

## Market shares and prices

1. This appendix provides data on national market shares and pricing of retail booksellers. It also includes data on publishers' discounts to retailers.

### Market shares and other measures of competition between retailers

2. National market shares represent one measure of book retailers' competitive significance at a national level. Table 1 gives estimated 2005 market shares both for all books and for deep-range titles only:
  - (a) The first column shows TNS estimates based on its panel of 10,000 consumers (which is subject to sampling and reporting error and is believed to under-represent students and overseas visitors<sup>1</sup>).
  - (b) The second column shows composite estimates sourced mainly from Nielsen Bookscan which records sales from till data. The Nielsen Bookscan figures do not achieve complete coverage; in particular, they do not cover sales through distance sellers (other than Internet retailers) such as book clubs, mail order and direct sellers. To allow for this, in column 2 we have used TNS data on market shares of the excluded retailers and Nielsen Bookscan figures for the other retailers. The Nielsen Bookscan data may also under-record independent retailers but the effect of this is fairly modest.<sup>2</sup>
  - (c) The third and fourth columns show composite estimates for share of sales of deep-range titles. The retailers excluded from the Nielsen Bookscan data tend to supply a relatively low number of titles, which may be more likely to be best-sellers than deep range (although some book clubs are of a specialist nature and thus likely to supply deep-range titles). We have therefore calculated a lower estimate of market shares by assuming that retailers excluded from the Nielsen Bookscan data have a share of deep-range titles similar to their share of best-sellers (column 3) and an upper estimate by assuming that the excluded retailers have a zero share of deep-range titles (column 4). This suggests that Waterstone's share of deep-range titles is between [x] and [x] per cent and Ottakar's [x] to [x] per cent. HMV argued that retailers excluded from the Nielsen Bookscan data, such as book clubs, often sold deep-range titles: this would suggest that actual market shares are at the lower end of the range shown in Table 1.

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<sup>1</sup>Source: HMV.

<sup>2</sup>If the share of other shops is increased from the [x] per cent shown in the second column of Table 2 to the [x] per cent implied by the TNS data (including other specialists but allowing for the fact that British Bookshops is not separately identified by TNS), the combined Waterstone's and Ottakar's share would reduce from [x] to [x] per cent.

TABLE 1 National book market shares, 2005

	<i>per cent</i>					
	<i>All books</i>	<i>All books</i>	<i>Deep range* Lower†</i>	<i>Deep range* Upper†</i>		
	<i>TNS market share 2005</i>	<i>Composite estimated market share 2005</i>	<i>Composite estimated market share 2005</i>	<i>Nielsen Bookscan market share 2005</i>		
Waterstone's	14.1	⌘	⌘	⌘		
Ottakar's	7.7					
Total	21.8					
WH Smith	⌘				⌘	⌘
Borders						
Blackwell						
British Bookshops‡						
Other specialist bookshops§						
Supermarkets						
Other shops¶						
Internet						
Other distance sellers#						
Other#						
Total	100.0	100.0	100.0	100.0		
<i>Approximate HHI★</i>						
Pre-merger	656	694	748	1,300		
Post-merger	873	939	1,030	1,791		

Source: CC calculations based on TNS and Nielsen Bookscan data. Market shares are based on the value of sales.

\*Titles ranked below 5,000 for the year in question.

†Upper figures for Waterstone's and Ottakar's market shares assume that retailers excluded from the Nielsen Bookscan data have a zero share of deep-range titles; Lower figures assume that retailers excluded from the Nielsen Bookscan data have a share of deep-range titles similar to their share of best-sellers.

‡Not separately identified in TNS data (included in 'other specialist bookshops').

§Not separately identified in Nielsen Bookscan data supplied to CC and hence included in 'other shops' in the composite estimates.

¶Excludes bargain bookshops and market stalls (which are included in 'other'). Composite estimates include specialist bookshops.

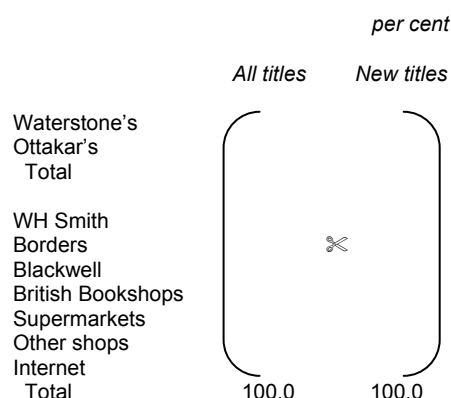
#'Other distance sellers' and 'other' not included in Nielsen Bookscan figures. Their market shares are based on TNS market shares.

