

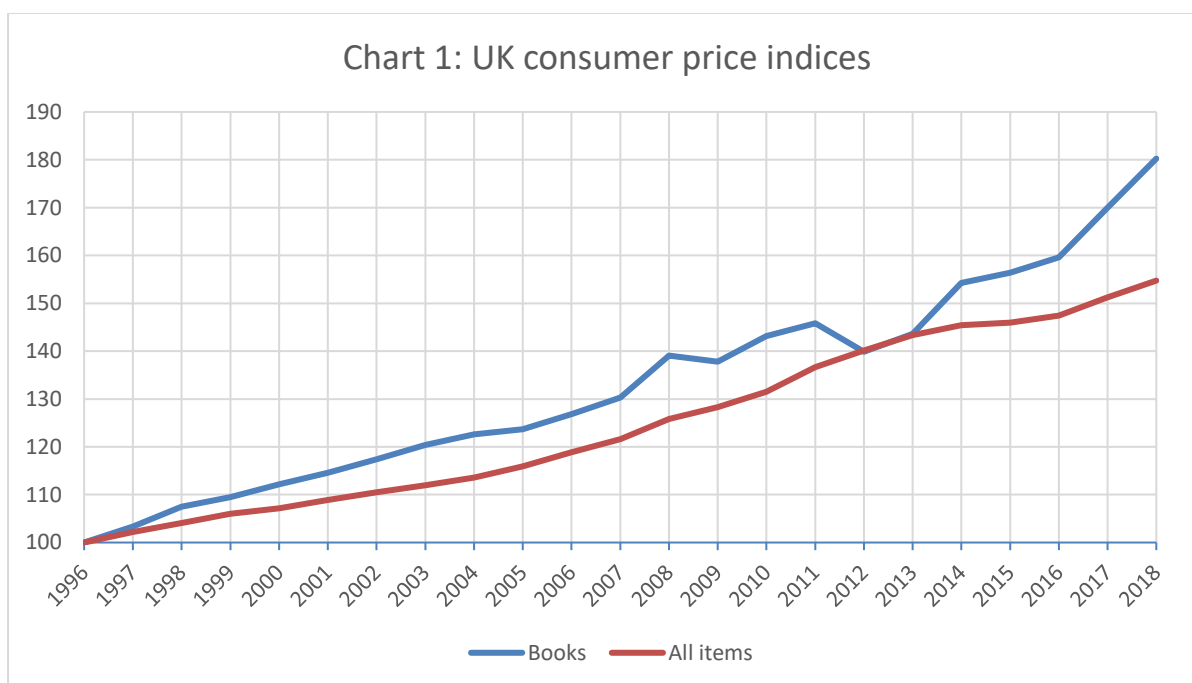
## Effects of retail price competition in UK bookselling – notes by Frank Fishwick

In 1962 the Restrictive Practices Court judged that abolition of Net Book Agreement would lead to (1) fewer outlets (2) fewer titles and (3) higher prices. In 2017 then CEO of Booksellers Association claimed that 22 years after NBA abandoned, more places were selling books than ever before, the number of new titles was at a record level and prices of bestsellers had fallen in real terms.

It is true that since the end of RPM a wider range of shops now sells some books. However, the number of specialist bookshops has fallen: independent companies by more than half, but also major chains, such as Dillons, Books Etc, Ottakars. There is also a reduction in the share of books in the total sales of shops that offer books and a variety of other products. Amazon probably has over 50% of the market (latest data for 2014 quoted by Booksellers Association gives 56% by volume and 50% by value) – USA similar.

Number of new and revised titles published in UK rose to a peak in 2014 (200,330) but fell back to 173,000 in 2015. Technological factors may explain this rise. Relative growth in new titles published in France was greater. Anyway, 45% of UK publishers' book sales were derived from exports; title numbers are not relevant to RPM in home market.

The prices of bestselling titles have fallen, but this is not reflected in official price indices.



The fall shown in the index for 2012 coincides with a rise in Amazon's share of the UK from 30% in 2011 to 44%. Prices of bestselling titles at certain outlets, particularly Amazon and supermarkets, are widely discounted. Are bestselling titles or even potential bestsellers used as loss-leaders? Recommended retail prices (RRP) fixed by publishers are usually printed on books and are a reference point for discounts but many sales are at RRP. Comparison with France and Germany (Eurostat) confirms that in these two countries (both with RPM) book prices rose less than general inflation and less than in the UK.

	UK	France	Germany
Books	80.4	23.6	28.8
All items	53.9	38.3	37.4

Higher book prices in the UK are partly the result of much greater concentration in retailing and in retailers' buying power ("oligopsony"). Publishers have been forced to concede increased discounts from RRP to retailers and to increase RRP in order to maintain profits. Fishwick (2008) analysed this up to 2007. The trend has continued.

Table 2	Publishers discounts to retailers	
	% of recommended retail price	
	General	Acad/prof
1995	42	30
2007	59.4	37.2
2018	65.5	38.5

Data for 2007 and 2018 are sourced from annual reports of the Publishers Association, those for 1995 are based on research by Fishwick and Fitzsimons in 1997.

Calculations in the 2008 paper showed that even with discounts offered by retailers to final customers, average final prices might rise. The danger of prices rising for this reason was pointed out by the RPC in 1962, but subsequent discussion of the Court's judgement focussed on its less robust logic about prices based on standard (average) cost because of shorter print runs.

Some questions to consider

No equivalent of the Robinson-Patman Act exists in UK. In the 1990s several cases in the USA were filed under this Act by booksellers and the American Booksellers Association (Wikipedia). Has it been used in relation to Amazon?

In most recent years we have seen some recovery in dedicated bookselling in the UK. This is helped by existence of keen bookreaders who buy from full-price outlets because they wish to support stockholding. (Some even enjoy the feeling that they do not need low prices). Others may browse in such shops and then compare prices from Amazon, or meanwhile decide not to buy the chosen book. Any evidence of such behaviour in other countries?

Amazon appears to offer many services as well as lower prices: facility to return books, very wide stock, speedy and reliable delivery, ease of contact. Does the consumer lose from market dominance by an internet-only retailer? While a monopoly might have an adverse effect on variety of culture and entertainment, a potential control over what we have access to read, is there any evidence that this is already happening? Should anti-trust policy take action against the creation of monopoly or only against abuse of dominance ("beating up winners")?

Howard Marvel, a staunch defender of RPM argues that its welfare effects may be good when it is imposed by an individual supplier to increase or defend market share but is normally bad for welfare when it is imposed through collusion. Imposition by government would be seen as bad by many economists, though not by the Directorate General for Competition of the European Union. It may be justifiable because of external benefits. Do we know of any published analysis of such benefits?