrowed from a friend. Slightly fewer have bought it from a club.

Book reading and the Internet

Using the Internet has increased more rapidly among book readers than among others, this is especially true for those who read both fiction and non-fiction. These people are the younger and better educated, the Internet pioneers. The general pattern is that there is a positive connection between reading and using the Internet. This is true for newspapers, books and journals, but not for magazines. The pattern is more obvious for non-fiction than for fiction.

People who have used the Internet on an average day have spent more time than others reading a book, watching video or listened to a CD. But they have, compared to non-users of the Internet, not listened to the radio or watched TV.

This chapter is based on *Mediabarometern* (the Media barometer), a survey of media use 1979-2002. The object of the survey is to find out what part of the Swedish population on an average day each year have been exposed

to different media: radio, TV, text-TV, video, movies, theatre, audio cassette, CD, book, morning paper, evening paper, magazine, journal, advertising and Internet. The purpose is to be able to describe trends and changes in people's media usage. The survey is done by telephone interviews with a random selection of the population between 9 and 79 years old. Nordicom at the University of Gothenburg is responsible for the survey, which has been carried out annually since 1979.

9. The future of the book industry

To sum it up the changes that have taken place in the book industry during the last 30 years can be described using five variables. What the future is going to be like depends probably on how these variables change in the years ahead.

- 1. Changes in laws and regulations.** Fixed prices disappeared in 1970, after two decades and some turmoil the general trade agreement was abandoned in 1992, and in 2002 VAT on books was radically lowered. Today the book industry is governed by the same laws and regulations as other industries. No major changes are expected.
- 2. Demand.** The development has been good, and it is expected to stay that way.
- 3. Supply.** The publishing of books has not only increased, but shows width, variation and innovation. Improved use of new technology could lead to better understanding of sales potential and customer behaviour. This could mean a narrowing of supply. The argument against this is that books are selection goods, and buyers want a wide range of books to choose from.
- 4. Structure.** The publishing industry has seen the same structural changes as other industries: the big have grown bigger, the small are more numerous, and those in between are in difficulties. For booksellers the pressure for development has been weaker (and came later) than in other industries. The coming years will most likely bring about changes in the retail structure, with new views on product mix, sharper concept profiles, improved analysis tools, and more sales related marketing contributions. The publishers' structure will remain, with increased internationalisation.
- 5. New technology.** Thus far new technology has affected working procedures more than it has products. This development will most probably continue: the production process becomes more efficient; the distribution process will be simplified (and thus cheaper); improved information management creates better analysis of customer behaviour, profits and marketing. The Internet trade will keep growing, as will the substitution competition between books and electronic media. On the other hand there is a complementary relationship: new technology requires printed books; and the role books play to deepen our knowledge and to widen our perspectives will become more important.

About this report

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The original version was written by: Johan Svedjedal (chapter 1), P Jonas Sjögren (chapters 2, 3, 4 and 5), Jonas Byström (chapter 4), Jonas Hehrne (chapter 5), Thomas Rönström (chapter 6), Kristina Ahlinder (chapter 7), Ulla Carlsson (chapter 8) and Bengt Brodin (chapter 9).

Condensation and translation: P Jonas Sjögren
Linguistic check-up: Karl-Erik Widlund and Eric Kinrade

The Swedish Booksellers Association

.
SE-103 29 STOCKHOLM
Telephone: +46-8 762 7820
sbf@booksellers.se

The Swedish Publishers Association

Drottninggatan 97
SE-113 60 STOCKHOLM
Telephone: +46-8 736 1940
info@forlaggare.se