AN INTRODUCTION TO THE BOOK TRADE

A Guide for Retailers and Resellers New to the Book Industry

by Peter Kilborn and Simon Edwards

Introduction

This document is designed to provide information and advice to companies and organisations wishing to trade in the book industry. Its purpose is to make such organisations aware of the structures and systems currently in use in the book trade and to discourage, when possible, the implementation of unnecessary new processes as an alternative to solutions which may already exist and be in wide use.

Contents

1.   Profile of the industry and the role of BIC

The book industry is big. Publishers' sales in 2008 amounted to nearly £3 billion, around two-thirds in the UK market and one-third export, comprising 855 million units. Broadly this breaks down to 55% consumer books and children's, 28% academic and professional, and 17% educational and ELT (English language teaching). In addition it is a major earner of foreign currency through the sale of publishing rights around the world.

As in most businesses there has been considerable consolidation and conglomeration in the last decade. There are now five major publishing groups: Hachette UK, a subsidiary of the French Lagardere media group; Random House, a subsidiary of the German Bertelsmann

organisation; Pearson (comprising Penguin Books and Pearson Education); HarperCollins, part of News International; and Macmillan, which is owned by the German von Holtzbrinck group. Other significant players are (in the consumer business) Bloomsbury, the publisher of the Harry Potter books, and, on the academic side, the Oxford and Cambridge University Presses, McGraw-Hill, Wiley, Elsevier and Taylor & Francis.

Almost all of these companies have their own sophisticated and well-resourced distribution facilities; and most of them also handle distribution, invoicing and credit control for numerous smaller unrelated publishers, making for even more significant concentration in the supply chain.

Their customers typically include the two major UK retail chains, W H Smith and Waterstone's, both with their own centralised distribution arrangements, amazon.co.uk and other online booksellers, the two general wholesalers Bertrams and Gardners which supply much of the independent book trade – but increasingly a range of customers outside the traditional book trade such as supermarkets or generic online retailers.

Bertrams and Gardners both also offer distribution services to small publishers.

The book trade has a strong track record of innovation in the supply chain. The ISBN (International Standard Book Number) was the first product identifier anywhere in the world and for that reason had to be accommodated within the wider EAN system when it came along afterwards. Teleordering, an early form of EDI, has been in existence for thirty years; and more conventional EDI has been widely embraced among the larger trading partners. More recently Batch.co.uk, an enterprise of the Booksellers Association, has enabled consolidated handling of booksellers' financial dealings; and Nielsen BookScan collects data from EPOS systems in more than 90% of retail outlets which sell books. Centralised dissemination of complex product information to retailers is also highly developed.

All this is not a justification for doing things in a 'book trade' way, but illustrates that the book business is a forward-looking, professionally managed and well-structured operation. Compliance with book trade standards and processes will undoubtedly make dealing with publishers a lot easier.

Responsibility for book trade standards lies principally with an organisation called Book Industry Communication (BIC)[1], an independent body set up by the publishing and

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[1] www.bic.org.uk

bookselling trade associations. BIC's work is focussed on EDI, maintaining messaging standards for the book supply chain; product information, promoting the international ONIX communication formats; and supply chain applications such as identifiers, bar coding and radio-frequency ID. Almost all the major book trade companies are members of BIC and participate in the development and promotion of relevant standards. BIC is a member of GS1 UK and works within the GS1 standards portfolio.

Publishers do not manufacture their own products: they contract out printing and other services to specialist suppliers. Although a large number of books produced are delivered to publishers' distribution centres, it is an increasing trend for new titles to be shipped direct to major customers or shipping agents by printers. For slower-selling titles, publishers often resort to print-on-demand technologies which allow a single copy of a book to be printed from a digital file: in such cases it is customary for the book to be supplied direct to the end customer, either from the printer, one of the general wholesalers mentioned above, or by those distributors which have installed print on demand capacity themselves. These supply routes present unusual challenges for the electronic transactions which are the norm in the industry.

Although retail price maintenance by publishers on books became outlawed in 1997, the tradition of a recommended retail price remains entrenched in the industry. This is mostly because authors are generally paid a percentage of the published price rather than of received revenues on their books when sold; and books are therefore normally supplied at a discount from the recommended price. For consumer books, it is customary for the UK price to be printed on the cover of the book (even though retail discounting is of course common).

Unsold books can normally be returned for full credit after a period of sale subject to agreement with the publisher in question. The Industry Returns Initiative (IRI) – though not yet universally adopted - is a standard process in the book industry which enables authorisation to return to be requested and given electronically, subject to certain agreed terms and conditions, by most of the major distributors.

For more information, go to http://www.bic.org.uk/25/Introduction-and-Background/ and http://www.bic.org.uk/26/Technical-and-Procedural-Documentation/.

Finally, remember that books are zero-rated for VAT. However, this does not apply to electronic books or books which contain an electronic component (e.g. a book and CD-ROM package). Almost all retailers therefore have to be able to manage and account for VAT.

