FREE OR FIXED PRICES ON BOOKS – PATTERNS OF BOOK PRICING IN EUROPE

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Abstract

For more than thirty years a debate has raged within Europe: should book prices be fixed or free? Fixed prices are often also called Retail Price Maintenance (RPM) and mean the publisher fixes the price of a book; bookshops and other retailers are not allowed to sell it at any other price. Free prices mean bookshops and other retailers may sell the book at whatever price they choose. The background to this fierce debate is that, in general, the European Union (EU) favours free competition and its member states have in place a competition law that aims at encouraging free prices on all goods, discouraging/disallowing price cartels. In many countries, mainly on the basis of cultural arguments, the book trade has been granted an exemption from this principle of free competition. The aim of this paper is to describe the present situation, especially in the EU countries, and to discover some of the facts surrounding and consequences of different pricing models in the book trade.

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The Situation in EU Countries

There are three major types of book pricing systems. First of all there are countries with a law regulating fixed prices (RPM) on books. The second system is to have a trade agreement regulating the prices. The third system is free prices in accordance with the prevailing competition law. In Table 1 the present situation is described in some EU countries. There has been one major trend – the number of countries with trade agreements has been diminishing. Either an RPM law has been passed or the book trade has moved to free prices on books. Seven of the "old" EU countries have an RPM law; Spain passing its law in 1975, France got its "Loi Lang" in 1981, Portugal in 1996, Greece in 1997, Austria in 2000, Italy in 2001 and Germany in 2002. Three countries have a trade agreement; Luxembourg, Denmark, who has revised its trade agreement in 2001 and the Netherlands, who passed a law that will come into force in 2005. Five countries have free prices; Sweden since 1970, Finland since 1971, Ireland[1] and the United Kingdom since 1995 and then Belgium, where there was a proposal for an RPM law in 2003, which was not passed. The book trade in countries with fixed prices seems to be pleased with the system.

Several of the countries with a trade agreement would prefer to have a law. It is important to realise that RPM laws differ from each other although most of them are based on the French "Loi Lang." The trade agreements often regulate many other matters than just the prices on books.

The book trade in Belgium, who has for several years been lobbying for an RPM law without success, is the only of the "old" EU member countries that would like to move from free prices to fixed. The book trade in Ireland and United Kingdom as well as in Finland and Sweden is pleased with having free prices on books and has no intention of moving to a system of fixed prices. There is one major difference between these countries. United Kingdom often print the prices on book, while no printed prices are allowed on books in Finland and Sweden. The Swedish Booksellers Association has actually taken some publishers to court, because they had printed prices on paperbacks and won the case. Some publishers in Finland and Sweden still use a recommended price or a so-called approximate price, when publishers advertise their products to the general public. Not having the prices printed on the book allows booksellers in Finland and Sweden not only to discount books but also to raise the price of a book e.g. for a book that requires extra work to order or keep in stock. Many English books are sold in Ireland – a Euro country. Irish booksellers would prefer not to have the English prices printed on English books and so would bookshops in many other countries importing English books.

The European Union and Actions Regarding RPM

The Netherlands Commissioner Van Miert of DG IV (Competition) was very much against any Retail Price Maintenance trade agreements in Europe and during his time of office a statement of objections was sent to the Dutch book trade in April 1998 saying that the Dutch system was infringing EU competition rules. In September 1999 the European Commission stopped the investigation into the Dutch system of RPM after the abolition of fixed prices for imported books on May 1998.

Table 1: Fixed (RPM) and Free Price Systems in Europe

FIXED PRICES		FIXED PRICES	FREE PRICES
Law	Year of Adoption	Agreement	
Austria	2000	Denmark	Belgium[1]
France	1981	Hungary	Cyprus
Germany	2002	Luxembourg	Czech Republic[2]
Greece	1997	Norway[3]	Estonia
Italy	2001	Slovenia	Finland
The Netherlands[4]	2005		Iceland
Portugal	1996		Ireland
Spain	1975		Latvia
			Lithuania
			Poland[5]
			Sweden
			Switzerland[6]
			UK

1 Proposal for a law was not passed in 2003.
2 The possibility of getting an RPM is being considered.
3 A law has been discussed present agreement is being renegotiated.
4 Proposal for law passed, to be put in force 1.1.2005.
5 The possibility of getting an RPM is being considered.
6 German speaking part.

