

Independent bookstores in Canada's post- Covid cultural landscape

Prepared by the More Canada think tank
project steering committee

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Introduction

This report has been prepared by the More Canada think tank project steering committee. It is based on discussions by an advisory group of trade and academic Canadian publishers drawn from across the country. These videoconference discussions are held using “Chatham House” rules, meaning that participants are free to share information and analysis from the discussions, without attribution to individual participants.

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This report is offered to contribute to public information and discussion on Canadian cultural policy matters. More reports and documents arising from our project including the More Canada report can be found at www.morecanada.ca.

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Executive Summary

Independent bookstores in English Canada have survived the first wave of Covid-19, after decades of extremely tough business conditions for their sector of book retailing. What happens to them from now on is of paramount importance in Canada's cultural landscape.

Independent bookstores mix culture with commerce. They offer readers access to a careful selection from the 500,000+ individual book titles available from publishers and distributors in Canada. They also carry on a range of outreach activities, spreading information about new books and authors, hosting events, reaching out to readers in schools and at meetings and conferences. Local bookstores contribute culturally in many ways, as do local public library branches. Both are highly valued by their communities

Independent bookstores are by far the most effective vehicle for enabling the discovery and reading of Canadian-authored books. These books account for 19-20% of sales, far better than the overall 12% share held by Canadian-authored books in the retail book trade. Independent bookstores dramatically outperform public libraries, where Canadian-authored books currently represent only 8-9% of books borrowed and read. For independent Canadian publishers, responsible for three-quarters of all the new books by Canadian authors published annually, independent bookstores are a crucial channel by which their books find readers.

In the post-Covid world, retail bookselling is very volatile. Chain book retailing (as we noted in a June 2020 discussion paper) is highly challenged. Indigo is closing 19 Coles stores across the country, and had a record loss of \$185 million in 2019-20. Online book sales have spiked during the Covid-related period, giving Amazon greater presence in English Canada. Yet the buy local sentiment and the new positive attitude of the public to Canadian suppliers and products offer energy to independent bookstores.

For cultural policy makers, independent bookstores are a valuable resource that should be strengthened as part of post-Covid cultural recovery measures. They can help reverse the steady decline in discovery and reading of Canadian-authored books in English Canada. In Quebec, policies to sustain a healthy independent bookstore sector supporting discovery and reading of Canadian-authored books have been in place for over 20 years. New policy initiatives are needed in the rest of Canada, with the federal government taking the lead. These initiatives would help address the gap in federal cultural programs identified in the 2019 book program evaluation.

The newly formed national organization of independent bookstores in English Canada gives governments a mechanism for delivering new measures. The group's founding

survey of 100 stores documented their strong orientation towards measures that would strengthen their role in the discovery and reading of local, regional and Canadian books.

There are six action items proposed in this discussion paper:

1. Recognition that independent bookstores are a cultural industry, key in supporting discovery and reading of Canadian books
2. Funding for research, professional development, technology and marketing projects to be undertaken by the independent bookstore organization
3. Funding to bookstores to cover most of their costs of new marketing and discovery activities promoting Canadian books, for stores devoting 20% of shelf space to those book
4. Sales incentives for bookstores providing them a 10% bonus on their sales of Canadian-authored books published by independent Canadian publishers
5. Access to Canada Post's very low library book rate for stores dedicating 20% of their shelf space to Canadian-authored books
6. Measures to direct public spending on books to bookstores, mirroring the achievement in Quebec of ensuring the viability of retail bookselling and ensuring the discoverability and reading of Canadian as well as international books

Independent bookstores in Canada's post-Covid cultural landscape

Independent bookstores in English Canada had lived through three tough decades before Covid-19 struck. The retail landscape changed dramatically in the late twentieth century when the three national chains – Coles, W. H. Smith, and Classics – were supplanted by two big-box retail competitors, Indigo and Chapters. The advent of Amazon and online bookselling, with drastic price discounting as the big retailers competed for market share, drove many independent stores out of business or reduced their traffic flow.

Prior to Covid-19, English Canada's surviving independent bookstores accounted for a combined 7 per cent of retail book sales in 2019, their share dwarfed by Indigo and Amazon, with Costco and Walmart also capturing a significant portion.

