

Independent Canadian Booksellers Association discussion – 2020

Prepared by Doug Minett

Date: 10 May 2020

Background

Canadian Booksellers Association (CBA) history 1952-2009:

The Canadian Booksellers Association (CBA) was founded in 1952 as an organization to promote and advocate for Canadian booksellers. CBA's governance was through a national board of bookseller (independent and chain) representatives. Affiliated and associated book industry stakeholders such as publishers and authors were also eligible to join as affiliate/associate members. CBA's activities were administered by an executive director and small staff to oversee various association functions which included: advocating in public policy forums at the direction of the board and on behalf of the membership, overseeing the annual *Libris* awards, producing *The Canadian Bookseller* magazine, managing the annual trade show and membership activities as well as coordinating board meetings and other general administrative activities. CBA's financial model relied on membership dues (see final 2009 fee schedule in appendix), advertising revenue from *The Canadian Bookseller*, sales from *Booksellers Service House* retailing merchandise, occasional Department of Canadian Heritage (DCH) and Canada Council (CC) support, and – most importantly - net revenues from the annual CBA trade convention.

CBA Trade Convention history:

The annual multi-day convention served as an essential source of funding for the organization as well as a meeting place for the entire industry. Publishers, distributors, sales agencies and booksellers paid fees to attend the private industry fair. The primary functions of the convention were for booksellers to pre-order fall releases as well as special offers from suppliers' and to attend and participate in professional development breakout sessions. The conventions featured mealtime presentations by authors, and publishers and a final dinner with presentations of annual awards presented by publishers (to booksellers) and by booksellers (to publishers). The conventions were hosted in various cities (Quebec City, Vancouver) but mainly in Toronto.

RCC-CBA 2009-present:

When CBA was faced with insolvency in 2009 largely as a result of the demise of the annual trade convention, the Retail Council of Canada (RCC) was approached to absorb CBA into its general retail activities. RCC-CBA ongoing bookselling specific activities currently include an annual *Canadian Independent Bookstore Day* (formerly known as *Authors for Indies*) and providing some ongoing *Booksellers Service House* merchandise. RCC-CBA also provides general retail business association supports such as general public policy business advocacy and buying group discounts for such things as credit/debit card processing (Chase Merchant Services). RCC-CBA shares no functional or philosophical resemblance to its bookselling focused predecessor.

Exploratory Committee spring 2018:

In the spring of 2018 an *ad hoc* group of approximately 20 independent booksellers met several times to consider the possibility of forming a new Canadian independent booksellers association to fill the bookselling institutional vacuum left by the absorption of CBA into RCC. The vast majority of the group had 20+ years of bookselling experience. The discussions in the 2018 ran the gamut from specific bookselling business concerns to the institutional challenges of launching and operating a successful trade organization. Discussions captured a long list of issues that included: retail business environment, regional supply chain issues, challenges of library sales channel, retail competition from suppliers, marketing opportunities, and desire for professional development and networking opportunities. The institutional questions raised include the challenge of fixed overhead and staff costs and what funding streams could be tapped to help underwrite an association. There was also discussion about collaboration with other Canadian book industry associations, regional Canadian bookselling associations, and international associations such as the American Booksellers Association (ABA). The 2018 Exploratory Committee included the following participants (see appendix).

Bookmanager Academy 2019:

Over the past 30+ years Michael Neill's *Bookmanager* has emerged as the most popular (300+ users) system vendor and service provider for independent booksellers in Canada - with considerable uptake in the USA. From time to time *Bookmanager* has hosted the *Bookmanager Academy* conference for its clients as well as other independent booksellers who wish to attend. *Bookmanager's* fall 2019 conference held in Kelowna, BC was well attended (117 booksellers [72 stores], 42 publisher representatives [23 publishers]) and the program covered a wide range of topics. Although many of the topics predictably focused on *Bookmanager* system tips and best business practices for bookselling, the conference also provided the opportunity to discuss Canadian issues of particular interest to booksellers.

Two linked issues emerged and received considerable discussion: 1) clear evidence of the crucial role that independent booksellers play in the sale of Canadian published books (see *More Canada* report published September 2018) and, 2) the absence of a national independent Canadian bookselling organization to meet the requirements for a funded relationship with the Department of Canadian Heritage (DCH) (see *Canada Book Fund's* (CBF) *Support For Organizations* (SFO)). An informal poll of *Bookmanager Academy* attendees at the end of this discussion showed strong support for a new national independent bookselling association.

Exploratory Committee fall 2019:

Prior to the Giller Prize dinner in November 2019, members of the 2018 Exploratory Committee had discussions with a new exploratory committee participant (Doug Minett) to clarify the key components for a new national bookselling association.

National organization naming options (to date):

- Canadian Independent Bookstore Alliance
 - cibabooks.ca registered by Heather Kuipers
- Indiebooks Canada

- indiebooks.ca registered by Doug Minett

For the purposes of this document iCBA will be used.