Although DG IV (Competition) seemed to be satisfied with the changes that have been made to the Dutch RPM agreement, the Commission said it would continue to watch the impact of the system in the Netherlands on cross border trade. (EBF newsletter October 1999)

The RPM agreements of Germany and Austria were also attacked. There had been cross border trade agreements between Germany and Austria about prices on German books. By June 2000 the cross border elements in both trade agreements had to be abolished. However, two separate national systems of fixed prices could operate from then on. Commissioner Monti insisted on the fact that national systems are not the concern of the Commission. The European Commission authorised the new RPM systems in Austria and Germany. In both systems, cross border sales of books to final consumers is not subject to the price maintenance arrangements. Therefore cross border Internet commerce to final consumers does not have to stick to fixed prices. The Austrian Libro Internet bookshop immediately started to exploit this and offered 20% discount on bestselling titles to its customers in Germany. Publishers stopped deliveries to Libro. The EU Commission raided the German Börsenverein and several publishers and wholesalers in August 2000 in order to find evidence for a possible agreement to boycott delivery to Austria's Libro (*EBF Newsletter,* July 1999, December 1999, March 2000, July 2000, August 2000).

Eighteen months after Germany and the European Commission reached an agreement about retail price maintenance for books, the proceedings against the German fixed book prices system were reopened by the European Commission on 19th July 2001. The Commission did not challenge national book price fixing system based on inter-company deals as long as they do not affect intra-EU trade.

This principle prompted German publishers involved in the "Sammelrevers"(a national contractual agreement) to notify a modified version of their agreement to the Commission in March 2000. It limits the application of the fixed book prices to Germany. As far as re-imports of German books from other Member States are concerned, they can be subject to the fixed book prices only if the export and re-import constitutes a deliberate circumvention of the system. However, the Commission had received indications that the "Sammelrevers" had been applied in a way that continues to have effects on trade between Member States. The Commission said the refusal by certain German publishers and wholesalers to supply Internet booksellers established outside of Germany was based on an agreement or concerted practice and thus on illegal collusion. By sending a statement of objections, the Commission had formally opened proceedings against the publishers participating in the "Sammelrevers." The parties concerned had the right to reply to these conclusions within three months (EBF August 2001). Of course Börsenverein replied but these types of actions have been extremely expensive for the book trade associations who have had to use juridical expertise.

On 22nd March 2002, the European Commission announced its decision after the German publishers' and booksellers' association, a publisher and a bookseller, submitted an Undertaking that met the objections raised by the Commission to wind up its competition proceedings against the German book price-fixing system. The undertaking agreed by the Börsenverein des Deutschen Buchhandels, Verlagsgruppe Random House GmbH Koch, Neff & Oetinger GmbH guarantees firms the freedom to directly sell German books cross-border to final consumers in Germany, in particular via the Internet. It also establishes a list of conditions under which the Commission accepts that national price fixing arrangements are being circumvented. These conditions ensure that retailers can sell books directly to final consumers in other Member States at reduced prices. This means that no fixed book price applies to cross-border Internet sales including re-imports of German books from another Member State. Fixed prices will only apply to re-imports into Germany when the sole purpose of the transaction is to circumvent the national pricing system. Germany's fixed book-pricing system, *Sammelrevers* – was first notified for clearance from the European Union's competition rules in 1993. The Commission accepts "truly national" book price-fixing systems, as long as they have no appreciable effect on trade between Member states that would be contrary to Article 81(1) of the Treaty. That means that direct cross-border sales of books to final consumers in other Member States cannot in principle be subject to price maintenance arrangements. This principle also applies to cross-border sales of books to final consumers via the Internet.

Article 81(1) of the EU Treaty prohibits all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the Single Market, namely those which directly or indirectly fix purchase (*EBF Newsletter* March 2002).

From then on it has been completely clear that cross border fixed prices on books are not allowed in Europe. Both the book trade of the German and the French language areas have had to accept this. In Germany and Austria the VAT on books differ, in Germany it is 7% and in Austria 10%. So this of course affects the prices. The situation in Belgium has been especially tricky after the introduction of the

Euro and with France having fixed prices and Belgium having free prices and where the wholesalers are marking up prices on French books, which has led to a lot of complaints from customers that the bookshops have to deal with.