The good news is that most independent bookstores are making it through the Covid-19 retail shutdown. Most stores stayed in operation, using their online presence, their strong links to their communities, and local delivery and curbside pickup. What happens to this key link in the supply chain joining Canada's authors and publishers to readers is of paramount importance in the Canadian cultural landscape.

Why independent bookstores matter

Like independent Canadian publishing houses, independent bookstores represent a unique mix of culture and commerce. Both are for-profit, both are run mostly by owner-managers, and employees and owners of both accept careers offering relatively low incomes as the tradeoff for pursuing their cultural mission. A recently completed survey of 100 indie stores across Canada found that 75 per cent of those businesses had been in operation for more than ten years, and 80 per cent of the owner-managers had likewise been in the book business for more than ten years.¹

Independent bookstores provide several valuable cultural functions to their communities. They support and stimulate book readers and book reading by offering, from the 500,000 individual book titles that are available yearly from book publishers and distributors in English Canada, a curated selection tailored to the tastes and interests of their communities. Every store selects titles to match their readers' interests with care and personal knowledge that chain and online retail cannot match. Independent stores usually also have a wide range of outreach activities: they organize events for authors and books; they bring books

¹ CIBA Survey Results Summary – May 2020.

to local events; and they help teachers and parents select books for students and children. Independent bookstores often schedule hundreds of activities, events, and book displays in a year – one leading store reports it has hosted 600 events annually.

Independent bookstores are especially valuable because of the role they play in supporting the discovery and reading of Canadian-authored books, particularly those published by independent publishers. BookNet Canada reports that Canadian-authored books account for 19 to 20 per cent of independent stores' book sales. They outperform all other retailers in connecting Canadian authors with Canadian readers – overall, book sales of Canadian titles are just 12 per cent. They greatly outperform public libraries, where Canadian-authored books currently account for an average of 8 per cent of total circulation.

Independent bookstores are particularly effective at creating discovery and reading of the books published by independent Canadian publishers. In independent bookstores Canadian readers find the largest representation of a wide range of Canadian authors, going well beyond the highest profile national authors whose books are prominent in all distribution channels. While the independent store sector represents just 7% of total book retail, many independent publishers report that these bookstores account for a considerably higher share of their sales to book distribution channels. In other words, independent bookstores are purchasing (and selling) many more books from independent publishers than their overall share of retail book sales would suggest. Hence their importance for Canadian authors, publishers, and public policy. The performance of the independent bookstore sector is far superior to any other book distribution channel, such as chain bookstores, large chain retail, or public libraries when it comes to supporting the discovery and reading of Canadian-authored books.

Alongside their cultural role, independent bookstores are a significant attraction in any retail strip or mall. They are destination stores for many customers, bringing traffic to retailers in the same area. They contribute to their communities' economy, generating jobs and paying taxes.

Branch libraries and independent bookstores

Comparing branch public libraries with independent bookstores helps underscore their value to their communities, and to Canadian cultural life. Public libraries enjoy a high level of public support for the unmatched range of services they offer. Municipal and provincial politicians have learned important lessons about public support for libraries when they have proposed cuts or shutdowns. Library branches help generate traffic to the area where they are located, and they give readers of all ages access to a wide range of books, events, and other services such as computer and internet access, movies, music, and digital resources. There is a well-established willingness on the part of the public to see tax dollars spent supporting public library services.

Independent bookstores offer their communities a service that is complementary to public libraries. In fact, consumer research shows that most book readers frequent both libraries and bookstores. Library browsing and reading can substitute for book buying, but research data show that it also generates book purchases. Together, a public library branch and an independent bookstore will support and sustain higher levels of discovery and reading than either would generate on their own. Both have a common goal of encouraging book reading. Both share a commitment to the cultural goal of Canadians reading Canadian

The post-Covid world for bookstores

The shutdown of retail shopping during the first wave of Covid-19 in Canada was a serious blow to independent bookstores, as for all retailers. A small percentage stopped operating temporarily. Most stores switched to online sales to local customers through their websites, with local delivery and curbside pickup. Stores report a wide range of experience, but most saw a serious decline in sales. A handful were able to achieve a sales increase, with customers seeking them out when Indigo stores were shut down and Amazon was slow in fulfilling book orders.

