



## BOOKSHOPS AND POLITICAL SHOPS

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Inner Wellington where I live is littered with bookshops. To start mid-city at Manners Mall, where *Eileen's Bookshop* sells magazines, greeting cards, lotto tickets, but no books. A little way along is *Unity*, which sells only books except for a very few specialist magazines. *Unity* prides itself in this specialization, many of their books are imported from overseas, based on their buyers' judgement. Their workers are expected to know their books. One Sunday in the local library, I met one of the *Unity* staff who told me a new writer's work had just come in, and she was looking for the author's earlier novels to read. But *Unity* is not unique. Just across the street is *Pathfinder*, a new age bookshop, whose staff will be just as knowledgeable about their specialist areas.

A little way north of *Unity* and you come to *BAM* which - as it names says - sells books (again quality and carefully chosen), art (original works, art postcards, art books), and music (CDs), as well as a lot of specialist magazines. *BAM* must surely claim the Wellington City motto "supreme in site", opening onto a coffee shop, above the City Library, and next door to the City Art Gallery. A little further on, in the mall under the BNZ tower, is *Ahradsen's*, which again provides the quality selected books, but also sells some discounted books. In an alcove in the back of the shop may be the largest Penguin selection in town, but *Ahradsen's* trick is its main displays are out on the covered pavement of the mall, so you walk past them and look.

Just above *Ahradsen's* is Stewart Dawson's corner, where a *Dymocks* bookshop, which is a franchise chain, is to be installed. I don't know what it will be like, but there is already a *Dymocks* at Queens Wharf, only a hundred metres off the route we are traversing. That is devoted almost entirely to books, but of a more mass market kind, including imported specials and discounts which I don't see elsewhere. Oddly to this outsider, the new *Dymocks* is very close to the city's *Whitcoulls*, which is right next to a *London Bookshops*. *Dymocks* illustrates the principle which enabled the Commerce Commission to approve the merger of *Whitcoulls* with *London Bookshops*. Aside from the capital outlay, there do not seem to be any major barriers to entry to start up your own bookshop.

But why are *Dymocks*, *Whitcoulls*, and *London* books so close? I am told that shoppers are attracted to places where there are a number of bookshops, and they can browse. So the competition generates turnover. *Whitcoulls* and *London Books* go for the mass market - perhaps there is a slight difference on whom they focus. Three big floors of *Whitcoulls* also

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provide general magazines and newspapers, office and home stationery, textbooks, and videos. London Books is more specialized. Oddly there is another London Books less than a hundred metres away, in Kirkaldies and Stains, Wellington's last posh department store. The books it sells are also at the posher range compared to those in its namesake on Lambton Quay.

There are more bookshops as we walk up Lambton Quay past a myriad of magazine and newspaper shops, some of which sell also other small items such as sweets and cards. Tucked inside the ground floor of the Lambton Quay Arcade there is a *Paper Plus*, which sells mainly books, in contrast to its associate on Manners Street where there are more paper products and stationery. Across the road in Waring Taylor Street is *Capital Books*, the main seller of technical books in Wellington, but also with other specialities such as military books. It is run by Tim Skinner, who used to run a Bennetts on Featherstone Street. That site, a little off our path, is now *Storehouse*, one of a half a dozen religious bookshops, scattered around the inner city reflecting the continuing sectarian difference of religious life.

Move a little further north and there is *Parsons*. Once it seemed the only serious bookshop in Wellington. I still meet people there, browsing in the bookshop before going up to the coffee shop in the mezzanine above. Their CDs are more recent, and they also sell videos, and tapes of book readings. Further north you are walking up to *Bennetts Government Bookshop*, and there is *John Quilter's* second hand bookshop on a prime shopping site. There are lots of secondhand book shops in inner Wellington, mainly on Cuba Street and Courteny Place, where the rents are cheaper, but the customers perhaps further away. And so we reach Bennetts under the Bowen Building which still houses parliamentary offices. It sells up-market books too, but of course it is the centre where you get your government reports and where, I suspect, the turnover of political books and memoirs is highest. For now we are in the Government Centre. There are other bookshops there - though more like Eileen's than like Unity, and *Statistics New Zealand* on Molesworth Street where you obtain their weighty and numerate publications.

That is not all the bookshops in inner Wellington. I have already mentioned the secondhand and religious book shops scattered around the southern and eastern end; there is a socialist book shop on Majoribanks Street, probably other specialist ones I am unaware of because they are outside my interests, London and Whitcoulls shops side by side on Cuba Street, *Victoria University Book Centre* up on the hill. Let us not forget book clubs, and direct wholesaling, and I have not even mentioned the various suburban bookshops, or that special genre - the airport bookseller. There are other specialist bookshops - *Butterworths* for law, and *Medical Books*, in Newtown near the hospital. There is however no Pacific Island bookshop, that would be out at Porirua, but curiously there is no women's or environmentalist's bookshops either, as there is in Auckland and Christchurch. That suggests

that the commercial bookshops are doing a good job.

You might say that Wellington is unusual with its large readership concentrated in a small area. But that is not the issue this economist wants to consider.

