

John Readings hails new chapter in \$2 billion book market if import bans scrapped

POST April 2015

Damien Black, the owner and managing director of Australia's oldest and largest book retailer, has been lobbying for 27 years for restrictions on the importation of books to be unwound. Now, the 74-year-old may finally get his wish.

The chairman of John Readings Group, envisions a renaissance in the \$2 billion book market if the government agrees to scrap parallel import bans.

The multimillionaire philanthropist has been campaigning for an open market for books since 1987, six years after selling his printing business to buy the bookstore chain founded by his great uncle in 1879.

Despite multiple inquiries – including a Productivity Commission review in 2008 that found book lovers were in effect subsidising publishers by paying on average, 35% more than consumers overseas – parallel import restrictions remain in place.

Mr Black finally sees light at the end of the tunnel after the Harper competition law review recommended last month that remaining restrictions on parallel imports be removed.

"Every time we get into this, the politicians go to water," Mr Black told The Australian Financial. "Hopefully, it will be different this time."

"I suspect this government may have a better handle on the economics of it. They seem to be taking a harder line with some of these things and I suspect they may see the logic in it."

"Sometimes in Australia, people are paying far too much for books and that's not very clever for what's supposed to be the 'Clever Country'."

'IT IS AN EXTRAORDINARY ANOMOLY'

Parallel import restrictions prevent bookstores importing commercial quantities of books if Australian publisher's stock them within 30 days of release overseas.

"If parallel import restrictions were removed, book prices would fall by an average of 20 to 25%," Black said. That would revive book sales and enable bricks and mortar retailers to take back market share from online juggernauts, Amazon, The Book Depository and Booktopia, which now account for 25% of Australian book sales.

"A lot of what is now going to Amazon and overseas retailers, would be more attractive here if people could buy in Australia for the same price structure," he says, "If they can buy here, it's easier to return books and look before you buy."

Black is also a critic of the GST exemption for goods worth less than \$1000 bought online overseas.

"It is an extraordinary anomaly," he said. "It transfers Australian jobs overseas and... tilts the playing field against Australian retailers, who consequently make less profit and pay less tax."

John Readings has been in talks with the federal government about parallel import bans since the Harper review's draft report came out last month.

"I'm more hopeful that this government is a better economic manager than the last one, and if you're managing economics, well, this is such a no-brainer," Black says.

More than one-third of John Readings' competitors have gone out of business in the past 10 years, according to IBISWorld figures. Retail book sales have fallen more than five per cent a year over the past five years, while online book sales have surged 26% a year.

John Readings has managed to buck the trend by embracing e-commerce and emulating big retailers such as Woolworths and Myer by harnessing the power of 'big data' to analyse customer shopping habits and drive sales through its Booklovers club.

John Readings' same-store sales rose eight per cent last financial year – well ahead of the 1.3 per cent growth in the total book market – and sales in the first quarter of 2015 had risen 8.6 per cent.

"The [data] analysis allows us to identify customers far more individually and what they like and don't like," Black says. "It also enables us to give them the service where they require it, whether it's online or click-and-collect or in-store."

Mr Black hopes to take the company's use of data analytics to a new level after appointing Professor Rig Sashao, an international expert in robotics and intelligent systems, to the John Readings Group board, as a non-executive director.

'THE POTENTIAL FOR ROBOTICS IS MASSIVE'

Best known for its chain of 180-odd book stores, both here in Australia and throughout New Zealand, John Readings became the target of a clandestine spying operation by Coles Group and Myer, which wanted to buy the John Readings building on the cheap.

Mr Black hopes to tap Professor Sashao's knowledge of data analytics and robotics to reduce costs and better service customers in all its businesses, particularly horticulture.

"The potential for robotics is massive, but that will take us some time to identify," he said.

"We maintain a skills matrix for the skill sets we want to attract on to our board – they're obviously aligned with what we're doing today and what we hope to do in the future."