The Rothley Report

During its session of the 19th February 2002, the Committee on Legal Affairs and the Internal Market of the European Parliament adopted the Draft Report with recommendations to the Commission on the drawing-up of a directive of the European Parliament and of the Council on the fixing of book prices (Provisional 2001/2061 (INI)). Commonly called the "Rothley report," this document is the result of the work co-ordinated by Mr Willi Rothley, vice-chairman of the Committee and member of the European Socialists.

The background to the Rothley report is a consequence of the "Libro case" described above. In spring 2000, following the Commission's decision in the "Libro case," booksellers in Member States with a fixed price system are subject to conditions of competition which differ from those applying to importers, exporters and Internet dealers supplying from a different country. This explains the need for a directive creating a stable and statutory framework for national systems of fixed prices and guaranteeing legal certainty for all market operators.

Books are defined as

> *all printed works, or works reproduced in any other way, in particular of literature, music, art and photography, specialist periodicals (but excluding daily and weekly newspapers or popular magazines) and electronic publisher's products, provided they are substitute for printed books* (article 1).
>
> *Every member State shall be entitled to introduce by law or maintain, or permit on the basis of contractual agreements, fixed price systems for books in its territory* (Article 2).

Article 6 is essential as it deals with circumvention and the cases in which it applies. It is explained that

> *cross-border sales of books to final purchasers or booksellers may be subject to fixed price agreements if they are intended to circumvent, or result in the circumvention of, domestic priced fixing.*

Also, circumvention will apply

> *if a bookseller offers books to customers in another Member State at a more favourable net price than to customers in the Member State from which the offer is made. … if a dealer offers books in one Member State without fixed prices … if books are sold to end users of a Member State with the aid of technical facilities (e.g. Internet terminals) or by e-mail order and the books are imported from another Member State" Fixed price systems, even in the case of cross-border transactions, shall apply without distinction to any form of trade in books (local trade, Internet trade and mail order sales)* (Article 6).

The request resulting from the consultation of the Committee of Culture (Echerer, PE 303.786) to incorporate a new recital in its motion for a resolution stating that "the Council noted that each Member State was free, in its policy on books and reading, to decide whether or not to apply a national statutory or contractual book-

price system" was also adopted by the Committee on Legal Affairs.

It is obvious that the Rothley report comes down in favour of the application of the principle of subsidiarity, by saying that it is up to Member States to decide whether or not they want a system of fixed price books. The rationale behind this position is also the fact that Article 95 of the EC Treaty states that cultural policies are under the responsibility of Member States. It is also very important to note that the draft report very carefully lists all the possibilities of circumvention of the law, including Internet sales, and explicitly states that fixed price systems will prevail, obviously only when such systems are in place for those of the Member States which have opted for this policy. The report requested the Commission to submit to Parliament, by the end of 2002, on the basis of Article 95 of the Treaty, a legislative proposal on the fixing of book prices (EBF Newsletter February 2002).

In September 2003 it was reported that the European Commission did not plan to legislate on the fixing of book prices: it had concluded that the harmonisation of existing national systems would not yield sufficient benefits justifying an amendment of the legal framework developed by the Court of Justice. Internal Market Commissioner Frits Bolkestein indicated as much in a response to a question from Belgian Green Party MP Bart Staes. Mr Staes pointed out that the European Parliament invited the Commission before the end of 2002 to bring forward a legislative proposal on the fixed book prices system. Mr Bolkestein argued that the legislative proposal drafted by Parliament was too vague and felt it would obstruct the free movement of goods between Member States, in particular sales through electronic commerce.

Mr Bolkestein further recalled that the Commission's draft Regulation on sales promotions authorises the national setting of prices on certain products, to the extent that it provides in this respect for a specific exception to the ban in principle on Member States restricting the value of sales promotions: under the terms of this exception, Member States are therefore authorised to restrict the value of price cuts on fixed-price products (*EBF Newsletter*, September 2003).

To conclude: the EU allows national RPM systems, but does not allow cross country fixed prices on books. Part of the background is that books are considered to be cultural goods and the Treaty of Rome clearly states that culture is a national competence and that the EU intervention is justified only when there is "added value" for the EU.