★Herfindahl-Hirschmann index of concentration (calculated from the squared market shares). Table 1 suggests that the HHI is about 700 for the market as a whole, and—based on the average of the lower and upper estimates—about 1,000 for the supply of deep-range titles. Based on 2005 market shares, the effect of the merger would be to increase the HHI to about 900 for the market as a whole and 1,400 for the supply of deep-range titles.

- As shown in Table 2, Waterstone's and Ottakar's had a smaller share of sales of new titles (titles published during 2005) than of all titles, whereas WH Smith and the supermarkets had a larger share in sales of new titles.<sup>3</sup>

<sup>3</sup>The figures in Table 2 are not directly comparable with those in Table 1 because Table 2 is based on Nielsen Bookscan data, which do not cover distance sellers (other than Internet retailers) and other sellers. Nevertheless, Waterstone's and Ottakar's combined share of sales of new titles still exceeds that of WH Smith and all other retailers.

TABLE 2 Comparison of market shares for all titles and new titles, 2005



Source: Nielsen Bookscan. 'Other distance sellers' and 'Other' are excluded from this comparison as no data is available on their sales of new titles.

4. Table 3 shows market shares over time. The main trends, evident both from the TNS and the composite estimates, have been an increase in the share of supermarkets and the Internet, both of which increased by about 4 percentage points between 2001 and 2005, and a decrease in the share of non-Internet distance sellers (principally book clubs). Looking at the composite estimates, which we regard as more reliable:
- (a) The increase in the share of Internet retailers and of supermarkets was particularly marked between 2004 and 2005 when the Internet retailers' share increased by [✂] percentage points and the supermarkets' share increased by [✂] percentage points.
  - (b) Waterstone's share of all book sales fell over the period (by about [✂] percentage points), falling between 2001 and 2003, partly recovering in 2004 and falling again in 2005 back to the 2003 level.
  - (c) The share of smaller chains of specialist bookshops and independents also seems to have fallen.<sup>4</sup>
  - (d) Ottakar's and Borders (both of which were rapidly expanding their number of outlets) increased their share of the market between 2001 and 2005. However, in both cases, their increase in share in 2005 ([✂] per cent for Ottakar's and [✂] per cent for Borders) was smaller than in any of the other years.

<sup>4</sup>TNS data shows that the share of other specialist bookshops declined from about 14 per cent in 2001 to 10.5 per cent in 2005. (Nielsen Bookscan data does not fully cover other specialists, particularly independents).

TABLE 3 National market shares over time

	2001	2002	2003	2004	2005
<i>All books (TNS estimates)</i>					
Waterstone's	16	16	16	16	14
Ottakar's	6	5	6	7	8
WH Smith	⌈		✂		⌋
Borders					
Blackwell					
Other specialists					
Supermarkets	4	4	5	6	8
Internet	5	7	8	9	12
Other distance sellers	21	21	19	18	15
Other*	<u>16</u>	<u>17</u>	<u>16</u>	<u>13</u>	<u>13</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
<i>All books (composite estimates based mainly on Nielsen Bookscan data)</i>					
Waterstone's	⌈		✂		⌋
Ottakar's					
WH Smith					
Borders					
Blackwell					
British Bookshops					
Supermarkets					
Other shops†					
Internet					
Other distance sellers‡					
Other‡					
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Approx HHI	682	626	666	692	695
<i>Deep range§</i>					
Waterstone's	⌈		✂		⌋
Ottakar's					
WH Smith					
Borders					
Blackwell					
British Bookshops					
Supermarkets					
Other shops†					
Internet					
Other distance sellers‡					
Other‡					
Total	100	100	100	100	100-100
Approx HHI	723-	634-	681-	720-	748-
	1,594	1,430	1,389	1,350	1,300

Source: Nielsen Bookscan and TNS. Market shares are based on the value of sales.

\*Includes other (non-specialist) shops.

†Includes specialist bookshops.

‡'Other distance sellers' and 'other' not included in Nielsen Bookscan figures. Their market shares are based on TNS market shares.

§Titles ranked below 5,000 for the year in question. Range of figures reflects alternative assumptions about retailers excluded from Nielsen Bookscan data (see paragraph 2(c)) and footnote † to Table 1.

5. Figures 1 and 2 show market shares and prices relative to RRP<sup>5</sup> through 2005 for all books and deep-range titles, respectively. Figures 1 and 2 cover selected retailers, including the merging parties, WH Smith, Borders, the supermarkets and the Internet, based on Nielsen Bookscan data,<sup>6</sup> which excludes book clubs and some other retailers (we do not adjust for excluded retailers in Figures 1 and 2 and hence market shares are overstated). On the basis used in these charts, Waterstone's share of all book sales in 2004 was [✂] per cent. Figure 1 shows that Waterstone's share was below its 2004 share for most of the first half of the year (the drop in week 28 is due

<sup>5</sup>Internet prices do not reflect delivery charges which are made on some sales. The apparent reduction in Ottakar's prices in weeks 35 and 36 is due to data problems.