Independent bookstores did not benefit from targeted government support, but they did have access to the programs offered to businesses, including the emergency wage subsidy, the emergency loan program for small businesses, and the commercial rent subsidy.

As retail generally opened up across the country after the first wave, most independent bookstores reopened, often with reduced staff. Sales are likely to remain below “normal,” as browsing, which often resulted in sales, has been reduced and prospects for the rest of 2020 and beyond are of course highly uncertain.

The competitive situation for the sector was difficult pre-Covid-19, and is now volatile. Indigo recorded a loss of \$185 million in the fiscal year ending in March 2020 and a loss the previous year of \$37 million (all figures after tax), a decline in working capital of \$173 million over twenty-four months to \$85 million, and shares plummeting in that same period from about \$20 to 90 cents on 30 June 2020. All Indigo stores were closed during the April–June period, leaving the company with only the less profitable online book sales for the first three months of the 2020–21 fiscal year. During the Covid-19 shutdown period, Indigo announced the closure of nineteen Coles stores, including stores in Antigonish, NS, Severn, ON, Banff, AB, Powell River, BC, Windsor, ON, Prince Albert, SK, and Simcoe, ON. The company’s future is very uncertain, with additional closures and other more drastic options possible.²

Independent bookstores may experience a shift in book buying towards online retailers, particularly Amazon. Canadian publishers report Amazon.ca ordering at much higher

² See our discussion paper, *Covid-19 and the challenge to chain retail bookstores in Canada’s cultural landscape*. More Canada think tank project steering committee, 17 June 2020. Available at www.morecanada.ca.

levels during the Covid-19 shutdown, indicating a substantial increase in book sales to Canadian consumers. But the Covid-19 experience has also led to a shift in public attitudes to favour local retail, buying local, and loyalty to Canadian producers and suppliers. The positive experience of customers who found their local independent store open and able to supply them may also have a beneficial long-term impact.

The potential of the independent bookstore sector

As Canada emerges from the first wave of Covid-19 and policymakers develop medium-term recovery strategies for the broad cultural sector, which was badly impacted by the pandemic, retail bookselling requires careful attention and consideration.

The situation documented by the Department of Canadian Heritage's recent evaluation of the Canada Book Fund provides important context for this work.³ While the creation and publishing of Canadian-authored books by independent Canadian publishers was maintained in the six year period covered by the evaluation, 2012–13 to 2017–18, sales of those books in Canada fell by 27 per cent from \$97 million to \$71 million. This represents a continuation of the slide in market share of Canadian-authored books over the past ten to fifteen years, going from 27 per cent of sales to 12 per cent in English Canada. The study found that the Canada Book Fund has been successful in achieving its goal of supporting the creation and publication of Canadian-authored books, but it has unfortunately not been successful in its goal of sustaining and encouraging the discovery and reading of Canadian-authored books in English Canada: “The evaluation could not conclude that the CBF achieved its intermediate result #2: marketing initiatives that have built the demand for Canadian-authored books.”⁴

Brick-and-mortar bookstores remain the primary source by which Canadians discover and obtain books for leisure reading, though online retail is gaining fast. Without viable retail bookstores, people would be deprived of this experience. Sustaining the bookstore link in the Canadian book supply chain is fundamental in cultural policy.

This principle is fully recognized and embedded in the cultural infrastructure in Quebec, where a twenty-five-year-old governmental and cultural policy termed “accredited bookstores” sustains a network of 240 independent bookstores and 40 chain stores. The policy tool used involves directing public spending on books by schools, libraries, and other institutions to accredited retail bookstores. The bookstores gain accreditation by stocking virtually all new French-language Canadian-authored books, and a range of books by international authors as well. The viability of their businesses is buttressed by purchases from public institutions, along with purchases by consumers. The effect is that virtually every Quebec town of any size has an independent bookstore, and cities have multiple bookstores.

³ Evaluation of the Canada Book Fund, 2012–13 to 2017–18, Department of Canadian Heritage, 2019.

