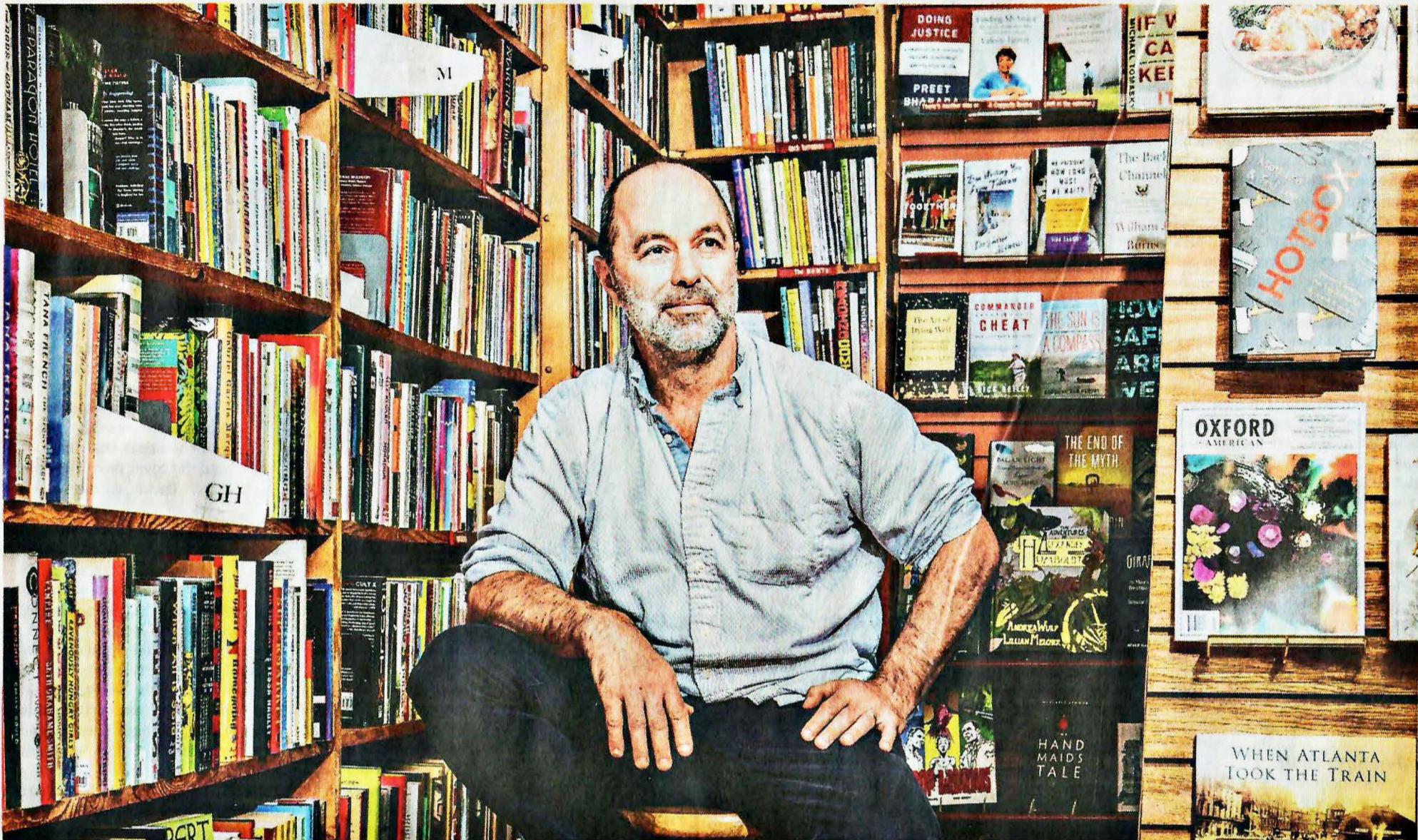


SMALL BUSINESS

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Frank Reiss's A Cappella Books became a gathering spot for creative types and intellectuals in its early days. But the cool factor alone wasn't enough to overcome pressure from Amazon and big-box chains.

How one independent bookstore has survived—and even thrived—in the age of Amazon

The Next Chapter

BY SUSAN KITCHENS

FRANK REISS'S BUSINESS spent 10 years on the edge of collapse.

During the late 1990s and 2000s, his independent bookstore—like so many of its peers—faced intense pressure from Amazon and big-box chains. At his lowest point, Mr. Reiss was a quarter of a million dollars in debt, with wavering hope that he could survive the digital age.