<sup>6</sup>As Figures 1 and 2 show selected retailers only, the sum of the market shares of the retailers shown is less than 100 per cent.

to the launch of the latest Harry Potter), recovered after week 37 (due to the start of the academic season) but then fell after week 41, when WH Smith cut its book prices; finally, Waterstone's share recovered sharply after week 46 when it cut its own prices (although the recovery in its share is likely to be partly a seasonal effect<sup>7</sup>). Ottakar's market share on the same basis in 2004 was [X] per cent: its share in 2005 appears to have fluctuated less sharply than that of Waterstone's but also recovered in the weeks before Christmas (this is likely to be a seasonal effect). Ottakar's prices also fluctuated less than Waterstone's.

FIGURE 1

### Shares and prices relative to RRP of all books, 2005

[X]

Source: CC estimates based on data from Nielsen Bookscan.

- Figure 2 shows a similar analysis for sales of deep-range titles only. The trends here are less marked, as also are price variations. It is notable that Waterstone's share [X] and WH Smith's share [X]: HMV told us that this was due to the start of the academic season. The share of the Internet increased about ten weeks before Christmas and then declined (presumably due to gift buying).

FIGURE 2

### Shares and prices relative to RRP of deep-range titles, 2005

[X]

Source: CC estimates based on data from Nielsen Bookscan.

- National market shares do not necessarily reflect the competitive significance of each retailer in relation to Waterstone's (or Ottakar's). Some may be closer competitors to Waterstone's (and Ottakar's) than others. We have considered two further measures that allow specifically for the closeness of competition with Waterstone's and Ottakar's. These are available only for all books and not for deep-range titles:
  - Evidence from the TNS survey, provided to us by HMV, on how much Waterstone's (Ottakar's) customers spend on books at other retailers compared with how much would be expected on the basis of those retailers' national market shares. We describe this as relative residual spend. If Waterstone's customers spend a higher than expected proportion of that part of their book spending that they do not spend at Waterstone's (their residual spend) at Ottakar's, then this may suggest that Ottakar's is a relatively close national competitor to Waterstone's.
  - Evidence from our survey on the retailers that Waterstone's (Ottakar's) customers gave as their next best alternative if Waterstone's (Ottakar's) was not available.

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<sup>7</sup>Waterstone's and Ottakar's market share might increase in the weeks immediately before Christmas because Internet and mail order sales decline (Christmas purchases have to be made earlier due to delivery delays) and to the extent that consumers are more likely to buy Christmas gift books than regular book purchases at Waterstone's and Ottakar's rather than, say, supermarkets.

8. Table 4 summarizes evidence on relative residual spend. Waterstone's customers have highest relative residual spend at Borders, other specialist bookshops and on the Internet. Ottakar's customers have highest relative residual spend at other specialist bookshops and on the Internet. Waterstone's customers' share of residual spend at Ottakar's is in line with its national market share, while the residual spend share of Ottakar's customers at Waterstone's is slightly below its national market share. This is likely to reflect the offsetting effects of low geographic overlap between their outlets and the relative similarity in their market positioning. Thus, this evidence suggests that market shares are broadly reflective of the significance at national level of competition between Waterstone's and Ottakar's. However, this evidence needs to be treated with caution: just because a consumer buys books at two retailers does not necessarily mean that the retailers are close substitutes, since the consumer may be using the two retailers for different sorts of book purchases.

TABLE 4 Relative residual spend of Waterstone's and Ottakar's customers

	Waterstone's relative residual spend*	Ottakar's relative residual spend*
Waterstone's	N/A	N/A
Ottakar's		
WH Smith		
Borders		
Other specialist		✂
Tesco		
Asda		
Internet		
Other distance		

Source: HMV from TNS data.

\*Waterstone's (Ottakar's) customers spend on books at other retailers compared with how much would be expected on the basis of national market shares. Above 100 represents a relatively close competitor and below 100 represents a relatively distant competitor. Based on year to January 2005.

Note: N/A = not applicable

9. Table 5 summarizes evidence from our survey on the booksellers that respondents considered were alternatives to Waterstone's and Ottakar's. Respondents were asked both which type of bookseller would be their next best alternative if Waterstone's (Ottakar's) were not available (shown in the upper panel of Annex 1), and the number of books they would have bought at each alternative outlet if Waterstone's (Ottakar's) were not available (shown in the lower panel of Annex 1). Results were similar and only the results of the former question are shown in Table 5. WH Smith is quoted as the next best alternative by more Waterstone's and Ottakar's customers than any other retailer. In the case of Waterstone's the next most quoted retailers are the Internet closely followed by Borders and Ottakar's. In the case of Ottakar's customers, WH Smith is closely followed by Waterstone's with the Internet and especially Borders being less popular as the nearest alternative than for Waterstone's customers. HMV argued that there was a bias towards respondents mentioning nearby bricks and mortar retailers due to the fact that the survey was conducted in store and that, in the preceding question, respondents were asked from which other shops, if any, in the same shopping location they bought books.