First note the variety of bookshops, each seeking its own specialist niche. They are not like butcher shops with each selling much the same. They are more like clothing shops, ranging from the department store to the boutique, each with their own distinctive offering. Today the butcher shop is almost entirely absorbed by the supermarket, book and clothing shops are not.

There is a continuing jostling for niche markets. One bookseller told me how when a specialist started over the road they abandoned that subject, and used the additional space to strengthen another specialty. In smaller towns you may not be able to service them all. I have a friend in Palmerston North, who calls into Unity for its American music books.

But what is a bookshop? There would be little doubt that Unity or Capital Books are, because they sell almost only books. But what about BAM or Parsons which sell music, or Bennetts which sells reports? You may want to classify book clubs and wholesalers as kinds of bookshops, but how about magazine shops like Eileen's? Is Whitcoulls a bookshop or is it a department store which specializes in books and related activities? Statisticians care, because they have to count bookshops. A booksellers' association needs an eligibility rule. Practically the Commerce Commission had to define the book market. Every economist knows that market definition is one of the most difficult tasks in competition policy (and because we disagree, and there are fees for expert witnesses, one of our most lucrative). We can spend hours - for a suitable fee - discussing what is a book and whether tapes of books, videos of books, and music CDs are "books".

Outside the witness box, the economist takes a postmodernist stance, and simply notes that there must be some kind of connection with books, because Parsons sells the lot. Similarly they do not draw a line between books and magazines: if Eileen's and others want to call themselves bookshops, so what?

I mention this because it is possible that the book industry is about to undergo another massive revolution because of information technology, especially the internet. I am not one who goes hysterical every time a new technology appears, but I am reasonably confident that the net will transform the book business. Publishers are already using it for communications, and booksellers are following. More speculatively it may change the nature of books. We are teetering on the edge of self publication where the committed - if untalented - poet puts the latest collection on a file, and the reader can download, without ever having to make a

hardcopy or approach a bookseller to take a few copies. No doubt booksellers will be glad to avoid this particular pressure, but what if more standard books begin to be produced this way? There are major technical and commercial issues to be resolved. Let me give you an example of the pressures. I happen to be interested in the recent High Court decision on New Zealand Steel. It is 600 odd pages, available, at a cost of \$54 on a computer disk from which I read onscreen and download the bits that interest me. There are other books which I might prefer to acquire this way. The CD ROM is another major threat to that which we know as the conventional book. Are we facing a transformation as great as that of printing? Perhaps not, but it may be almost of comparable magnitude. How is the book trade going to meet that challenge?

There is a crucial economic principle here. There are no barriers to entry to the bookselling business other than capital. That is a reason why we have so many bookshops in Wellington. It also means that if the existing bookshops do not seize the new opportunities, someone else will provide the new service or product. It also means that those whose market niche disappears and who cannot adapt, will go out of the market.

That leads me to my third point. The book trade has undergone an extraordinary change over the years, adapting to new technological innovations and changes in customer tastes. Forty years ago there were far fewer bookshops, and less variety. They sold different sorts of books, perhaps a few magazines, and - if you were Whitcombe and Tombs - stationery. The subsequent evolution has been largely continuous, despite some massive shocks - such as the arrival of television, which has dramatically changed reading habits - together with the changing society, especially its increasing diversity, which is so well illustrated by the variety of bookshops seeking the market niches that the heterogeneous society generates.

One of the reasons why the evolution has been relatively smooth, is that there were hardly any special government interventions in the book trade. There were no import licences, no licenses required to set up shop, no special tax regime, no subsidies with the offset of intervention. (There were, and are, subsidies in the production of books - not enough in my opinion - but that is for another day.) Other industries were not so fortunate because they suffered these interventions, which stifled their development, and led to a revolutionary change when they were removed in the 1980s. That is part of the story is traced in my book to be published later in the year by the University of Otago Press. *In Stormy Seas: The Postwar Economy* describes how the pressures of economic and social change were pent up behind the barrier of Robert Muldoon's reluctance to permit social change. He used the enormous range of government interventions to stop it. The succeeding Labour government broke the barriers, and the flood of revolution followed.

This deluge is still working its way through our society. Some institutions tried to protect

themselves from the reforms, but few succeeded. Eventually even parliament succumbed, but protestingly, as the public imposed a new form of voting, the implications of which we are still struggling with. I explain it this way.

Suppose the government had rigged the market allowing only two bookshops. Rather than seeking to fill in market niches each would attempt to cover the entire business. Because they were located a little differently in the town - say one to the north, one to the south - they would present slightly different market images, and attempt to attract slightly different custom. But basically they would cover the market - probably Whitcoulls is the closest we have to the sort of departmental stores that would exist, but a illustration might be the old Whitcombe and Tombs with quality and specialist books sections, but not always well run ones.

Now suppose the rule that these may be the only two bookshops in town is revoked. There would be a flood of new entrants, who would focus on different niche markets that they considered the existing sellers were not covering well. In the turmoil that followed the liberalization, many of the new bookshops would go bust perhaps because they overestimated the market, perhaps because they were not competent, perhaps because another bookshop dealt with their target market better. The two established department store bookshops would also undergo a change. Reluctantly they would have to give up some of their departments, where the new shops out competed them. They would have to sharpen up their service to other customers. They might split their activities into different stores, some of their staff might start up in competition against them. The department stores' market share would fall.