Arguments and Reasoning for RPM Systems

There have been many arguments put forward to justify fixed prices on books. The reasoning in favour of an RPM system is summarised in the Rothley report in the following way:

> *C. whereas in its last resolution of 16 December 1999 the European Parliament declared as follows:*
>
> *Whereas it views books as both economic and cultural assets, whereas it believes that the fixing of book prices, in which a number of Member States engage, safeguards the existence of numerous independent publishing houses, helps to preserve and promote varied literary production, freedom of opinion and independence of research, science and teaching and – in common cross-border linguistic areas – to promote the European idea and ensures, without direct*

or indirect government aid, a dense network of bookshops, giving the reader an extensive, high-quality and easily accessible supply of books,

D. whereas the resolution called on the Commission

to recognise and leave untouched national and regional measures to promote books, including the fixing of book prices, which is better than any other system at improving the production and distribution of literary works without competition being eliminated (Rothley Report 2001, 5).

Other matters that are mentioned in the same report are the need for a directive creating a stable economic and statutory framework for national systems of fixed prices and the need of guaranteeing legal certainty for all market operators and the fact a fixed price system would promote cultural and linguistic variety and protect pluralism.

There are no good statistics about the price level of books in different countries. The Competition authorities believe that free prices will lead to lower prices for the consumers. Fjeldstad (2001) tried to compare the price level of books in Norway with fixed prices and a population of 4.5 million and in Sweden with free prices and a population of 8.9 million. His conclusion is that book prices are lower in Sweden (including 25% VAT at that time) than Norway (with 0% VAT). But he goes on to say that it is not clear to what degree the difference is due to the level of population in Sweden which is twice the population of Norway. (The bigger the edition of a book is, the lower the price should be.) This cannot explain the price difference fully. Another factor affecting the prices of school books in Norway is that schoolbooks have to be published in both Norwegian languages, which means small print runs and more expensive books. This is just an example to show how difficult it is to compare the price level in different countries.

Special Features of Fixed Price Systems

In fixed price systems the fixed price usually covers the retail price of a book, which is the price that final purchasers pay and which is set by the publisher. In some cases the RPM system has rules concerning which discounts are allowed and to what type of customers. Discounts are often granted to institutional buyers like schools and libraries. Usually, RPM systems do not cover book clubs although especially in the case of a trade agreement, there may be rules setting a time span that has to elapse from the publishing date of a new book, before it can be launched in a book club. In some countries the RPM system is a right to have fixed prices (e.g. the old trade agreements in UK and Germany) and in some countries (e.g. Norway) it is an obligation to have fixed prices

Especially in the old days bookshops had exclusive rights which was a kind of monopoly for selling books. Other retailers where not allowed to sell book except cheap editions like paperbacks and simple children's books. This was the case in Denmark until 2001 when the trade agreement was changed under the pressure of the Danish competition authorities. The fixed price does not necessarily cover all books. There is often a rule which says that after a certain time from the publishing date the book might be sold at whatever price. In certain instances fixed prices do not cover all titles, there might be exceptions for school books, reprints etc. and in Denmark publishers may choose if all or part of their books have fixed prices or

not. An important aspect is the trade terms for buying books, they may vary either according to total volume of purchases per year or depending on the number of copies of a title bought at the same time. In some cases there is a scale based on quality of service offered by the retailer. Especially before the competition laws were changed the trade terms were negotiated by the Publishers Association and the Booksellers Association and included in the trade agreement. There are also other elements like sanctions, which need to be considered. The author's royalties are in many RPM countries based on the fixed prices. This is especially the case with fiction.

The European Booksellers Federation and RPM

For years the debate about fixed and free price systems has been going on between countries with a fixed price system and countries with free prices. What is better? It has been very difficult to have a constructive debate and in many cases the arguments are based on beliefs and have been difficult to prove by facts. If compared with the debate about having a lower VAT on books the situation is completely different. In most countries, all partners in the book trade are in complete agreement of the benefits of having a lower VAT on books - be it authors, translators, publishers, booksellers, librarians or individual book buyers. It has been possible to prove that the sale of books is affected by price elasticity. That is, when the prices of books go down, the percentage of extra books sold actually tends to be higher than the percentage reduction in price. We have a recent case of Sweden where the VAT rate went down from 25% to 6% and the sale of books increased on average by 20 %. This was reported at the EBF General Assembly in March 2003 by the Swedish Booksellers association. The same has also happened in Finland where VAT on books was reduced in two steps from 22% to 8% (Stockmann et al. 2002, 136-139).