Proposed focus for iCBA:

- 1) Improve indie business environment:
 - Provide professional development opportunities (financial, marketing, technology)
 - Regional/National/International networking channel
 - Share best practices
 - Conduct market research
 - Develop/promote national/regional marketing programs
 - Dispense industry materials to prospective indie bookselling entrants
 - Develop marketing and technology policy proposals eligible for *Canada Book Fund* support
 - Support sales of Canadian books consistent with *More Canada* report recommendations
 - Explore buying group opportunities (eg. credit/debit clearance, insurance, etc.)
- 2) Communicate supply chain issues to suppliers for indies of all sizes:
 - Provide forum/conduit for collective outreach with suppliers
 - Customer service
 - Terms of trade
 - Credit issues
 - Marketing coordination
 - Consider/promote regional/national supply chain efficiencies
 - Shipping issues (regional in particular)
 - Return issues (streamlining)
- 3) Liaise with key book sector entities:
 - Booknet Canada (BNC)
 - Association of Canadian Publishers (ACP)
 - Canadian Publishers Council (CPC)
 - Writers Union of Canada (WUC)
 - (other Canadian regional bookselling associations)
 - Department of Canadian Heritage (DCH)
 - (other provincial government and non-government associations)
 - American Booksellers Association (ABA)
 - (other international bookselling associations)
 - Bookmanager
 - (other retail system vendors)

What are the characteristics of Canadian retail bookselling?

The Canadian bookselling landscape includes the following retail channels: comprehensive inventory sold by Indigo associated retail stores and online, comprehensive inventory sold by Amazon online, selected titles sold through big box retail stores, and diverse and individualized inventory sold by independent booksellers – indies.

Why does the indie retailing channel matter?

For publishers and authors: Indie booksellers provide a highly curated idiosyncratic approach to bringing published titles to the public. This inherently independent approach vastly improves the likelihood that diverse titles will find their way before the public – both in terms of inventory on shelves, and with the benefit of specialized marketing programs promoting those titles.

For Canadian publishers and authors and DCH programs: The *More Canada* report provides compelling evidence of the effect of independent curation and marketing. The Indie bookseller channel sells Canadian published titles at a rate that is roughly double the rate of the entire Canadian retail channel. There is also strong evidence that this is also true for indigenous titles.

For Canadian retail environment: Healthy and vibrant retail environments are essential for the neighbourhoods of cities and towns to thrive. The dominant online retail sales channel of *Amazon* has dramatically disrupted the urban and sub-urban retail landscape threatening the social fabric of communities everywhere. The recent renewed focus of indie booksellers on community engagement has served as an important bulwark against the neighbourhood-killing online onslaught. Employment and economic activity remains Canadian – and local.

What are the characteristics of the indie retail sales channel in 2020?

Informal information provided by *Booknet Canada* and *Bookmanager* would suggest that there are approximately 200-250 independent bookstores operating in Canada. Of that number approximately 50% have sales volumes where long-term business viability would appear to be challenging. These businesses are clearly a labour of love or in their infancy and hoping to grow into viability. On the other hand, 20-30% of stores have sales volumes which would suggest ongoing sustainable businesses.

Informal analysis of year over year (2019 vs 2018) sales volume changes would suggest that sales *on average for all indies* were down slightly (low single digits). In 2019 independent booksellers were responsible for book sales of approximately \$79,297,000 – representing approximately 7% of the entire bookselling market sales of \$1,126,562,000.

The collective investment in inventory by independent booksellers represents a considerable investment in Canadian publishing – whether supported by DCH or not. This investment does not come from banks. The capital is primarily private investment by independent entrepreneurs with a component of publisher credit terms. While there are few technical barriers to entry to

independent bookselling, there is considerable inherent business risk. The approximate value of inventory in the indie bookselling channel at the beginning of December 2019 (the highest value week of the year) was \$31,765,000. Approximately \$3,815,000 of that inventory (12%) was from Canadian owned publishers.

This document was originally drafted pre-COVID19 pandemic. All retail sales channels have changed drastically since mid-march 2020. Some indie booksellers have fared well, many have not – but there seems to be general consensus that those who have fared well have strong local ties to their community.

How would iCBA operate?

An important consideration is whether to attempt the creation of a *standalone* organization - or a *co-housed* organization tied to an *anchor institution*. A cursory examination of the costs associated with operating a *standalone* organization - high fixed costs, with limited resources - suggests that this option would be a poor value proposition. The *co-housed* option tied to an *anchor institution* with significant resources (Booknet Canada) would seem to be the preferred option. There will need to be further discussion of *anchor institution* options. The following is one scenario.

Proposal for iCBA:

Membership criteria:

- Members must be independent booksellers - in the process of opening or operating a bookstore with fewer than 10 stores. This would allow for mini-chain booksellers.

Board of Directors:

- Directors for the organization must be independent booksellers as defined above.
 - There should be regional (East/Central/Prairies/West) representation if membership mix allows.
 - There should be bookselling size representation (small/medium/large) if membership mix allows.
 - Election of directors will be by all members subject to the principles described above.
 - The board of directors will meet quarterly.
 - The Board of Directors will select (2) directors to represent iCBA on the BNC board (replacing RCC representatives)

Executive Director:

- The Executive Director will administer the organization as directed by the Board of Directors subject to resource and financial limitations.
- The Executive Director will be responsible for preparing the annual workplan and budget subject to board approval.

