

ABA CEO Oren Teicher's Remarks at the ABA Annual Meeting
NYC, June 5, 2012

Good afternoon. I am pleased to be able to submit the following report to the members of the American Booksellers Association.

ABA's finances continue to be sound, and, once again, the association has received a fully clean report from our independent auditors. The handouts for this meeting detail the results of the financial year, and in addition, the full audited report along with our federal tax return has been posted on the "Governance" page on the association website, BookWeb.org.

The ABA Board and staff work to be as transparent as possible, and as you review these documents, or any aspect of ABA operations, I encourage you to share your thoughts and questions with your Board or with me. We want to hear from you, especially in regard to these matters.

ABA has come through a difficult time in a challenging financial market, but our investment policy has stood us in good stead, and there is a modest strengthening of the association's endowment. As you review the financials, I think it's important to point out that the bottom line numbers reflect the fact that the ABA Board -- in response to member direction and feedback -- is committed to continue making appropriate investments in member programming, whether it's in education, or technology, or vigorous member advocacy. While the financials show a deficit; we think of it as an appropriate investment in our future.

Last year at this point in the Annual Meeting, I broke with tradition.

Because we were faced with formidable challenges, I decided not to use my report to focus exclusively on the preceding year. Instead, I looked ahead in order to share some thoughts and observations about how we -- together as an industry, booksellers and publishers -- can navigate our way through a period of unprecedented change.

It's a year later. And, and as we all know, things have gotten even more challenging. If anything, it feels as if the pace of change has accelerated, and turbulent trends continue to roil our industry.

Of course, one of those events was Google's decision to end its e-book reseller program. To be clear, ABA fully understands how important it is for you to be able to continue to sell e-books to your customers. And you have our strongest assurance that there will be a first-class e-book solution(s) in place well in advance of Google's January termination of their program.

As you know, when ABA and Google entered into our agreement in 2010 there were really not that many options for indie booksellers in the digital arena.

The situation is very different today. There are far more companies in this arena, and we have been talking to every potential partner, as we aggressively work to launch a new program. Indeed, it's our goal and our hope that the new e-book solution will be more robust and more flexible than the Google program, offering more choices to a broader spectrum of the membership.

I want you to know that we have made significant progress. This is ABA's number-one immediate goal. And, while we understand that the lion's share

of your sales are still in print books - and, will remain so - we also know that your ability to sell e-books to your customers is an essential component of your store's offerings. And we fully expect that by the holiday season our new e-book solution will be in place.

The other issue that has made this an especially tumultuous time in the digital arena has been the Department of Justice's actions regarding the agency model.

Frankly, the legal steps that DOJ has taken are baffling. As we have repeatedly said since DOJ announced their suit, we believe that the agency model is legal, appropriate, and necessary. Since its implementation, the evidence is clear - the agency model has enhanced competition - not in any way lessened it - and that it has created more options and more value for consumers.

For the Department of Justice to propose a remedy that limits choice, selection, and value for consumers - or that returns the market to a monopoly - turns logic on its head.

We are gratified that Macmillan and Penguin are fighting on behalf of the agency model, and it's important to note that there are still other publishers employing the agency model. We hope that other houses will see the value and benefit -- to our industry and to consumers -- of the agency model and will adopt it. The time to stand-up to one company's bullying tactics is now.

While it's impossible to predict how the court will rule, it's vitally important for all of us to avail ourselves of an opportunity to make our voices heard.

As you may know, the law requires DOJ to accept comments from the public, to publish the comments, and to submit a written summary of the comments to the court. This means that we have the opportunity – indeed, the responsibility – to tell the court just what a unique and critical role the agency model plays in our business.

To those of you here today who have already written, we say - thank you. To those of you who have not yet written, you still have 20 days before the June 25 deadline!

None of us can know the outcome of this case. But all of us can be sure that the prospects for a solution that preserves the agency model, that promotes diversity and choice, and that protects a competitive marketplace are diminished if the court does not hear the clear and forceful voice of independent booksellers.