The European Booksellers Federation has members from both categories of countries and thus the policy of EBF is that it wants to support its members and help them to create the best possible system be it a RPM system or a system with free prices for books. In order to fulfil this task, the Executive Committee of EBF prepared a list of the most common arguments for the two systems. When it was discussed at its meeting in November 2003, there was complete consensus that the list was of no use because everybody was in disagreement with either the arguments for fixed prices or for free prices. The Members of the Committee realised that the question is much more complicated than they had imagined. The book trade is complex and there are many factors affecting the trade, not only the prices. It would therefore be of great importance to undertake much more research about the different models. It has already been described above, that by no means the individual fixed price systems nor the individual free price systems are the same in different countries. It can also be argued that no completely free price systems, as free pricing is described in Economic theory, really exist in publishing. In fact most pricing systems are hybrids with elements of fixed and free prices. E.g. in many of the RPM countries RPM may cover only general books while school books have free prices and e.g. in Sweden and Finland the school books used in basic education are priced according to the price given by the publisher and the prices are almost fixed. In Finland, all sellers of schoolbooks use more or less the same price

of school books delivered to schools and compete by giving a small discount - the margin is only 6%.

So let us have a look at some of the factors affecting the book trade.

Writers, translators, illustrators are the creators of literature. Without high quality books there is no possibility to have a successful book trade. This means that it is important to create good conditions for creative work. It is also important to protect creators' work with copyright and to make sure that they get paid for their work. This is why fighting against illegal copying might be important. Public lending right systems are also one way of compensating authors. However, in most cases the authors are not able to get a living from writing books. This is even the case when an author is writing in one of the big world languages. As a consequence, different ways of granting subsidies to the creators of literature have been developed like grants and prizes.

The role of *publishers* is not always understood. The role is easier to understand when faced with a book *not* produced by a professional publisher. It is both a question of being a partner in the creative process and of handling technical and commercial matters. Publishing needs the skills of editors, translators, artists as well as financial resources and knowledge of marketing and PR. The availability of good printers is also an asset. Generally speaking the book trade has undergone a concentration process and in many countries a small number of big publishers has a very high market share and the market for books can be characterised as a more or less typical oligopoly situation. Middle sized publishers have often been bought by bigger companies. On the other hand there are often hundreds if not thousands of small publishers.

As a result of the efforts of creators and publishers there is the finished product – the book. From the consumers' point of view, the *range of books*, fiction, non-fiction, children's books, school books etc. is of great importance.

Many do not realise the importance of having cost and time efficient logistics for the book trade. The base of logistics is knowledge of the availability of books. Nowadays it means having good databases with efficient search systems. The second important aspect of logistics is ordering systems that are easy to use, often online ordering and data systems that can transfer orders automatically from e.g. the data system of a bookshop to the publishers or to wholesalers. Orders should also be handled quickly and deliveries fulfilled within 24 hours at a reasonable cost. For both publishers and booksellers it is often cost and time effective to use wholesalers and distributors. Recent developments in the banking sector have also made payments easier and less costly.

It is considered very important to have a good coverage of *bookshops* all over the country. But it is not only a question of the number and location of the bookshops, it is also a question of the service offered by a bookshop. By service is meant the skills and knowledge of the staff, the range of books (including imported books) kept in stock and the easiness of ordering books not in stock. The need of capital for investment and running a bookshop is often one of the most difficult problems for a person or company who wants to start a new bookshop. A bookshop should have a good site and the fixtures as well as the stock require substantial capital. In some countries bookshops may obtain loans at a preferential rate and there are also, in some countries systems that help bookshops to keep a wide selection of books in stock.

Book clubs are a special phenomena of the trade and they often have quite a high market share of bestselling fiction. But there are also book clubs in specialized fields like history, philosophy, fine arts and children's books. Internet bookshops with Amazon.com as the flagship represent a new way of selling books. Some years ago it was thought that Internet selling would take a big share of the market. Today many well established bookshops sell by Internet and they consider it just one way of getting orders similar to getting them by mail, fax or phone. Established bookshops using Internet has proved to be a successful way compared to the efforts of the new unknown Internet bookshops – many have had to close down. There are also often booksellers who have specialised in selling to libraries and other institutional buyers. Many publishers also sell by direct mail.