TABLE 5 Next best alternative booksellers to the Waterstone's/Ottakar's store surveyed if that store were not available

*per cent*

*Next best alternative*

	<i>Waterstone's respondents</i>	<i>Ottakar's respondents</i>
Waterstone's	N/A	
Ottakar's		N/A
WH Smith		
Borders		
Supermarkets		
Internet		
Other		
Total	100	100

Source: CC estimated weighted average of responses in overlap and non-overlap locations to CC survey (see Annex 1).

Note: N/A = not applicable

### Pricing

- Figure 3 shows best-seller prices relative to RRP and market shares from 2001 to 2005 for the largest high street retailers (Waterstone's, WH Smith, Ottakar's and Borders) and also for British Bookshops (a high street discounteer), the supermarkets (average across all supermarkets) and the Internet (average across all Internet retailers).<sup>8</sup> Excluding British Bookshops, the high street chains charge higher prices for best-sellers than do the supermarkets and the Internet. However, both prices and market shares of the high street chains have been falling,<sup>9</sup> which suggests that the high street chains have sought to compete with supermarkets and the Internet by reducing prices, but that this has not been sufficient to prevent erosion of their market share. (Figure 3 overstates any market share decline and understates any market share increase as it excludes various retailers such as book clubs whose share has fallen.)

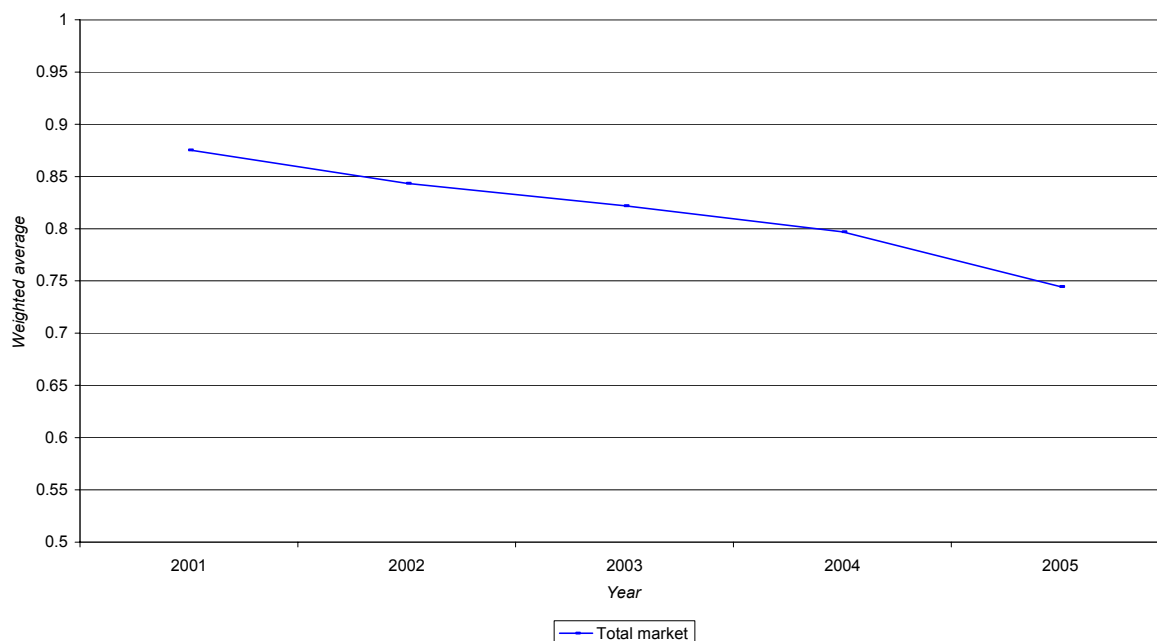
<sup>8</sup>As Figures 3 and 4 show selected retailers only, the sum of the market shares for the retailers shown is less than 100 per cent.

<sup>9</sup>Nielsen Bookscan data are based on end-2005 RRP. Figures 3 and 4 reflect an approximate adjustment for increases in RRP up to the end of 2005.