Now Atlanta-based **A Cappella Books** has become a success story. Its sales have doubled from a decade ago and are now closing in on \$1 million. Profit margins have risen, too, as have many of its peers'.

What happened?

First, Mr. Reiss added a whole other side to

his operation, author events, which proved lucrative and bolstered his storefront operation. And he focused his events and his bookstore selections to reflect his interests—a personal touch that resonates with a lot of customers these days.

"I think the facelessness of e-commerce has stirred in enough people...a sense of nostalgia for real stores, buying real products from real people having conversations," Mr. Reiss says.

The story of how Mr. Reiss turned his business around says much about the surprising revival of the independent-bookstore industry, which was pretty much left for dead a short time ago. In part, the stores have been helped by the fall of large chains—their prime nemesis before the advent of Amazon and other online sellers. But independent bookstores have also had to leverage that opportunity to the fullest, and more often than not, that has meant rethinking the whole way they make money.

The big turnaround

The numbers tell a stark story. Experts who track the industry say that the mid-1990s saw a huge erosion of privately owned bookstores. But now the American Booksellers Association, an industry trade group, says that those independent stores are making a strong comeback, with the number of locations rising to 2,470 currently from 1,651 in 2009, the first year the ABA started tracking the number.

Oren Teicher, chief executive of the association, credits the boom to several factors, including cheaper back-office technology; the use of social media for promotion; and more favorable

distribution terms from publishers.

Customers themselves have also changed. More people want to shop local, and they want shops with personality.

"Book curation is a critical part of the story for indie booksellers that are not just surviving, but are growing," says Ryan L. Raffaelli, assistant professor at Harvard Business School, who studies industries in transition, with a focus on bookstores in recent years. Customers seem to be willing to pay a higher price, he says, for books that have been "carefully selected from the mass of options."

Most successful longtime bookstores have their own distinctive flavor. The King's English in Salt Lake City, in business since 1977, specializes in literary fiction. R.J. Julia in Madison, Conn., 30 years in business, offers a subscription service that sends books based on readers' personal preferences. **Chartwell Booksellers in New York City specializes in books about Winston Churchill.**



Frank Reiss turned his store around by using a lot of personality and rethinking how he brings in money.

In Mr. Reiss's case, the selling point has evolved into speakers and a book selection that generally represent his liberal political slant, distinctive musical interests, such as protest and folk music, and a fresh take on Southern history.

It's a combination that has delivered rising sales and earnings for most of the past seven years, he says. In 2018, he recorded \$830,000 in sales, and earnings of \$37,000 before tax, for a margin of 4.4%. In his best year, 2017, he posted sales of \$880,000, profits of \$74,000, and margins of 8.5%.

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Bookstores

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Mr. Reiss's biggest expenses are the cost of goods sold—that is, the books—which eat up half his sales. Then there are salaries for the store's five full-time employees—including Mr. Reiss himself—which take up 25%. Rent, licenses and other expenses account for the rest.

Mr. Reiss expects sales to climb in 2019, "with that \$1 million mark something that I'm always keeping my eye on," he says.

Still, Mr. Reiss emphasizes that even though book selling is better than it was a decade ago, it remains a highly unpredictable business—and his trade isn't a lucrative one. This is "not a business to get into to make money, at least in the traditional way," he says.

Sales, however, aren't the only measure of his success. There's also influence. "For its size and scope as a new and used bookstore with a proven ability to host celebrity artists, musicians and politicians, A Cappella is one of the most successful indie bookstores in America today," says Linda-Marie Barrett, assistant executive director of the Southern Independent Booksellers Alliance.

A changing field

Mr. Reiss founded A Cappella Books in 1989, in Atlanta's bohemian neighborhood of Little Five Points. It got its name from Mr. Reiss's interest in music—he was a onetime aspiring musician himself—and because he figured he would have to work without accompaniment.

The place started as an antiquarian bookstore, its shelves crammed with used and rare books. Mr. Reiss picked up inventory from retiring philosophy professors or widows of Civil War buffs, often for pennies, then turned them around for \$40 or \$50. Some especially rare titles went for thousands of dollars. The store quickly became successful, and Mr. Reiss took on an employee and moved to a new, larger location.

A Cappella Books evolved into a gathering place for intellectuals, musicians, writers and artists, earning the store cachet.

But the "cool" factor wasn't enough to overcome the tsunami that hit book selling in the 1990s. At first, Mr. Reiss didn't worry. He was selling something different than the big guys. But by 2000, he says, the store was struggling. With rare titles easy to find online, it was tough to get even \$5 for books that Mr. Reiss had once sold for as much as \$50.