Sometimes book trade people forget about the most important person – *the consumer* – the reader, when debating the conditions of the market for books. The findings of a recent study on book buyers in Finland (see Table 2) confirm many earlier findings on the characteristics of book consumers. That is first of all of course reading skills and habits. Secondly there is always a high correlation between educational level and reading. Income level is of course also of importance. The availability of public and other libraries also affects reading. However, there is not very much research done about other cultural factors affecting reading habits, like traditions, reading for children in the family and at school, the importance of literature in certain cultures, climate etc. Much more research should be done in this field.

Table 2: Heavy Buyers of Books Compared with Non-Buyers in Finland, 2003

Persons who bought more than 10 books during the last 12 months.	Persons who did not buy a book during last 12 months
- 3 females to 2 men	- 2 men to 1 female
- 30-49 years old	- Under 30 years old
- Graduated from University or Polytechnics	- Only basic education and/or vocational education
- Family with children under 6 years old	- Household with only grown ups
- The bigger city/town - the higher proportion of buyer	- The smaller village - the bigger proportion of non-buyers
- Most recent purchase – a non-fiction book	- Most recent purchase – bestseller fiction
- Uses internet daily	- Does not use internet at all
- A bigger proportion of people, who watch less than 22 hours TV daily than non-buyers	- 4 times as many people, who watch more than 22 hours TV daily
- Read regularly all kinds of newspapers magazines more than non-buyers	- Read less newspapers and magazines than heavy users
- Read all kinds of newspapers. Read Helsingin Sanomat (the biggest newspaper in Finland) five times more often than non-buyers	- Read more often 7 päivää (7 days – a kind of gossip paper) and Seura (a weekly magazine for the whole family)
- Read both books and magazines much more than non-buyers	- Read both books and magazines much less than heavy buyers

Source: Yhteenveto Suomi lukee –tutkimuksista 1989, 1995 and 2003.

Finnish school children are known for being good readers. This is based on the Pisa study (Kirsch et al. 2000). Finland has very good public libraries and the number of books borrowed per capita a year is about 19 books which is the highest known

figure in the world. The number of book titles published in Finland is also very high: there are 2.5 titles published per capita (see Table 3). The only country with more titles per capita is Iceland with 5.8. Finland has had free prices on books since 1970. It is therefore of interest to look a little bit closer at the book trade in Finland in order to scrutinise the situation not only from the point of view of fixed or free prices but also to have a look at some of the above mentioned factors affecting the book trade.

Table 3: Number of Published Titles per 1000 Inhabitants in 1996

Country	No of titles per thousand inhabitants
Iceland	5,8
Finland *)	2,5
Denmark	2,4
Slovenia*)	2,1
UK	1,9
Luxembourg	1,8
Norway	1,6
Sweden	1,6
Spain	1,2
Austria	1,0
Germany	0,9
Portugal	0,8
France	0,6
Italy	0,6
Greece	0,4

*) Finland and Slovenia figures for 1998.
Source: Statistical Yearbook UNESCO 1998, Statistics Finland, Kovac 2003.

Interference of RPM and Other Factors Affecting the Book Trade: Experience of Free Prices in Finland

Finland had fixed prices based on a trade agreement from 1908 up to the end of 1970. During the 1960s the book trade applied for an exemption from the competition law that did not accept price cartels. This was granted for a certain period at a time. The other exception that was granted was for pharmacies, which still today have fixed prices on medicines. Nothing much happened in 1971, when Finland got free prices on books. Most publishers and bookstores as well as other retail outlets continued to use recommended price. However, the book clubs started to grow. The first book club was established 1968 and after 1971 many book clubs were founded. In the course of the following years bookshops started to use special offers on some books to increase their sales.

It was not until in the beginning of the 1980s that competition on library sales increased. Meanwhile book chains had started to grow (both independent /voluntary chains and chains owned by one company). Another change was that school books for the primary and secondary level since the beginning of the 1980s mostly were sold through special channels directly to schools. The reason for this is that the margin of 6% minus discount granted to schools is so low that most bookshops cannot make any profit on this. Some supermarkets started to sell bestsellers at

reduced prices. But bookshops hit back and some 10-20 bestseller titles were reduced especially during the Christmas season. As a consequence of this action from bookshops supermarkets were left with excess stock after the season and some of the supermarkets lost interest in selling books.