FIGURE 3

**Prices and market shares for best-sellers**

**(a) Weighted average price relative to RRP of best-sellers**



**(b) Market shares in best-sellers (Nielsen data—excludes book clubs)**

[✂]

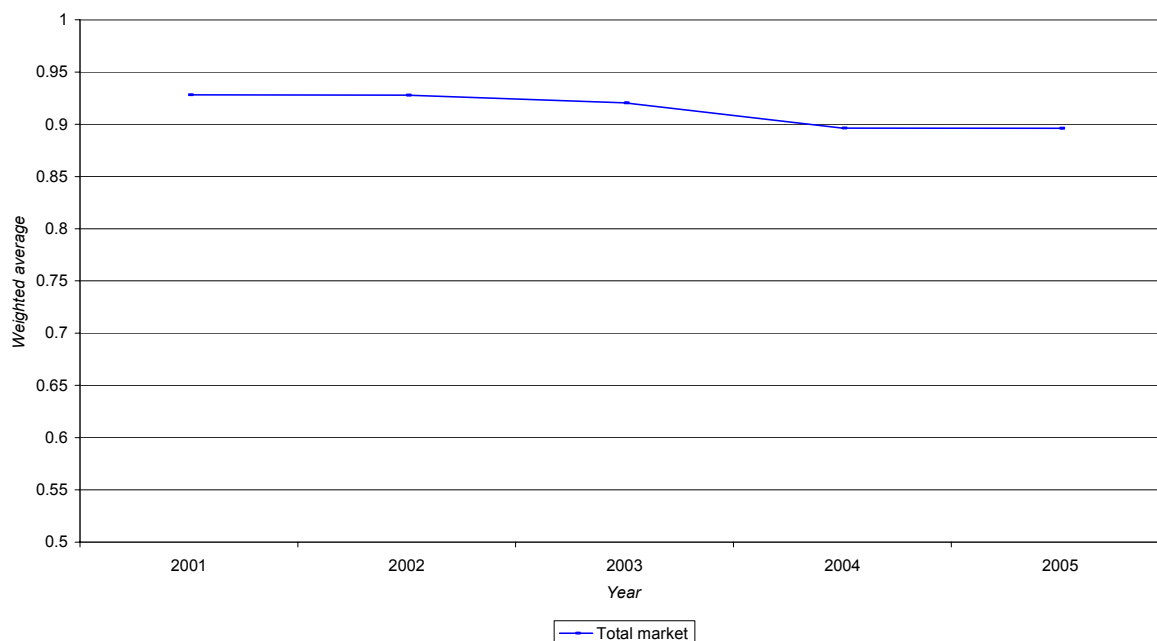
Source: CC estimates based on data from Nielsen Bookscan.

11. As regards deep-range titles, we were told that most were not discounted by high street retailers. Where deep-range titles are discounted by high street chains, the discounts result from one of the following: occasional promotions of individual deep-range titles; genre discounts, for example a discount may be offered on all travel books including deep-range as well as best-seller travel titles; and discounts to particular customer groups such as students. Figure 4 shows prices relative to RRP for deep-range titles. The reduction over time in prices by the high street chains is much less marked than for best-sellers. On average, deep-range prices at Waterstone's, Ottakar's and Borders are about [✂] per cent below RRP and for WH Smith almost [✂] per cent below. Discounts to RRP on deep-range titles are greater for supermarkets and the Internet, although supermarkets have a low deep-range market share. The deep-range shares of [✂] have declined, while most notably, the share of Internet retailers has increased. (Figure 4 overstates any market share decline and understates any market share increase as it excludes various retailers such as book clubs whose share has fallen.)