⁴ Evaluation, 32.

In the post-Covid period, federal and provincial cultural policymakers in the rest of Canada have the need – and the opportunity – to develop similar measures that ensure that Canadians outside Quebec benefit from both retail bookstores and public library branches in their communities.

In this situation, although they represent a small share of total book retailing in English Canada, independent bookstores are policymakers’ best and most valuable resource. There are several reasons why:

1. Independent bookstores already excel in the book supply chain in supporting the discovery and reading of Canadian-authored books.
2. Independent bookstores already understand and exploit the reading interests and preferences of their local communities and give local, regional, and national authors access to their audiences. This is unequalled elsewhere in the book supply chain.
3. Independent bookstores are best positioned to take advantage of the customer loyalty that Covid-19 has reinforced, and of the public shift towards buying local and supporting local business
4. Independent bookstores have access to digital infrastructure unparalleled in the book supply chain enabling them to give priority and prominence to Canadian-authored books.⁵
5. Independent bookstores across Canada have just reorganized themselves, creating a new national association, and now have the capacity to undertake new collective and individual initiatives to enhance their current role, particularly their role in the discovery and reading of Canadian books from independent Canadian publishers, and thus expand their market.

Strengthening the cultural role of independent bookstores

The owner-managers of English Canada’s independent bookstores generally are book people.. Their prime objective is to stay in business and remain viable. Canadian-authored books are one means to that end. But so are all other books, and so are the

5 The digital infrastructure offering this functionality combines the ONIX data aggregated and distributed to the industry by BookNet Canada with bookstore management software, BookManager, developed by Michael Neill in Kelowna, BC. BookManager uses the Canadian author tag available in ONIX metadata supplied by publishers, displays it to bookstore staff and to customers, and allows easy searching and easy reporting of Canadian-authored titles and their sales. Most though not all English-language independent bookstores use BookManager. No other English-language retail bookselling organization has this capacity currently, though the required title-level data has been available to them since 2014 or earlier.

other product lines and offerings that make an independent bookstore viable.⁶ Given the harsh business climate of the past three decades, this focus makes excellent sense. Readers, writers, and publishers see and value the cultural nature of independent bookstores offering a wide but carefully selected range of new books by local, national and international authors.

The strength and depth of independent bookstore owner-managers' commitment to Canadian books and writing is nevertheless clearly documented in the survey of the 100 leading independent stores completed in May 2020 on behalf of the now-incorporated Canadian Independent Booksellers Association.⁷

Bookstore operators were asked to evaluate a range of marketing opportunities for their stores. There were eighty-seven respondents to this question. Three questions identified opportunities specifically relating to local, regional, and Canadian titles. All three were ranked essential or important by ninety-two respondents, or 81 per cent. Two additional questions focused on local opportunities: promoting buying local, and local bestseller and curated lists. These two were rated essential or important by ninety-six respondents, or 87 per cent.

Three questions identified opportunities relating to all books, national and international. These three were evaluated as essential or important by ninety respondents, or 64 per cent – a significantly lower overall ranking.

In the survey, bookstore owner-managers were asked to rate the relative importance of issues relating to government relations. The top-rated issues (importance of independent bookselling to Canadian publishing, importance of independent bookselling to Canadian authors, and importance of independent bookselling to the fabric of Canadian communities) all were rated as essential by eighty-two respondents, or 86 per cent, and as important by virtually everyone else. A more concrete item, Department of Canadian Heritage support for expensive but effective local marketing of Canadian and Indigenous books, was rated as essential by 60 per cent of respondents, and important by another 31 per cent.

This data on the experience and opinions of most of the owner-managers of Canada's English-language independent bookstores has never previously been gathered. At this crucial time, it underscores the potential of this sector to respond to policies and programs to enable a reversal of the downward trend in reading Canadian books.

Building the capacity of the independent bookstore sector

What would enable this sector to grow, and to accentuate its ability to support the discovery and reading of Canadian-authored books, particularly those from independent

⁶ For a more detailed discussion, see the *More Canada Report*, pp.43-55, available at morecanada.ca.

⁷ CIBA survey Results Summary – May 2020.