In 2005, he moved to a new spot, hoping to give the store a refresh, and experimented with running a dessert shop next door. Now the slim profits went to paying down debts incurred on a renovation, and to prop up the side business—which failed.

Then he tried adding new books to the mix to attract people who might otherwise buy from big operators. But in contrast to carefully selected rare books, which had enjoyed wide profit margins and could be purchased in manageable quantities, new books had to be bought in bulk, based on what sales reps pushed.

Mr. Reiss bought the new titles from publishers on credit, at up to 46% off the cover price. He then sold the books at 20% off the cover price, hoping to move enough to cover

forthcoming payments. What didn't sell had to be returned—a job that was both costly and labor-intensive. Margins shrank to almost nothing.

What's more, the store underwent an identity crisis as new, mainstream titles began crowding out titles reflecting Mr. Reiss's tastes.

Sales held steady in the high \$200,000s—much of it from the lower-margin new books—which covered Mr. Reiss's costs but didn't afford much breathing room. He had to keep staff lean, and he cut his salary

below \$30,000. He and his wife, a government attorney, increasingly relied on her salary to support themselves and their two daughters. Even in more profitable years, Mr. Reiss says, his salary has never exceeded \$50,000.

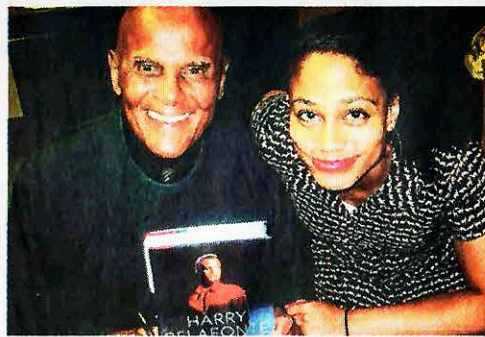
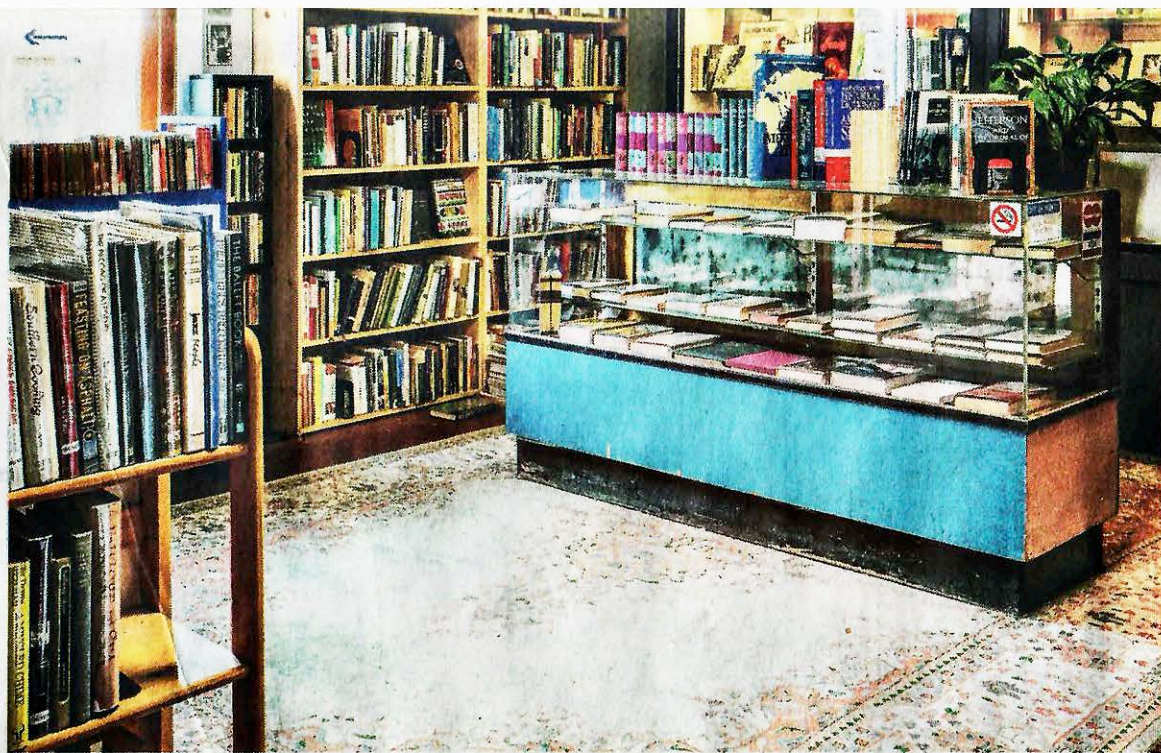
Eventually, Mr. Reiss went to friends and family, who agreed to lend him money at low interest, which helped save him from defaulting.