FIGURE 4

**Prices and market shares for deep-range titles**

**(a) Weighted average price relative to RRP of deep-range titles**



**(b) Market shares in deep-range titles (Nielsen book data—excludes book clubs)**



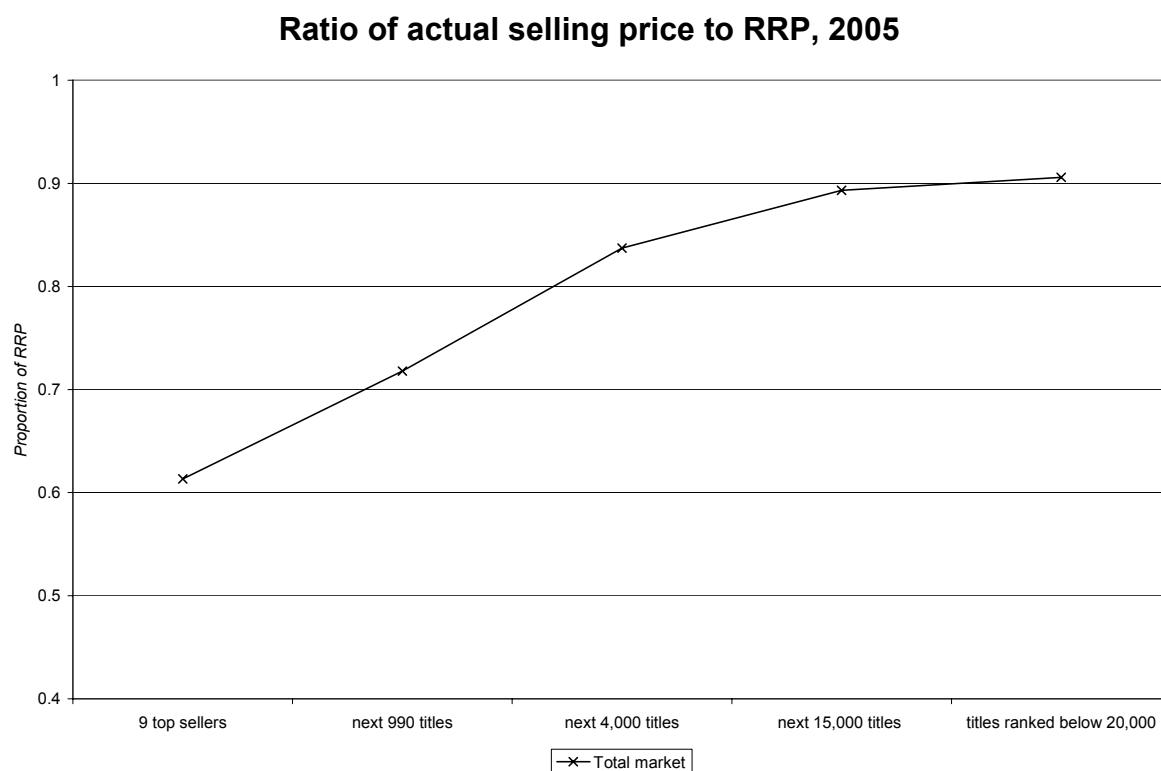
Source: CC estimates based on data from Nielsen Bookscan.

12. HMV told us that Waterstone's faced strong price competition on best-sellers, in particular from WH Smith and the supermarkets. HMV compared a group of six titles, the prices of which Waterstone's reduced during the period between 27 November 2005 and Christmas 2005, with eight titles the prices of which Waterstone's kept constant over the same period (Waterstone's heavily advertised both sets of books). The reduced price titles showed substantial gains in volume relative to the others (after netting off the impact of changes in the rest of the market): on average, the net percentage increase in Waterstone's volume of sales was about [redacted] times the percentage price reduction (percentage reduction in Waterstone's prices relative to weighted average prices charged by other booksellers).<sup>10</sup> We noted, however, that this evidence was restricted to a small group of titles in a particular time period (just before Christmas which might be unrepresentative). We noted also that results varied substantially between the individual price-reduced titles—the percentage volume increases for each title being between [redacted] (compared with the average for the non-price-reduced books).
13. Figure 5 shows some additional information on actual selling prices relative to RRP for the market as a whole and for the main retailers (the best-seller category is expanded into the nine top sellers, titles ranked 10 to 999 and titles ranked 1,000 to

<sup>10</sup>This implies an own-price elasticity of demand of [redacted]. HMV considered, however, that this was not a true own-price elasticity of demand as there may have been direct substitution by Waterstone's customers between the price-reduced titles and the others. It was also possible that previous discounting of the titles in the rest of the market had impacted asymmetrically on the price-reduced titles relative to the others.

5,000, while the deep-range category is divided between titles ranked 5,000 to 19,999 and the remainder). For the market as a whole, prices average 61 per cent of RRP for the nine top sellers rising to just over 90 per cent of RRP for the titles ranked 20,000 and below. Prices relative to RRP increase (discounts decline) with selling rank for all the retailers shown except British Bookshops (which, like the supermarkets, sells relatively few lower-ranked titles).

FIGURE 5



Source: CC estimates based on data from Nielsen Bookscan.

14. In order to further understand price competition, we considered prices through 2005 of the nine best-selling titles that year.<sup>11</sup> Taking as an example, *The Da Vinci Code* (the best-selling title on sale throughout 2005 and the second best-selling title overall in 2005), the lowest prices were charged by Asda and Tesco, followed by Internet retailers and the other supermarkets (see Annex 2). Prices at Waterstone's, WH Smith and Borders fluctuated, each of them being markedly reduced from time to time and then increased. Ottakar's prices, however, remained constant through the year (the apparent fall in weeks 35 and 36 is due to data problems). Waterstone's reduced its price to half of RRP in week 24 and Figure 6 shows the impact on volumes around this time. Waterstone's volume increased substantially but there is little evidence of offsetting declines in volume for the other retailers (indeed there is an increase in volume for some other retailers). HMV pointed out that this might be due to other factors such as a sustained period of advertising. Figure 7 shows volumes around the time of a price cut by WH Smith: results are similar in that there is evidence of a large increase in WH Smith's volume but not of offsetting declines for the other retailers. The pattern shown in Figures 6 and 7 for *The Da Vinci Code* was evident also for the other titles we considered: price reductions generated substantial volume increases but these volume increases did not appear to be directly associated with contemporaneous loss of volume by other retailers. It is possible, of

<sup>11</sup>We also considered weekly data through 2005 for average prices relative to RRP of the next 990 titles, the following 4,000 titles, the 15,000 titles below them and the remainder.

course, that price reductions by one retailer bring forward purchases that would otherwise have been made in future at other retailers.