Canadian publishers? This is a particularly challenging question, given the overall impact of Covid-19.

A first and key step is for the independent bookstore sector to organize itself, formulate its common interests, and articulate a strategy for growth. After many years of informal discussions, this step has now been taken. The CIBA was incorporated in June 2020 and has an initial board of directors and an interim executive director. The survey mentioned above sets out an overall strategy for the sector.

A top strategic goal booksellers identified in the survey is to develop the expertise of bookstore management and staff. Professional development priorities have been identified, starting with marketing training and best practice sessions, which were ranked essential by 44 per cent of respondents and important by 48 per cent, for a total of 92 per cent. Technology training and best practice sessions and financial training and best practice sessions were also ranked extremely high, along with informal networking.

A second – and somewhat surprising – strategic goal is to share bookselling expertise with new prospective booksellers. Bookstore owner-managers are clearly aware that there are many communities not currently served that could sustain a viable bookstore, and are ready to support the expansion of their sector with new entrants and startups. The *More Canada Report* recommended the creation of fifty more independents.

A third strategic goal is to seek federal support for the sector. Independent booksellers are looking for support for cultural activities through their new organization. This scenario could parallel and complement the twin components of the Canada Book Fund for book publishers, with support for collective initiatives delivered by organizations (funded at about \$7 million currently) and support for publishing houses (funded at \$30 million). The survey identified high levels of interest in funding for marketing initiatives (81 per cent) and technology projects (80 per cent).

A fourth goal identified was group buying initiatives, and of these, negotiating reduced shipping costs for books going to customers or returned to suppliers was identified as the highest priority, ranked as essential by fully 75 per cent of respondents and important by another 23 per cent. Shipping costs and issues were ranked important or essential in supplier relations by 96 per cent of bookstores.

Actions addressing these four top goals would strengthen the independent bookstore sector in English Canada as the economy moves into the post-Covid period, and would deliver the policy goal of increasing discovery and reading of Canadian-authored books. This is a concrete approach to reverse the failings of the Canada Book Fund in English Canada identified in the program's evaluation.

The high value and importance of local activities hosted by individual bookstores, and the emphasis on local and regional books and authors, links up with the strength of the independent Canadian publishing industry. It is the independent publishers, the source of 75 per cent of all new Canadian-authored books in English, who nurture and publish the vast majority of local and regional books in every part of Canada. These books generally outperform even the highest-selling national or international author titles in the relevant locality or region. Strengthening the independent bookstore sector will not just increase the overall share of Canadian-authored books being purchased and read. It will favour the books being published by independent Canadian publishers already supported in part by the Canada Book Fund.

Action for independent bookstores

The best strategy for the Canadian cultural landscape post-Covid is one that recognizes books and reading as a key component of our cultural life and reasserts the goals of supporting the creation and reading of a diverse range of Canadian books.

Writing and publishing is only meaningful when books are distributed, discovered, and read. The encounters that happen between books and readers browsing the shelves and displays in bookstores and libraries remain the single most important way for everyone to find books that engage and interest them. Bookstores are an essential link in the supply chain reaching from authors and publishers to readers. Sustaining chain and independent bookstores in English Canada is imperative.

In a parallel paper just released by the More Canada think tank, the rationale for ensuring the continuance of chain bookselling is set out, and action is proposed that would achieve this objective while underscoring the cultural role chain stores can play with the stocking and display of Canadian-authored books.⁸

Canada's cultural policy already recognizes the importance of bookstores and book distribution along with publishing. It does so through an ownership policy requiring that book distribution, along with book publishing, be Canadian owned and controlled. This policy rules out foreign ownership of bookstores, both chain and independent.