2.   Identifiers and bar codes

As mentioned above, the International Standard Book Number (ISBN) is the book industry's standard identifier, universally adopted and used for all electronic trading and much else besides. Originally devised as a 10-digit number, identifying within the 10-digit string language and publisher as well as the product itself, it moved in 2007 to a 13-digit format consistent with the EAN13/GTIN13 numbering system used for other products. Although still maintained outside the GS1 framework by the International ISBN Agency and retaining its original structure, it is in practice interchangeable with other item identifiers. All ISBNs issued in the UK are currently prefixed with 978 (though the 979 prefix has been made available for future use).

The structure of the ISBN is as follows:

Digits 1-3: 'book' identifier prefix (currently 978)
Digit 4: language group (English language either 0 or 1) assigned by the UK ISBN Agency
Digits 5-11: variable length publisher ID assigned by the UK ISBN Agency
Digit 7-12: variable length product ID assigned by the publisher
Digit 13: validating check digit

For more information go to www.isbn-international.org or www.isbn.nielsenbookdata.co.uk.

Bar coding
The change in the format of the ISBN merely rationalized existing practice since the book trade has for many years used the 978 prefix (by special agreement with GS1) to create EAN13 barcodes, which appear on the back cover of all books as a matter of commercial necessity. Although it is possible to include price and other information in the bar code, in practice just the ISBN is encoded and the price discovered by look-up functionality in EPOS systems.

The book trade uses a number of standard GS1 bar coding applications in the warehouse and distribution, including the SSCC (Standard Shipping Container Code) as part of the advance shipping notifications (ASNs) increasingly required by customers.

Location numbering
The other core trading identifier is the Standard Address Number (SAN) which identifies the location of trading partners. This 7-digit number is interoperable with the 13-digit GS1 GLN (Global Location Number) used in EDI; and the UK SAN Agency, run for BIC by Nielsen Book, supplies interchangeable SAN and GLN numbers as a matter of routine.

For more information, go to www.san.nielsenbookdata.co.uk.

3.   EDI and systems

EDI (Electronic Data Interchange) is the electronic exchange of business messages between trading partners from computer to computer without human intervention. EDI and more generic any-to-any electronic communication are widely used in the book trade to communicate business messages such as orders, invoices, requests for returns authorisation, and so on. In order to achieve consistency in EDI messaging and to ease implementation, the book industry has developed book-specific EDI standards and user guidelines and, to some degree, its own networks. It should be fairly straightforward for a new entrant to contact a chosen trading partner, find out over what network and in what format that trading partner currently exchanges EDI messages, and then to set up its own systems to take part in these exchanges.

BIC is responsible for maintaining standards documentation and code lists for the Tradacoms format, which is the most widely used EDI format in the UK supply chain; and for UK implementations of EDIFACT and input to international maintenance. Members meet regularly to discuss and agree changes and clarifications to these formats; and this is an essential forum for users. The Tradacoms book trade specifications are password-protected on the BIC web site for the benefit of its members.

The EDI messages in general use in the book supply chain are as follows:

- Orders

- Order acknowledgments identifying items which cannot be supplied

- Electronic delivery notes (not universally used; replaced by invoices for some customers)

- Invoice

- Credit note

- Statement and remittance (not widely implemented)

- Price and availability update

- Returns authorization request

- Returns authorization

- Returns confirmation

For more information go to http://www.bic.org.uk/14/EDI-Implementation-Guidelines/.

Networks and other communication protocols

The most widely used value-added network specifically tailored to the book trade is provided by Nielsen Book, using the GXS network and Nielsen's own proprietary network. However, there is a growing trend towards using FTP over the internet as a cost-saving alternative; and a number of customers are exploring the possibilities of AS2 to provide added security to internet traffic.

XML EDI and web services

Whilst EDI is strongly entrenched in the UK book trade, some newer applications are being addressed using book trade XML formats under the 'brand' EDItX. These have been developed by EDItEUR, the international book trade standards body, with input from BIC and the Book Industry Study Group in the US and cover all the routine transaction messages, as well as more specialized documents such as the Printers Delivery Advice message (printers' ASN)[2].

For more information go to http://www.editeur.org/88/EDItX-Overview/.

These EDItX messages are also being used as payload for a series of web service standards which have been developed by BIC. It is believed that the opportunities presented by web services for real-time transactions will eventually erode the dominance of batch EDI.

For more information go to http://www.bic.org.uk/21/Web-Services/.

Distribution systems

Most distributors use book-specific fulfilment and ERP systems, of which there are a number available, and the dominant system in use by most of the major distributors is called Vista, a product of Publishing Technology plc. The Vista system has been installed and upgraded widely across the industry over the past 25 years and there are therefore many different variants of the core system in use, some of them incorporating local enhancements or modifications. One notable feature of many Vista implementations is that it produces invoices before the books are picked: any shortages found on actually picking the books in the warehouse are resolved in most cases by crediting and re-invoicing the entire order.

Most publishers have tended to adopt a 'best of breed' policy in their IT spend, investing in specific modules from a variety of systems suppliers appropriate to particular business needs.