FIGURE 6

### **Sales by retailer of *The Da Vinci Code*, weeks 20 to 29 (2005)**



Source: CC estimates based on data from Nielsen Bookscan.

FIGURE 7

### **Sales by retailer of *The Da Vinci Code*, weeks 26 to 43 (2005)**



Source: CC estimates based on data from Nielsen Bookscan.

15. The results of our survey suggest that about half of respondents buying discounted books would have bought the same books if there had been no special offers or discounts; around 20 per cent would not have bought any of the discounted books and the remainder would have bought different or fewer books.
16. Price cuts on a particular best-selling title may also affect sales of other titles, both best-sellers and deep-range titles, by attracting customers into the bookshop who then purchase books they would not otherwise have bought. A study by HMV (for a week during the Christmas period) showed that customers bought an average of [✂] books in transactions including the purchase of a half-price book compared with an average of [✂] books bought in other transactions. While it is plausible that price cuts attract customers who make additional purchases, the evidence on number of transactions could also be consistent with customers already in store being prompted to purchase an extra discounted title. The results of our survey showed that 62 per cent of respondents had bought all their books at full price, 15 per cent bought some at full price and some discounted, and 23 per cent bought all their books at discounted prices.

### **Importance of pricing**

17. Results from our survey suggested that range and convenience were more important factors than pricing to customers choosing a bookshop. The two main groups of reasons for respondents' choice of bookshop were:
  - (a) Range of books—respondents answering 'good selection/wide range of books' or 'well stocked/likely to have books in stock when I want them' or 'easy to find the book I want' as the most important reason (a reason) for choosing that bookshop rather than others accounted for 38 per cent (91 per cent)<sup>12</sup> of the sample.
  - (b) Convenience—respondents answering 'happened to be nearby doing shopping' or 'easy to get to/convenient location/close to home/work' or 'close to other

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<sup>12</sup>Bracketed figure is the total giving one of the options mentioned as a reason for choosing the bookshop. There may be duplication as some respondents may have mentioned more than one of the options.

shops' as the most important reason (a reason) for choosing that bookshop rather than others accounted for 35 per cent (76 per cent)<sup>13</sup> of the sample;

Range and convenience emerged as more important than:

- (a) Value for money—respondents answering 'good prices/value for money' or 'special offers/promotions' as the most important reason (a reason) for choosing that bookshop rather than others accounted for 7 per cent (26 per cent)<sup>1</sup> of the sample.
- (b) Customer service—respondents answering 'good customer service/helpful staff' as the most important reason (a reason) for choosing that bookshop rather than others accounted for 4 per cent (17 per cent) of the sample.
- (c) Nice environment—respondents answering 'nice environment' as the most important reason (a reason) for choosing that bookshop rather than others accounted for 4 per cent (12 per cent) of the sample.

All the above responses are aggregated across all Waterstone's and Ottakar's stores (overlap and non-overlap).

- 18. Market research carried out for HMV similarly suggests that Waterstone's customers regarded range as a more important attributes of a book retailer than price. This research suggested that the most important attributes were: a wide range of books (which [%] per cent considered extremely important in a book retailer); having the book you want ([%] per cent); friendly, approachable staff ([%] per cent); and a good layout making it easy to find the book you want ([%] per cent)—all of which were rated ahead of value for money ([%] per cent). The next most highly-rated attributes were knowledgeable staff ([%] per cent); helpful, efficient customer service ([%] per cent); and an appealing children's book department ([%] per cent).

### **Publishers' discounts to retailers**

- 19. Publishers' terms to retailers may reflect a number of discounts to the RRP, including a standard discount payable on all titles, a promotional discount on titles that the retailer and publisher agree to price promote and retrospective discounts which reflect retailers' performance against agreed targets in selling that publisher's titles. In comparing discounts, we have concentrated on standard discounts as comparisons of the other discounts are more difficult to interpret, in particular because they may be affected by the business mix.
- 20. Waterstone's, Ottakar's, WH Smith, Borders and Amazon provided data on their standard discount on paperback titles from a selection of publishers. These are shown in Table 6.