Over the years, I know many of you have heard me say that as a group we often under-estimate our capacity to influence public policy. But as we have seen in the sales tax fight, among other issues, many voices joined together can channel the power of important ideas.

This is a moment when we are compelled to act.

I urge you as strongly as possible to leave this room today with the commitment to write that letter to the DOJ. And, just as important, each of us should commit ourselves to getting five friends and colleagues to write as well. I cannot promise that we will change the mind of the DOJ; but - no court can point to any instance in American history where monopolization

has benefited American consumers. The time to speak is now.....we cannot and should not allow this moment to pass.

As you heard in Steve Bercu's report, for the third year in a row ABA's bookstore membership numbers have seen modest growth. And, it is particularly gratifying that amongst those numbers are new and prospective booksellers in every region of the country.

There is energy and engagement in our industry, and I believe that this year we can say with certainty that the trend of indie bookstore decline has been reversed.

And while there is no minimizing the significant challenges we face on a daily basis, it's also heartening to report that the indie book sales as tracked by Nielsen Bookscan have continued to show the double-digit increases over the previous year that we saw throughout the holiday season. For the first 20 weeks of 2012, we have seen a 13.4% increase in unit sales. I recognize those increases have not happened everywhere; but - on balance - the indisputable fact is - that we, as a channel are selling more books today than we were a year ago.

No one in this room today is foolishly naive, but we have reason for optimism. We have proven to the industry that our business model is well positioned for the future. Now more than ever, customers appreciate our curated selection; our local ownership and close ties to our towns and cities; our many in-store events; and the opportunity to connect face-to-face in our stores with other passionate readers.

The experiences you create everyday in your stores simply cannot be downloaded or replicated online.

While our market share remains modest, our channel's positive sales numbers highlight that bricks-and-mortar independent bookstores continue to offer book buyers a unique and essential browsing and discovery experience. Other channels may command a larger overall market share. But no channel can compete with ours for discovering, championing, and launching notable writers and showcasing outstanding fiction and nonfiction.

And, there is increasing data that makes clear that the marketing, promotion, and handselling we do is fueling sales in other channels.

Your hard work ripples out into the entire community of the book -- whether it's website updates about staff picks and author events; pithy and engaging tweets; regular Facebook updates; informative e-mails; or the myriad ways which you reach out and connect directly with readers in visits to schools, libraries, and reading groups, just to cite a few of the ways we communicate with readers every day.

All of what you do coalesces into a powerful national signal of information and insight. We know it totals literally millions and millions of impressions, amplified as it is by technological tools that are becoming ever more affordable.

We hear you loud and clear that education continues to be of prime importance. In addition to the programming offered at the Winter Institute, at yesterday's Day of Education, at the Fall shows sponsored by our Regional Association colleagues, as well as at our bookseller forums held all over the

country - tomorrow we will be presenting the first ABC Group Children's Institute, representing the continued expansion of ABA's offerings for children's booksellers following the merger of ABC and ABA. In addition, in the coming weeks you'll be hearing more about additional mini-Institutes offering focused educational programming on key bookselling topics.

We also will continue our ongoing research and development work for IndieCommerce. Happily, there continues to be strong sales growth across the network of IndieCommerce stores. Our latest data show that gross annual sales, year-to-date over year-to-date, are up 92 percent. We know how hard you all are working to promote those sales, and we are working to make sure that our customer service is there when you need it.

I am pleased to be able to report - that, finally, after almost a decade of work by many of you in this room - that sales tax equity is becoming a reality in more and more states. We are not done yet; but - your resiliency is paying off.

The range of our IndieBound marketing materials continue to grow. If you haven't lately, I encourage you to visit the IndieBound DIY section on BookWeb.org. You'll find a wealth of customizable materials -- everything from bookmarks to posters, banners, and website content.