What is needed now is positive action to support the bookselling sector, parallel to the positive measures supporting the Canadian publishing sector. In its post-Covid overall cultural recovery strategy, the federal government could expand the Canada Book Fund with new components for independent bookstores modelled on the existing program components for independent publishers. This could include support for collective initiatives by bookstore organizations. Some support has been provided in the past to

⁸ *Covid-19 and the challenge to chain retail bookstores in Canada's cultural landscape*, 10.

organized bookstores, but with English-language stores now working collectively, there is a much greater potential for effective action dealing with professional development, digital infrastructure and technology, and joint marketing. An expanded Canada Book Fund could offer independent bookstores that stock a broad collection of Canadian-authored books tailored to their locality and region a contribution program based on sales of independently published Canadian-authored titles. This would parallel the existing program of sales-based support to independent Canadian publishers. There could also be a program of direct marketing support to bookstores to allow them to undertake more ambitious marketing and promotion activities around Canadian authors and their books. The data that independent bookstores already supply to BookNet Canada would permit a speedy and efficient development and implementation of these measures.

There is a key opportunity that could be undertaken by Canada Post. Today, Canada Post allows public libraries to mail books between branches and to users at very low rates. Canada Post does this as a public policy measure. Independent bookstores report that current shipping charges, particularly on small parcels of books, are prohibitive. (Action on this item is identified as a high priority by the new CIBA booksellers group.) By offering the same reduced rate to independent bookstores providing a wide range of Canadian-authored books to readers, and to independent publishers fulfilling these stores' orders, Canada Post would facilitate wider stocking of independent Canadian publishers' titles and would enable stores to compete much more effectively for online business.

Provincial cultural policies and programs can also support independent bookstores to enhance their cultural role in the community. The Quebec model shows the potential of measures to channel publicly funded book purchases by public libraries, school libraries, and other institutions through bookstores. The specifics of how this could be done will vary among the provinces. There is a need and an opportunity for educational authorities, public library managers, publishers, and authors to work collectively to identify how this could be done effectively in each province.

Most cities and towns in Canada recognize the importance of cultural activities and cultural industries in their communities, and they support them with a variety of measures. Public libraries are the pre-eminent local cultural institution dealing with books and reading, alongside municipally supported theatres, art galleries, and museums. In many countries, local authorities seek to ensure viable independent bookstores. One measure is reduced property taxes; another is subsidies for rents; a third is providing municipally owned space at lower than market cost. Again, there is a need and an opportunity for local initiatives appropriate to the community to increase the cultural contribution of local bookstores, and to encourage startups in communities now lacking an independent bookstore.

To summarize actions proposed here that would strengthen the independent bookstore sector and support an expansion of its valued role in the discovery and reading of Canadian-authored books:

- Confirm the recognition of the bookstore sector as a cultural industry, to be supported by policies and programs (as in many other countries, and in Quebec) to enable and strengthen the contribution of independent bookstores to the discovery and reading of Canadian-authored books in Canada.
- Provide ongoing support through a new, funded component of the Canada Book Fund for collective initiatives by independent bookstores, with the capacity to enable the sector to undertake a wide range of research, professional development, technology, and marketing projects.
- Provide ongoing support under a new, funded component of the Canada Book Fund for independent bookstores dedicating 20 per cent of their shelf space (equivalent to the sector's current sales performance of 20 per cent), offering 75 per cent funding for the direct costs of their marketing and discovery activities for Canadian authors and their books.
- Develop a new, funded component of the Canada Book Fund to incentivize independent bookstore sales of independently published Canadian-authored titles by providing grants equal to 10 per cent of the value of those sales to stores dedicating 20 per cent of their shelf space to Canadian-authored books.
- Extend the existing library book rate offered by Canada Post to independent bookstores dedicating 20 per cent of their shelf space to Canadian-authored books and to independent Canadian publishers

There are additional actions that would entrench bookstores, particularly independent bookstores, in the cultural lives of communities big and small all across Canada. A measure of this kind is already in place in Quebec; inspired by that example, the rest of Canada should develop measures that are appropriate to the functioning of the book supply chain in English Canada, and link the cultural mission of publishers, booksellers, and librarians together in the cause of Canadian writers and Canadian books:

- Governments should develop measures regarding book purchasing involving public funds appropriate to the English language book supply chain to mirror the achievement of Quebec in ensuring the viability of retail bookselling and the discoverability of a wide and diverse range of Canadian as well as international books for Canadian readers.

- Local governments should offer independent bookstores support as key community cultural institutions to stabilize and enhance their viability, using such tools as cultural grants, reduced property taxes, and subsidized rents.