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<sup>13</sup>Bracketed figure is the total giving one of the options mentioned as a reason for choosing the bookshop. There may be duplication as some respondents may have mentioned more than one of the options.

TABLE 6 **Waterstone's, Ottakar's, WH Smith, Borders and Amazon standard discount on paperbacks from different publishers**

Publisher	per cent				
	Waterstone's	Ottakar's	WH Smith	Borders	Amazon
Random House	)				(
Penguin					
HarperCollins					
Hodder & Stoughton					
Orion					
TimeWarner					
Pan Macmillan					
Bloomsbury Adult					
Bloomsbury Children's					
Bloomsbury Harry Potter					
BBC				✂	
Headline Book Publishing					
Egmont Children's Books					
Simon & Schuster					
Scholastic					
AA Publishing					
Lonely Planet					
The Watts Publishing Group					
Faber and Faber					
Walker Books					

Source: OFT and submissions to the CC.

Note: N/A = Not available.

21. Entertainment UK has a supply agreement with Tesco to provide books and merchandising. Entertainment UK's contract with Tesco shows that [✂] and that Tesco receives the standard discounts shown in Table 7.

TABLE 7 **Tesco's standard discounts**

Category	Discount from RRP %	Cost price £	
Chart paperback RRP £5.99	)	(	
Chart paperback RRP £6.99			*
Chart paperback RRP £7.99			*
Hardback fiction			*
Kids			✂
Food and drink			
Lifestyle			

Source: Entertainment UK/Tesco agreement for the supply of books.

\*CC calculation.

22. We also received information on discounts from two of the three major wholesalers, Bertram and Gardners. These wholesalers provided data on average discount and standard discount on paperbacks for a selection of retail customers. This information is shown in Table 8.

TABLE 8 Bertram's and Gardners's value of sales and discounts by retailer

Retailer	Bertram				Gardners			
	Value of sales (RRP) (£'000)	% of total value of sales	Average discounts on RRP* (%)	Standard discount on paper-backs (%)	Estimated value of sales (RRP) (£'000)	% of total value of sales	Average discounts on RRP* (%)	Standard discount on paper-backs (%)
Waterstone's								
Ottakar's								
Borders								
Blackwell								
Small independent chains								
Discount bookshops								
Other independent bookshops								
WH Smith								
Amazon								
Other Internet retailers								
Other supermarkets (Somerfield, Waitrose, Co-Op)								
Other retailers								

Source: CC wholesalers questionnaire responses.

\*Includes trade and non-trade publications and differences in mix may explain some variation in average discount.  
 Note: N/A = Not available.

**Next best alternative booksellers to the Waterstone's/Ottakar's store surveyed  
if that store were not available**

	<i>Waterstone's</i>				<i>Ottakar's</i>			
	<i>Overlap</i>	<i>Non-overlap</i>	<i>Weighted average*</i>	<i>Adjusted wtd avg†</i>	<i>Overlap</i>	<i>Non-overlap</i>	<i>Weighted average*</i>	<i>Adjusted wtd avg†</i>
<i>Next best alternative bookseller (% of respondents)‡</i>								
Supermarkets	6	6	( )	( )	4	9	( )	( )
WH Smith	25	40						
Waterstone's	1	3						
Ottakar's	52	9						
Borders	4	16						
Other specialist book seller	2	1						
Internet	6	19						
Other	4	6						
Total	100	100						
<i>Alternative bookseller where books bought (% of books)§</i>					✂	✂		
Supermarkets	3	4	( )	( )	1	4	( )	( )
WH Smith	18	31						
Waterstone's	1	3						
Ottakar's	44	4						
Borders	4	14						
Other specialist book seller	2	2						
Internet	8	13						
Other	3	3						
Total	83	75						
Nowhere else	17	25			100	100		

*Source:* CC survey. The survey covered 33 overlap and 20 non-overlap locations for each of Waterstone's and Ottakar's. The sample size for each of Waterstone's and Ottakar's was about 870 for overlap and 350 for non-overlap locations.

\*Weighted by percentage of sales from overlap and non-overlap stores respectively (the overlap locations accounted for [ ] per cent of Waterstone's sales and [ ] per cent for Ottakar's in 2005).

†Adjusted to exclude stores in the same chain and responses stating would not have bought books elsewhere.

‡The exact question asked was 'If Waterstone's (Ottakar's) was not available, which of these types of bookseller would be your next best alternative?'

§The exact question asked was 'You mentioned earlier that you bought [ ] books today at this Waterstone's (Ottakar's) bookshop. If Waterstone's (Ottakar's) had not been available, how many of these books would you have bought at [ ]?'

**Price relative to RRP of *The Da Vinci Code* during 2005**



*Source:* CC estimates based on data from Nielsen Bookscan.

*Note:* [✂]