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Gilles de La Rochefoucauld
Aux Amateurs de Livres, glr@auxam.fr

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The Euro and the Book Trade

by **Gilles de La Rochefoucauld** (Director, Aux Amateurs de Livres, 62 Avenue de Suffren, 75015 Paris, France) <glr@auxam.fr>

Allow me to begin with a broad statement: What strikes me is the enthusiasm for the

introduction of the euro, which occurred on January 1, not only in the press, but also within the public. It is odd, if you consider that the euro means giving up currencies that date back centuries, such as the French franc, or to which populations have great attachment, such as the German mark. A group of German parliamentarians has gone as far as to request that the substitution of the euro for national currencies take place one year before its due date, in the hope that accelerating the euro introduction will give Germans less time to dwell upon the loss of the mark.

Of course, this positive feeling towards the euro has no concrete meaning yet for individuals, since whether they are German, Spanish, or Italian, they can't yet use euro banknotes, and issuing checks in euro inside their own country is of no advantage to them. As you well know, the so-called transitional phase started on January 1, 1999 and will end on January 1, 2002. For the moment, the euro involves mainly banking operations, stock market indexing and general financial transactions and does not affect day to day life for people and businesses.

What I am about to explain is what will happen to the publishing business during this transitional period. I will then examine the consequences of replacing the existing national currencies by the euro for publishing business partners. Forgive me if I focus on the case of France, but from what I have gathered, future development should be similar in all the member states of the euro market.

What will happen during the transitional phase?

Last June, **Aux Amateurs de Livres** planned to introduce the euro in our invoices as of January 4, 1999. Indeed, our computer systems have been fully redesigned as to our objective, and among other things, was to be prepared for the euro as well as for the Y2K issue as early as January 1999. We have since conferred with the publishers and consequently changed our minds. As the majority of our colleagues, our invoices are issued in local currency, that is, in French francs, as well as in the dollar equivalent. With this, our clients may double-check that charged prices are indeed the ones shown in the publishers' catalogues, which are still in French francs. The same goes for the main French bibliographical sources such as *Livres du mois* or the *Bibliographie nationale française*, where prices are only dis-

played in French francs.

A study group, consisting of members of both the publishing and retailing industry, have issued recommendations for the upcoming three years, which is the period between now and January 1, 2002. These recommendations will most certainly be observed by the majority of publishers. The following is, in essence, what we have learned from these recommendations:

In 1999-2000 prices shown on book covers and in catalogues will be in French francs. However, as of second semester of 1999, publishers are required to also show prices in euros, with strict compliance to conversion rates, with euro prices appearing in smaller type. It should be clear that the reference price will be the French franc price, the euro price being a mere conversion. In other words, with two digits after the stop. The same goes for invoices. They will still be issued in francs and in dollars. The total amount is converted to euros for the purpose of information, which is a service we already provide to those clients who request it.

The real change will take place on January 1, 2001, that is, one year prior to the due date. As of that date, book prices will be displayed in euros, with their franc equivalent in a smaller type, for information purposes. Book prices on invoices, as well as the total invoice amount, will be in euros. The franc amount will still be shown, solely for information purposes. Finally, on January 1, 2002, French franc prices will disappear completely from books, catalogues, and invoices. The euro will then become the currency common to all countries within the eurozone.

There are three important points regarding this transitional phase. (1) Payments can be made out in euros as of now, as the euro has been introduced in banking operations since January 1, 1999, at no extra charge, whether it be for conversion or other. (2) For computer databases, a second price field will be added for euros amounts, allowing publishers, as well as clients, to chose their own date to switch to euro. And (3) some publishers, particularly those who have an international presence, have anticipated the date of January 1, 2001 and have printed their 1999 catalogues with reference prices in euros. It is the case of **Brepols**, the Belgian publisher, who was dealing so far with four different currencies (French and Belgian francs, Dutch guilders, and US dollars), and for whom the euro brings much simplification.

Finally, on January 1, 2002, French franc prices will disappear completely from books, catalogues, and invoices.

As far as **Aux Amateurs de Livres** is concerned, we will shift to the euro when most publishers are using it as a base currency, in other words, probably on January 1, 2001. We are nonetheless prepared for the change as of now.

Consequences

I would like to draw your attention to a number of consequences of the introduction of the euro for individuals, booksellers, and American libraries, with no intention of fully covering the subject. Let us examine the situation in France. The introduction of the euro will induce a nominal 6.5 division of salaries and other incomes. Prices will obviously be divided by 6.5 as well (according to the now fixed euro-franc exchange rate), but analysts believe that consumers will in the short term behave in accordance with their nominal income, as opposed to real. They will subsequently suffer a feeling of loss of wealth, a negative factor on leisure spending, and this will certainly affect money allocated to books. A noticeable slowdown in sales of books should occur as a consequence of the introduction of the euro. This will be common to all euro members since the euro will bear higher value than local currencies. Another minor consequence will be the efforts required of European citizens to mentally convert to the euro. In this regard, the Germans are more fortunate, as conversion will only require from them a division by two.

For publishers and booksellers

From the start, converting to the euro will incur massive costs, particularly in the field of technology. Studies have estimated these costs to be about 2% of revenue. Unfortunately, I cannot provide you with any details as far as we are concerned, since we have recently renovated our computer system, which included the

necessary technology to convert to the euro and to prepare for Y2K. We can reasonably assume that publishers, when setting reference prices for new releases, will increase their prices slightly to cover costs incurred by the euro. Ei-

ther way, the increase will be minor and in accordance with competition. This competition will be active within European linguistic areas, such as Germany and Austria, or French-speaking Belgium and France.

For American libraries

Firstly, your work will be greatly facilitated. All books and publications from continental Europe will be priced in euros. Books and periodicals from Germany, Spain, Italy, or France will all be priced in the same currency, the value of which, conveniently enough at present, hap-

continued on page 21

Euro and the Book Trade
from page 20

pens to be very close to the US dollar. You will instantly have a fairly accurate estimate of the price of books you wish to purchase from the members of the eurozone.

Another issue we need to address is the comparison of prices charged by booksellers. Consequences will be minor, since vendors sell at publishers' prices. Euro prices will be identical, regardless of the vendor. As for periodicals, for which prices often include service charges, invoicing in euros will facilitate the comparison of prices charged by agents.

In other words, I believe that competition will still be based on the quality of services, on the ability for vendors to provide quality materials in quantity and in a timely manner, and to offer various services requested by libraries.



If we consider the price issue alone, the most important aspect will be, for both you and European vendors, the euro-dollar parity. From that point of view, we can only hope that the euro will be stable and not excessively strong. The first three months of the euro resulted in a 10%


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increase of the dollar against the euro. We can all be delighted about this. 

NB: Gilles de La Rochefoucauld studied at University of Paris and Institut d'Études Politiques of Paris, taking degrees in economics, law and political sci-

ence. His professional career began in 1978 as Marketing Manager of Montchrestien-LGDJ, a publisher specializing in law, economics, history, and social sciences. Gilles later ran the company from 1983 to 1989. In early 1990, he acquired Aux Amateurs de Livres. — BC

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