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[2] http://www.bic.org.uk/22/Publisher-Printer/

4.   Product data and the role of Nielsen Book

The total annual output of the book industry is well in excess of 100000 titles. This dwarfs the number of products most supply chains have to deal with; and poses a massive challenge for the accuracy and availability of product information to retailers and others. Not only is the volume of titles enormous but the complexity of the individual products is such that huge amounts of information about them has to be stored and disseminated. Just the changes in price and availability for published titles give rise to literally millions of changes to industry product databases every month. Keeping control of this information, even for a smaller number of products with much simpler characteristics is now accepted to be one of the most pressing requirements for supply chains and is particularly important for online retailers; and for that reason BIC has been committed to raising the profile of product information with publishers over the past decade. The BIC Basic standard[3] is a core list of data elements which should be present in all product records. At a more sophisticated level, the book trade has developed an international XML-based messaging standard called ONIX[4] (Online Information Exchange) which enables publishers to provide their trading partners with detailed product data and availability information in a consistent format for quick and easy ingestion.

Nielsen Book
This degree of complexity is partially resolved in the UK by the central role played by Nielsen Book, a data aggregator which is part of the wider Nielsen organisation, the market research and measurement specialists. Nielsen receives title information from publishers, mostly in the ONIX format, and supplies it to retailers and others in consolidated form, either as part of its standard product offering or in a bespoke feed. Because Nielsen also runs the UK ISBN Agency, it is able to provide a comprehensive record of all the titles to which ISBNs have been assigned; and it can offer price and availability information on most titles on the basis of daily information feeds from the major distributors.

For more information go to www.nielsenbookdata.co.uk.

Nielsen BookScan
Apart from this service, Nielsen also offers a book trade sales data monitoring service (Nielsen BookScan) which collects information from booksellers' EPOS systems and supplies it to booksellers and publishers, as well as other organisations in the media such as newspapers wishing to feature bestseller charts. BookScan's TCM (Total Consumer Market) accounts for more than 90% of books sold in the UK and collects unit sales and

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[3] http://www.bic.org.uk/17/BIC-Basic/

[4] http://www.editeur.org/83/Overview/

unit value by ISBN. This information is processed in a number of ways: for bespoke reporting, identifying genre trends, monitoring channels to market, and so on. BookScan data is used by booksellers and publishers to monitor how well books are selling against the market and for analysis, e.g. to decide on the appropriate price point for a new title. Some large publishers use BookScan in increasingly innovative ways to understand the market, identify new publishing opportunities or to analyse problems with distribution performance.

For more information go to www.nielsenbookscan.co.uk.

Nielsen BookNet

Nielsen BookNet offers a range of EDI services to both the UK and export markets, including the value-added network used by chain booksellers and major distributors and Teleordering, the original order routing service which enables booksellers to compile a file of orders for electronic distribution to virtually all UK distributors, publishers and wholesalers, saving them the need to look up each book and send orders individually.

For more information go to www.nielsenbooknet.co.uk.

PubEasy/Bowker

Nielsen's international rival, the US-based Bowker, also collects data from UK publishers for its Global Books in Print database; and this data is used – among other things - for its PubEasy service which is subscribed to by many of the major distributors. This is a free online portal for booksellers enabling electronic access to major distributors with a standard online interface. Booksellers can check price and availability and place an order, check and cancel outstanding unfulfilled orders (known in the book trade as dues or back orders).

For more information go to www.pubeasy.com.

Standard subject classifications

BIC maintains the book industry's standard subject categories scheme, which is used as the basis for analysis in Nielsen products and for mappings to individual retailers' shelving and online catalogue schemes. This is in use in the UK, Australia and many European countries and operates in parallel with the equivalent BISAC scheme used in North America.

For more information go to http://www.bic.org.uk/7/BIC-Standard-Subject-Categories/.

5.   Batch.co.uk and Batch Returns

Batch.co.uk is owned by The Booksellers Association (BA), which is the booksellers' trade association. It is effectively a web-based clearing house which aggregates book industry payments and other financial data into a single feed for stock control systems and accounts packages, enabling straight through processing, and so removing the need for manual inputting. This saves booksellers having to make separate payments to the many publishers who supply them. Instead, Batch collects payments monthly by booksellers' direct debit; and at the end of the month it outputs these payments to the publishers, again with one transaction. Automated uploading of remittances and other efficiencies such as dealing with delivery claims are also features of this service, which is free to bookseller members of the BA.

Batch.co.uk also provides the book trade's portal for the Industry Returns Initiative. Booksellers can use the Batch Returns web site to enter the ISBNs of titles they wish to return and receive authorisation by the same means. Authorisation, which is typically available within a few hours, includes the value at which the returns will be credited and the ability to print request-specific barcoded address labels, as well as the reasons why any authorisation has been withheld. This service is also free to booksellers.

For more information go to www.batch.co.uk.

Book Industry Communication
39/41 North Road
London N7 9DP
Telephone: 020 7607 9021
Email: info@bic.org.uk
www.bic.org.uk
www.e4books.org
Contact: Peter Kilborn