New ventures

Then Mr. Reiss got advice from his dad, who also owned a bookstore. Author events, his father told him, could be the answer.

Mr. Reiss gave it a shot. The events were slow at first, and not lucrative. Then, in 2005, Mr. Reiss heard that Al Franken

From top: Harry Belafonte (shown with former A Cappella Books bookseller Chantal James); Rachel Maddow (shown with Mr. Reiss at right and two book-festival officials); writer George Saunders; and musician and songwriter Jimmy Webb (both are shown with A Cappella Books bookseller Chris Buxbaum).



A Cappella Books (shown above) has gotten considerable cachet from its high-profile speakers and other connections (shown at left) over the years.



'Like many indie bookstores, we've been lucky to see a genuine rebound of interest,' Mr. Reiss says.



would embark on a tour for "The Truth (With Jokes)." Mr. Reiss begged Sen. Franken's producer to include Atlanta on his tour; he got a "yes." (Sen. Franken says he doesn't specifically remember the conversation with Mr. Reiss but recalls that he did want to go to Atlanta.)

Mr. Reiss asked the Jimmy Carter Presidential Library and Museum to host a talk and signing at no cost, and the venue agreed. He then rented the 750-seat Variety Playhouse for about \$1,500 for another event: Sen. Franken was doing his radio show on the road, and listeners could attend.

"I tried to act like I knew what I was doing," Mr. Reiss recalls. "But this was all uncharted territory for me."

The venues were packed—and Mr. Reiss was there with plenty of books to sell to attendees. He sold them at full retail price, and kept all the proceeds.

Mr. Reiss figures that between the signing and radio show, he sold 500 books for full retail price—

\$25.95 each—clearing about \$13,000 in sales in one day and one night. That equaled almost half of his revenue for an average month.

Other events and off-site book sales followed. Mr. Reiss sold books at comedy clubs, Atlanta City Hall, museums, libraries, churches and synagogues. His growing cachet reacquainted him with author-customers from the past seeking promotion. And it attracted ever more prominent authors, among them Pat Conroy and Malcolm Gladwell.

Although sales at the bookstore stagnated, sales at book signings and events at other venues boomed. He continued to purchase books for events at the usual 46% discount to the cover price and then sell them at full cover price.

To keep as much of that money as possible, Mr. Reiss hosts nearly all of his 200 or so annual events at free venues, and never pays speakers nor covers their expenses.

For most of those events, admission is free, but for some—up to 15 each year—Mr. Reiss sells tickets. In free venues, the ticket price is the cover price of the book plus tax, and a copy is included. In the rare cases when a venue is rented, as with a Bernie Sanders event, ticket buyers get a copy of the book, but the price is higher than the cover price.

He keeps about 75% of the total proceeds for most events, after paying for website listings, setting up online ticket-sales programs and paying his staff to promote the event on social media.

In 2012, Mr. Reiss moved to a smaller space, which was all he figured he needed as events got more popular. During the first year there, he recorded his highest sales volume up to that point.

Today, Mr. Reiss figures book sales through events account for up to half of A Cappella's overall sales, with the rest generated by the bookstore operation.

His older books remain as distinctive as ever, Mr. Reiss says, but the new ones are curated more subtly; he chooses a broader selection of new titles than he used to, but avoids books that don't interest him and picks up more of those that do.

These days, most of the books that A Cappella sells are new. Although rare books occasionally go for big money—signed first editions of "Gone With the Wind," "To Kill a Mockingbird" and William Faulkner's "The Town," to name a few, each sold for more than \$10,000 in recent years. But Mr. Reiss says, in most cases, these kinds of titles don't hold their value in the internet economy.

On the other hand, he feels that he is now in a position to charge full cover price, without the old practice of discounting. And that's a sign of health for the industry, he says.

"Like many indie bookstores, we've been lucky to see a genuine rebound of interest among people," he says. "So now I can sell books for full retail even without having the author signing and visiting, because once again, people are reminding themselves that they really do like real bookstores, and they will pay what it costs to keep us in business."

Ms. Kitchens is a writer in Connecticut. Email reports@wsj.com.