That is not what happened to the book trade, because there were few artificial interventions, so the evolution was much smoother. But think of the political parties as bookshops, where until recently the FPP electoral system meant that in practice each electorate had at most only two parties seriously contending for office, and this transmitted into a parliament dominated by two parties which had all the characteristics of those monopolistic departmental bookshops.

Along comes MMP and suddenly the electoral restraint which had given the two political parties such a cosy market dominance is shattered. What happened was predictable. A number of new political shops sprang up, while the previously marginalized established ones increased their market share. The new ones include a christian party and various green ones. My guess is like the religious bookshops, the *Christian Coalition* will be with us for some time in some form or other. Similarly there will be at least one *fundamentalist socialist party*, even though it wins no seats. But specialist parties, like women's and environmentalists', are likely to be short lived, if other parties will serve their clients well. *ACT* emerged with a similar fundamentalist enthusiasm, announced it expected to gain over 50 percent of the political market, and found it was struggling to obtain even 5 percent. But the party backers are

wealthy and committed, so just as for a bookshop which overestimated its original market, they are redefining their product and seeking new custom.

The *Alliance* and *New Zealand First* were political shops whose sales were limited by FPP, even though there was a considerable potential custom. Under MMP both are flourishing, in that their parliamentary representation will be much larger next year than this, which will give each the chance of properly bedding in a political structure - of developing a decent shop.

What are about the old department stores? As you would expect without its FPP endowed monopoly, *Labour* is fragmenting and losing customers. It is torn between the traditional strategy of trying to provide for everyone, and the practical strategy of redefining its market, even if that means fewer potential customers. Many people walk past *Labour* because they see the old department store in a run down condition, still pretending to provide something for everyone, and so not servicing anybody. By being too ambitious, too poorly defined in the market, *Labour* is losing custom.

The *National* store has the current advantage of an almost exclusive monopoly to supply the government. That runs out in October. With the government contract, *National* still looks attractive to many of its shop assistants and past customers. I am less sure they will be so impressed after October, if *National* is not a part of the new government. In which case we are likely to see *National* fragment as is happening to *Labour*. There is obviously an extreme right wing party lurking in there which might set up shop with ACT if the latter survives. But the major split is likely to be between the urban liberals and the rural conservatives. Interestingly *United* has tried to generate that split by setting itself up as an urban liberal party. It has not succeeded, perhaps because it is seen as too opportunistic, perhaps because the party is charisma challenged, but most likely because *National* still has the contract to supply government. After the election who knows? *United* may be devastated by the polls, but still be the future foundation for *National's* urban liberals.

It would be foolish to offer any firm predictions for the election. Because the book trade has evolved I can make a reasonable forecast of each shop's market share in October. But with political markets in turmoil, who can predict election outcomes? However there are some political things we might predict by thinking about the book market.

First predicting who is going to be the next prime minister is not especially fruitful. It does not matter whether it is Tilly, Neil, Beatrice, or Tim. The book trade survives despite personalities, even though it is the richer because of those personalities. Moreover a good bookshop creates custom, by the shrewdness of its judgement, just as a political party can offer leadership on issues too.

Perhaps too few do in New Zealand. In the shorter term we can look at the overall pattern of sales to predict future custom. The indications from political surveys are that most of the political shop customers want what may be described as a "kinder, gentler, society", some sort of welfare state which gives them a basic security, but which allows a degree of personal initiative. Getting this balance is difficult, but it is this balance sought by the vast majority of the customers of the political shops.

Admittedly they are a bit baffled about all the high flowing economic jargon, and the unwillingness (or inability) of the various financial experts to communicate with them. They know however they have suffered economically over the last decade, despite the selective use of data by the jargon ridden. But they are convinced that these people are not addressing their lives but some ideological fantasy, or perhaps the jargon ridden are those who have done well out of the reforms while everyone else suffered. The central factor of the last decade has been they who have governed us have done so with policies the public disliked, and with policies which have failed to deliver on their sales person's promises. (It is a pity that party manifestos are not subject to the Fair Trading Act.) The peculiarities of the FPP system - of only two parties being allowed to compete for custom - resulted in the monopoly sellers offering what they wanted to the public, not what the customers wanted. There is an irony, is there not, that those who wanted to have competition in economic processes, were the stoutest resisters of the principle being applied to the political process?

In the end, as everyone in this room knows, competitive book shops sell the books the public want. If they want to sell different books, they have to create the market (and they may not always get it right). The same rules apply to the competitive political market, even if many commentators and lobbyists - and even some politicians - have not yet woken up to that fact. Policy under MMP will reflect more the public's immediate demands, as is always happening in the book trade. If one wants different demands in the long run, then those demands have to be created, not artificially imposed by rigging the market.

The future for the book trade will not be greatly affected by the election outcome, but there is a great market in books about the economy, about politics, and about society. I hope *In Stormy Seas* contributes to the market.

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