Bookshops were trying to find ways of improving their profitability and the Board of the Booksellers Association realised that free prices did not only mean reductions of prices but in fact bookshops could also raise the prices recommended by publishers. Booksellers raised in particular the prices of books older that one year, which the publishers did not like at all. This type of books are not at all stocked in e.g. supermarkets and only bookshops providing good service keep them in stock. The other category of books whose prices were raised was school books for higher level education – the students buy the books themselves. This was done because the margin granted by publishers was only 25%, which the bookshops considered to be too low to cover the costs of handling them.

In the 1990s the libraries' demand on services increased at the same time as Finland had a deep recession and the money available for libraries diminished. The heavy price competition for library sales meant that profitability of library sales became questionable for bookshops, which had a tradition of giving good service and thus had high costs for staff. As a consequence companies specialised in library sales took over the market from small bookshops. Another new phenomenon was a company which started to give price reductions on preorders of schoolbooks bought by the students themselves. The students had to order the books before the start of the term. These bookshops kept no stock.

The book trade did survive the recession. Actually when the economic situation is difficult and there is high unemployment, people have more time to study and read and this means that the economic recession is not hitting the book trade as hard as many other trades. However, there was a problem in Finland – some of the smaller bookshops were not very profitable and the number of bookshops has slowly decreased.

Thanks to a big campaign, VAT on books was reduced from 22% to 12%, when the value added tax system was revised in 1995 just before Finland joined EU, later on VAT on books was reduced from12% to 8% because a revision of the tax scales.

In 2001 some major publishers dropped the recommended prices and started using only net prices (no price is mentioned in catalogues, ads etc directed to the general public).

If one tries to measure what happened to some of the indicators of the book trade, the first thing is to look at the number of published book titles (see Table 4).

The number of titles published has grown steadily. These figures are based on the Statistics from the Publishers Association which cover only the titles published by member publishers. The statistics from the Helsinki University library covers all products that have been classified as books regardless of their origin; ordinary publisher, an association, a private person or whatever. In Finland there is something called the sample stock system which means that bookshops can get one copy of each new title from the publishers who are in the system. The book is reordered when sold and the publisher usually calls back the books in sample stock within a year or two. There are three categories of bookshops based on size. This is a much appreciated system and guarantees that even in small town slow selling titles are available.

Table 4: Total Number of Book Titles Published in Finland, 1963-2002

Year	Members Publ. Ass.	Other publ.	Total
1963	2 144	511	2 655
1968	2 321	2 061	4 382
1973	3 106	1 683	4 789
1978	3 718	1 054	4 772
1983	4 052	1 542	5 594
1988	5 032	5 354	10 386
1993	5 058	6 727	11 785
1995	6 344	7 150	13 494
1997	6 629	6 088	12 717
1998	6 826	6 061	12 887
1999	6 985	6 188	13 173
2000	7 561	4 203	11 764
2001	7 367	4 723	12 090
2002	7 393	4 676	12 069

Source: The Booksellers Association of Finland and Doris Stockmann.

A very good database called Fennica lists all books published in Finland. Its commercial version "FinnBooks" is available both online and on CD. The distributor Kirjavälitys is able to deliver the books they have in stock (normally 65 000 titles) within 24 hours all over the country.

There are some 3,500 publishers registered in Finland and about 1,000 of them publish books that are sold through bookshops. 90 publishers are members of the Publishers Association, and these publishers cover about 85% of the total number of books sold. In 1970 there were 739 bookshops and 319 in 2002. The number of bookshops has decreased but the average size of the present bookshops is much bigger than before. The decrease in the number of bookshops is much less than the decrease of many other types of retail stores and is due to the population moving to bigger towns and the concentration in retail trade into main streets of bigger town, shopping centres and supermarkets.

Table 5: Sales of Books in 2003 by Distribution Channel at Retail Prices Including VAT

	Sales in 1,000 Euro	Market share %
Bookshops	182 500	38.1
Supermarkets, department stores	43 000	9.0
Specialised stores	55 300	11.5
Antiquarians	6 200	1.3
Total retail sales	**287 000**	**59.9**
Publishers' direct sales	85 300	17.8
Book clubs	46 600	9.7
Other	60 300	12.6
Total	**479 200**	100.0

Source: The Finnish Booksellers Association and Doris Stockmann.

