



THE KING'S ENGLISH BOOKSHOP
MATCHING BOOKS TO READERS SINCE 1977

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LITIGATION III, ANTITRUST DIV.
U.S. DEPT OF JUSTICE

Dear Mr. Read,

I've owned an independent bookstore for 35 years and have never been so frightened about the state of the book business. Believe me, we've faced competition—unfair competition from the chains during the 1990s that resulted in our filing a lawsuit, deep discounting by price clubs and mega-retailers. But we've never seen anything like the situation today. Amazon is taking on competitors and publishers alike in what I believe is an effort to take over not just the retail section of the book business, but the entire book business.

Why have they been so rapacious in our industry? Because they want to sell more books? Hardly. They have more important concerns. Their deep discounts are occasioned by their desire to sell not books, but everything under the sun—to capture our upscale customers so that they can sell them shoes and large-screen TVs and couches (without collecting mandated sales tax, of course). Books are just their loss-leaders.

In all my years in the book business, I've never witnessed anything more tragic than the ongoing damage to an industry so important to our country due to one company's pursuit of money. Nor have I ever witnessed the rise of a worse corporate citizen than Amazon. They've refused to collect sales tax (which allows them to compete on an unlevel playing field, since customers buy the books without paying the tax in almost all cases). They've bullied publishers large and small into adherence to their terms—terms that result in losses for the publishers. They refuse to consider the worth of a book—the money necessary to pay authors and editors all of whom are (obviously) absolutely necessary parts of the process of producing a book. They simply want to capture the market—whatever the cost. If undervaluing the worth of a book in order to capture market share isn't predatory pricing, what is?



How do they acquire their book sales? Is it through their own marketing efforts? Far from it. Publishers have active marketing departments, but, more significantly, independent bookstores in cities and towns all over the country host events and review books on local and national radio shows, on the internet and in papers, reaching millions upon millions of “eyeballs” and creating the “buzz” that drives sales. But, in a classic case of a free-rider that benefits from the sales and promotional efforts of other retailers, Amazon is able to garner sales fueled by the unique browsing experience and hard work of bricks-and-mortar bookstores such as mine, which collect sales tax. It’s routine for customers to come into bricks and mortar stores to view the products that they then buy on Amazon. Famously, last December, Amazon actually offered a promotional rebate on orders made via its price checking smartphone app from the aisles of Main Street retailers.

The e-book situation is the most blatant evidence of their predatory (or perhaps parasitic is a more apt word) intent. Unlike all the other devices on which one can view e-books, theirs is proprietary, so that if Kindle had captured the entire market for devices they would, a priori, have captured the entire e-book market as well. They set the price for the e-books they sell at an artificially low level (sure, once a hardcover is produced, one could argue that it doesn’t cost that much more to produce the e-book, but since the market is gravitating toward the e-book, that argument doesn’t hold—or at least it won’t for much longer), bullying the publishers into compliance.

The publishers, knowing prices were too low, saw where this was heading—who didn’t? At this point Amazon had 90% of the e-book market and if that isn’t a monopoly what is? Anyone who knows anything about business knows that such monopolies, often created by deep discounting, ultimately result in higher prices for the consumer. Publisher and booksellers alike see our industry as threatened. Not our jobs. Our industry. Books—at least in the variety and quality that typifies the industry today.

The agency plan allowed independent bookstores a place in the e-book market. Distribution immediately diversified. Amazon’s share of the e-book market has shrunk to 70%. B&N’s Nook is competing with the Kindle as are the iPad and Kobo, and independent bookstores such as mine are selling e-books on an equal footing, now , carrying a wide variety of titles, working at displaying, promoting, and discounting e-books in various promotions. We’ve even developed an AP for ease of customer use.



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The DOJ's position has put a damper on all that, a damper on competition. Under the terms of the proposed consent decree, it won't be long before Amazon's market share is back up to 90%. The irony is that the DOJ claims this is done in the *name* of competition. In fact, you're helping Amazon to destroy not only its retail competition but its suppliers as well—so that they can begin to take over publishing. Please preserve the agency model. Please don't allow the predatory behavior of Amazon to destroy our industry. It isn't that we can't compete with Amazon. We long to compete. But we have to be allowed in the game before we can compete. Don't shut us out.

Betsy Burton

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