The DIY is where you'll find support materials for our latest marketing effort -- "Why Indies Matter." This is a new video campaign that captures unscripted and enthusiastic testimonials about independent bookstores from authors, customers, and indie supporters around the country. Authors and others will be adding their voices in support throughout BEA, and I encourage you to come to the ABA Members Lounge to see the videos and to

learn more about how you can participate in “Why Indies Matter,” and to get answers about all our other member programs.

In talking about these programs, I want to publicly acknowledge and thank the ABA Board for their vision, leadership, and hard work. The membership is incredibly well-served by this dedicated group of indie booksellers whose tireless efforts are often carried out quietly behind the scenes. It always seems that we never have the opportunity to adequately thank them...so, please join me in expressing our thanks and appreciation to Becky Anderson, Steve Bercu, Sarah Bagby, Betsy Burton, Tom Campbell, John Evans, Valerie Koehler, Matt Norcross, and Ken White. And, a special thank you to Beth Puffer....whose term on the Board ended earlier this year.

In addition, I want to acknowledge and thank my colleagues on the ABA staff. As I’ve said before: I don’t believe there is a better staff at any trade association anywhere. And we are extremely pleased to welcome both Joy Dallanegra-Sanger and Neil Strandberg to the ABA staff -- these talented and experienced professionals have already improved our capacity to serve booksellers.

BEA remains a remarkable event, a unique opportunity for us to renew collegial friendships, establish new ones, and hone our skills. We’re grateful for the hard work and professionalism of our friends at Reed Exposition, who continue to work to keep this trade show fresh and relevant.

But BEA is also an important opportunity to take stock and to look at the big picture.

As I've noted here today, we continue to live in dynamic and challenging times. But I have also never been more convinced that these are times of promise and opportunity for our industry and for indie bookstores. But that growth will only be realized if all of us -- as an entire industry -- work together.

Last year at this time, I called for our publishing colleagues to join us in working to encourage the formulation of creative new industry business models that will help us fashion a sustainable bookselling business for the 21st century.

I'm pleased to report to you that in the ensuing months we have talked with a number of individual publishers about the important role played by independent booksellers. In these conversations we have strongly urged them to create new ways of doing business that recognize the importance of our business sector as both a sales channel and a unique — and essential — catalyst to sales in other channels as well.

We have encouraged publishers to individually identify and test their own innovative ideas that might eventually benefit all stakeholders in our industry.

Many publishers have responded to our outreach, and several have individually identified new initiatives. There are ongoing tests in place and if you are among those booksellers participating in any of these tests, many thanks on behalf of your colleagues and the industry.

We also thank the forward-looking publishers involved in the tests, as well as those publishers who have already rolled out new business models.

Much important work has begun, but there is much more yet to do. And I urge publishers who have not yet begun to rethink their business operations regarding indie stores to join us in dialogue.

Over the remaining days of the show, we hope that all of you will be wearing "Why Indies Matter" buttons to help spread the news about this the new marketing program.

Last year at this time, following the continuing grim economic news and the collapse of Borders, many indie stores were spreading the important message that "We're still here."

In the ensuing year, we have proven that -- not only are we still here -- but that our unique contributions to the bookselling industry have never mattered more.

Indies matter because we are the industry's launching pad for new authors and future bestsellers.

Indies matter because our bricks-and-mortar stores are unparalleled opportunities for discovery, experience, and community.

Indies matter because we create jobs and keep dollars re-circulating in our communities.

Indies matter because we help lead the fight for free expression and the defense of First Amendment freedoms.

Indies matter because we are nurturing a new generation of readers.

And indies matter because your hard work is fueled by the passionate belief that putting the right book in a person's hand at the right moment can change a life.

We at ABA are fueled by your passion. And we remain committed to doing everything we can to focus our energies and attention on helping you achieve your business goals -- and on working to fashion a new, sustainable bookselling business model.

I know there are some doom and gloom folks out there who continue to predict the demise of bookstores. But, when I look out at this room – and, add-up all you do everyday – I believe this moment in our industry is rich with promise and opportunity. I remain confident and convinced that, despite all the challenges and difficulties, the best days of indie bookselling are yet to come.

And, that concludes my report.

Thank you very much.