Relationship with BNC:

- In order to minimize operating costs while at the same time maximizing utilization of existing shared Canadian book industry investment in BNC resources, IBC will operate

partially under the umbrella of BNC. Where the iCBA mandate diverges from the BNC mandate, iCBA will operate independently of BNC resources.

- For clarity, iCBA administration will always answer to the iCBA board of directors.
- The organization will share office space and have access to BNC staff and technical resources as outlined in a memorandum of understanding (MOU).
- The MOU will detail how the iCBA executive director will collaborate with the BNC president where activities/resources are shared.

BNC related activities/resources:

- BNC Board of Directors representation (2 members replacing RCC)
- Office space (rent and utility infrastructure)
- Technology support
- Research support
- Event support
- Professional development support

Non-BNC related activities/resources

- Budgeting/finances
- Membership activities
- Supplier relations activities
- Marketing activities
- Government relations

Steps to creating iCBA?:

Preliminary discussion with key stakeholders

- BNC board
- BNC executive director
- ACP executive director
- CPC executive director
- Key Canadian publishers
- Key non-Canadian publishers
- DCH policy staff

Survey potential membership

- Survey to indicate/collect response to proposed ***activities*** that membership, book industry partners and government can expect from the organization. These *activities* are essentially *projects* which fit into the *core functions* of iCBA structure.
 - With exploratory committee
 - With others

Discussion regarding financial model (membership + project grant)

- Membership revenue likely to be less than \$90,000 based on 2009 CBA fee structure and current characteristics of independent bookselling. (verified by Bookmanger)
- Discussions with DCH regarding funding:
 - 2 year multiple *project* funding grant (~\$100,000/year)
- Discussions with BNC regarding relationship

Transition from Exploratory activities to iCBA:

- Incorporate as an independent bookselling association
 - Articles of incorporation (legal)
 - Exploratory committee -> Board of directors (founding)
 - Arrange Banking
- Executive director
 - Clarify the key characteristics of Executive Director (see proposed focus above)
 - Negotiate MOU with BNC (clarify proposed relationship with BNC resources)
 - Hire executive director
- Finalize MOU with BNC
- Prepare grant application for DCH
- Seek membership support from booksellers

Appendix

Membership fee structure 2009 for the (now defunct) Canadian Booksellers Association:

Book Sales	Annual membership fee
Less than \$150,000	\$200
\$150,001 to \$300,000	\$250
\$300,001 to \$450,000	\$400
\$450,001 to \$600,000	\$500
\$600,001 to \$1,000,000	\$650
\$1,000,001 to \$2,000,000	\$750
\$2,000,001 to \$3,500,000	\$800
\$3,500,001 to \$7,000,000	\$900
\$7,000,001 to \$10,000,000	\$1050
\$10,000,000 to \$20,000,000	\$1500

Exploratory Committee 2018-2019 participants:

Store Name	Prov	City	Contact
Alpine Book Peddlers	AB	Canmore	Heather Lohnes
Cafe Books Ltd	AB	Canmore	Joy McLean
Audrey's Books Ltd.	AB	Edmonton	Sharon Budnarchuk / Kelly Budnarchuk
Laughing Oyster Books	BC	Courtenay	Evelyn Gillespie
Mosaic Books	BC	Kelowna	Michael Neill /Alicia Neill
Western Sky Books	BC	Port Coquitlam	Tamara Gorin
Black Bond Books	BC	Surrey	Cathy Jesson
Vancouver Kidsbooks	BC	Vancouver	Kelly McKinnon
Munro's Books	BC	Victoria	Jessica Walker
Read & Co Books	BC	Victoria	Heather Read
Whodunnit	MB	Winnipeg	Michael Bumstead
Lunenburg Bound	NS	Lunenburg	Michael Higgins
Yellowknife Book Cellar	NT	Yellowknife	Judith Drinnan
The Bookshelf	ON	Guelph	Ben Minett / Doug Minett
The Bookkeeper	ON	Sarnia	Susan Chamberlain / Julie Hillier-Vrolik
Another Story Bookshop	ON	Toronto	Laura Ash
Bakka-Phoenix Books	ON	Toronto	Scott Dagostrino
Book City	ON	Toronto	Ian Donker
Ella Minnow Children's Bookstore	ON	Toronto	Heather Kuipers
Flying Books	ON	Toronto	Martha Sharpe
Glad Day	ON	Toronto	Erin Grittani / Michael Erickson
Blue Heron Books	ON	Uxbridge	Shelley Macbeth
Bookmark	PE	Charlottetown	Dan McDonald / Lori Cheverie
Livres Babar Books	QC	Pointe-Claire	Megan Byers / Miya Byers
McNally Robinson	SK	Saskatoon	Chris Hall