

Booksellers adjust to shift in Germany

By Carter Dougherty

FRANKFURT: When the giant book retailer Thalia announced plans to build a massive store near his, Eckhart Schlapp made the difficult decision to throw 170 years of independence overboard in order to compete.

His bookstore, H.L. Schlapp, had sold to residents of Darmstadt, a university town dotted with Art Nouveau architecture, novels and nonfiction since 1836. But the coming of Thalia convinced Schlapp that he needed to get big fast, so he sold the family business to Buch Habel, a larger but still local chain that rechristened its flagship store downtown Habel & Schlapp.

"I am utterly convinced that Darmstadt was simply not large enough for three major bookstores," Schlapp said during an interview. "If we had simply waited to see what happened, no one would have been left working here."

With a mixture of resignation and cautious optimism for the future, the German book industry is beginning to remake itself under the pressure of a retail market that is consolidating much more rapidly than players and observers had thought possible only a few years ago.

In this respect, Germany is following in the footsteps of Britain, France and the United States, where the desire for diversity in books has met with the reality of ever-larger publishers and bookstores.

Any answer to the question of why Germany has lagged behind its European neighbors in consolidation begins with one word: Buchpreisbindung, a price-fixing regulation.

In Austria, Germany and Switzerland, the book industry benefits from this decades-old practice, last revised in 2002, that requires publishers to fix a single selling price of a book and retailers to sell at that price. With the opportunities for discounting drastically limited, German booksellers have competed on service, while publishers fed a demand for quality literature.

Under this system, small publishers have long been able to survive while printing a bewildering variety of titles in tiny print runs, while cozy stores with book-savvy employees convinced customers to lay out up to €30, or €38, for a new hardcover novel.

But now, the industry's consolidation may be starting to do what the pricing plan was intended to prevent: the neglect of intellectual diversity in favor of profit. Pessimists say the changes shaking up the German book industry will mean fewer titles and more reliance on bestsellers, while optimists

say that big and small players may yet find a way to coexist.

"Every change brings opportunities," said Thomas Bleicher, the director of the publisher Hoffmann Verlag, who heads a group of small publishers within BDH, the German book industry association. "There is the possibility that smaller bookstores can make their name vis-à-vis larger ones, and the smaller publishers get more space in big bookstores. We are looking for the opportunities."

The German book industry — sellers and publishers — grew measurably in 2005 for the first time in five years, registering a 0.9 percent increase in sales to €9.1 billion. With the sunniest outlook in some time, the talk of the industry on the eve of the annual Frankfurt book fair, which opens Oct. 4, is consolidation.

In mid-August, Hugendubel, a retail chain based in Munich, and Weltbild, another major bookseller, announced plans to create a joint venture that would service the 451 stores they both have around Germany. Together, the alliance will rack up yearly sales of at least €672 million, the two companies said, as they create common computer systems and warehousing facilities.

"The partners are going to keep their independence in the operative business, but will also be able to profit from their collective resources," Nina Hugendubel, one of the co-owners of the privately held company, said at the time.

By coming together, the two stores were reacting in part to the rising power of Thalia, the bookseller that convinced Schlapp in Darmstadt to sell.

As it did in Darmstadt, the name Thalia makes heads turn in the German book industry, thanks to its purposeful acquisition and expansion strategy. It leads the German market in sales, controlling 5 percent to 7 percent of a very fragmented market.

Thalia, a unit of Douglas Holding, one of the largest European sellers of perfume and cosmetics, saw its sales rise nearly 20 percent last year, to €461 million, three-quarters of it in Germany. It also acquired a chain of 26 stores in southern Germany, putting its total at around 170 stores.

For German giants like Bertelsmann, one of the largest publishers in Europe, these rising players among booksellers are probably manageable, analysts said. But to small and midsize publishers who see themselves as the heart and soul of traditional publishing, Thalia and the Hugendubel-Weltbild combination look like giants about to squeeze their suppliers.



Alex Grimm/Reuters

When the Frankfurt book fair begins Oct. 4, publishing companies like Knaur, above, will continue to adjust to an industry that is going from rigid to open.

Both Hugendubel and Weltbild have explicitly said that their new venture would not pool their purchasing power to buy books, an assertion that falls on incredulous ears in the publishing world.

"If they really don't want to buy together, then why on earth would they put their businesses together?" said Rene Strien, the director of Aufbau Verlag, a midsize publisher in Berlin. "I'm not sure I believe it."

In times past, Aufbau worked closely with small bookstores that in essence shared the marketing costs of a book by talking it up with customers, while the publisher provided flyers and an appearance at the Frankfurt book fair to promote the book.

The rise of larger players like Thalia is changing this setup, Strien and other publishers said. In order to sell their books to chains, Aufbau finds itself now having to take responsibility by doing things like organizing an author's appearances, staging a grand premiere of the book, or, in one case, designing and producing a flag that will go in each store that sells the book.

"This is a very different kind of partnership," Strien said. "Companies like these are more inclined to dictate to you."

The financial drain means that Aufbau cannot do other things that it once did, notably publish as many books.

Like other small and midsize publishers, it is putting out fewer books — about 300 per year now, down from 360 as recently as three years ago, Strien said.

For an increasing number of publishers the solution is to sell. According to a study by the German agency Cross-Media Consulting, the number of mergers and acquisitions in publishing rose 47 percent last year to 138. Most of them were smaller deals valued at less than €5 million.

"The effect of the market right now is the same as if we were to end the price-setting rules," said Axel Bartholomäus, a managing partner at Cross-Media. "But they do still offer protection from some of the harder aspects of the market."

That fact has probably created some breathing room for people like Schlapp, the bookseller in Darmstadt, to search for creative solutions.

In his case, the bookstore got considerably larger, but since it opened on July 1, it is working to maintain a high-brow profile by holding readings with authors and wooing customers with a sophisticated selection of books.

He did not bury 170 years of tradition — he decided to transform it. Being ahead of history is better than becoming history, he said.

"Making the decision up front," Schlapp said, "was the only way to go."

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