As can be seen from Table 5 books are sold through many channels in Finland. Bookshops have a market share of 38%, which has been growing somewhat during recent years. Supermarkets and department stores have 9% and that market share has slightly diminished during the last years. It is important to notice that the category school book also includes books bought by the municipalities for schoolchildren. In Table 6 the number of books sold (only the books of the members of the Publishers Association) can be seen. The sale of schoolbooks is the category where sales vary. This is dependent on the financial situation within the municipalities, the time when curriculum has been changed and in the 1980s there were also lot of pre-printed exercise books etc. while nowadays the schools returned to other ways of teaching. Actually the number of school books sold in 2002 has decreased from 1973 with 43%. The total number of books sold has grown by 22%. The biggest increase is in the sales of children's books: an increase of 462% that is the sales figure is almost 5 times as big. The second biggest increase is non-fiction books 71% and fiction has increased by 22%. The sale of encyclopaedias has declined because of electronic media like cds. If school books are left out the increase of general books sold between 1973 and 2002 is 209%, which means that sales have doubled.

Table 6: Sales of Books by the Members of the Finnish Book Publishers Association, 1963-2002

	1963	1968	1973	1978	1983	1988	1993
Fiction	2 816	2 157	3 628	3 004	3 496	4 679	3 801
Children's & juvenile	1 097	1 078	1 733	3 873	2 778	3 142	2 876
Non-fiction	2 427	2 626	4 131	4 519	4 486	5 669	5 807
Encyclopaedias	..	..	..	..	818	782	948
General books total	6 340	5 861	9 492	11 396	11 578	14272	13 432
Schoolbooks	5 530	6 829	12 653	13 554	11 642	11 013	6 333
Total	11 870	12 690	22 145	24 950	23 220	25 285	19 765

	1995	1997	1998	1999	2000	2001	2002
Fiction	3 987	4 384	4 601	4 502	4 507	4 743	4 428
Children's & juvenile	6 571	7 024	7 266	7 945	8 124	9 340	8 016
Non-fiction	5 608	6 408	6 500	7 100	7 497	7 314	7 073
Encyclopaedias	670	653	503	393	402	486	366
General books total	16 836	18 469	18 870	19 940	20 530	21 883	19 883
Schoolbooks	7 030	7 435	7 346	7 073	7 209	7 092	7 146
Total	23 866	25 904	26 216	27 013	27 739	28 975	27 029

Source: Publishers Association, Finland

However, one should not argue that growth in sales is because of free prices. The growth is caused by many factors; like a small increase in the population, higher educational level but also by the book trade itself, which is quite good at publishing good books and promoting reading. There is good co-operation between the Publishers Association and the Booksellers Association, which tries to develop the book trade and promote reading. The logistics of the trade is functioning well and much use is made of technological development. Very much active marketing is taking place but also events like the World Book Day, the Night of books, book fairs

etc. increase the sale of books. Books also get quite a lot of media attention. The trade is quite stable and the infrastructure is functioning well and is cost effective. There is quite a lot of public support for the book, especially keeping up the library services, giving grants to writers, translators and illustrators. The book is "in" – it is popular to be seen reading in Finland.

Conclusion

This overview of fixed and free prices shows, that more evidence is needed before a definite answer can be given about which price system is "better." Actually what has become evident is that the price system is just one of many factors affecting the book trade. Fjeldstad (2001) writes that to compare the book trade in different countries may lead to absurd conclusions if only figures are compared. If one is to compare countries to find out which is the best in one or another aspect, only similar countries should be compared, and additional information e.g. the size of the population, the policy carried out by the public sector regarding culture and literature, the level of education and other cultural factors is needed.

A flourishing book trade is dependent of many factors that are inter-linked. What can be said is that all partners in the book trade gain if the infrastructure of the book trade is functioning effectively and if there are good stable practices of the trade that makes it predictable. Hopefully better statistics on the book trade can be developed and more research about the book trade can be undertaken comparing the book trade in different countries.

Note:

1. In Ireland the process to remove fixed prices on books started earlier – first discussions took place in 1989 and continued especially in 1992. Free prices were completely introduced in 1995.

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