



Publishing romance novels used to go hand in hand with luscious profits. Will competition spoil that relationship?

Heartbreak comes to Harlequin

By Barbara Studolph

BOOK PUBLISHERS are like executives in any other troubled industry. As soon as they spot an appealing line of business, they stumble all over each other to move in. Inevitably, the party gets crowded. And often no one has a good time anymore.

That's happening right now with brand-name romance novels. The annual market for these \$1.75 paperback novels is perhaps \$250 million—over 20% of all mass-market paperback sales. Readers, almost exclusively female, range from 19-year-old secretaries to 45-year-old lawyers, and growth is a torrid 10% a year. This at a time when total unit book sales are up only 3%. Profits? They can run to 10%

profit, partly because of standardized production. Most titles are 192 pages and have stock cover designs.

Now, however, lots of new suitors want a turn on the romance floor. Two years ago there were just two major publishers of contemporary category romances, printing some 15 titles a month. This fall there will be nine publishers fighting to sell more than four times as many titles.

The success of Harlequin Enterprises, now part of Canada's Torstar Corp., sparked this flurry of activity. It sells little else but female-oriented perfect-love fantasies, and profits skyrocketed from \$110,000 in 1970 to \$21.3 million in 1979. Margins were almost three times as good as those of American publishers. But for nine long years competitors kept their dis-

tance. Harlequin enjoyed a market share that approached 80%.

In 1979, however, Harlequin decided to handle its own U.S. distribution. Simon & Schuster, a division of Gulf & Western, had been performing that task, and Harlequin's move turned a friend in camp into an enemy in the woods. S&S Chairman Richard Snyder, not about to watch a major profit center vanish, moved into the business himself.

"We knew how to distribute these books and Harlequin didn't," says Snyder, who claims his two-year-old Silhouette Books operation had annual sales of \$35 million. He has perhaps 20% of the category romance novel market. Those gains came at least partly at Harlequin's expense, but they are just the beginning. S&S' initiative gave others courage. Dell, part of Doubleday, and Love, owned by MCA, have new lines out. Bantam, part of Bertelsmann A.G., came on board this month. Avon, Ballantine and New American Library will soon enter the market, too.

Booksellers have responded accordingly. B. Dalton and Waldenbooks have opened "romance reading centers," increasing their rack space for romance novels by about 20%. Supermarkets and chain stores, where some 60% of these books are sold, are right behind. Chicago-based Charles Ley Co., a distributor serving 4,000 retail outlets, indicates that space devoted to category romance has jumped 50% over the last year. Marketers in the book business are having a field day. Conventional readers, of course, don't search for books by a particular publisher; they buy author, title or cover. But romance readers look for a brand name, so advertising dollars can promote a whole line. "These romance centers could be like the coffee section in the supermarket," pushes Silhouette's marketing man A. Lieberman.

The real story, of course, is whether once-invisible Harlequin can remain prominent. Like Campbell Soup [FORBES, Oct. 7, 1981], Harlequin is a classic case of missing out on a changing market. Its staple was innocent love, but readers gradually developed an appetite for less naive heroines and spicier plots.

In December 1980, for example, Dell came out with its Ecstasy line of romances. With virtually no promotion, these relatively sensual stories—still a far cry from Harold Robbins—sold briskly. "We were the first to consummate a love scene without the phone ringing or the dog barking," says Dell editor Anne Givony. Now,

Love's Second Chance at Love series features characters who are similarly mature and independent. "And none of them can be in the typing pool," says editor Carolyn Nichols.

Silhouette will follow suit this fall with its Desire line, backed by Silhouette's \$15 million promotion budget. That buys network television time, and there is clearly something to promote. Silhouette has critiqued several top Harlequin authors, including best-selling Janet Dunley. She got a \$2 million cash advance to write 28 books for S&S' various lines, says her manager/husband Bill, with royalty payments pegged at "well over 15%."

Bantam, S&S' equally well-heeled competitor, also plans network television ads to help launch its Circle of Love line this month. Its target is the traditional reader of sweet romances—the circle of love represents a wedding ring—but the sales tactics are strictly rough and tumble. Bantam is criticizing booksellers and wholesale distributors with fat discounts. Wholesale distributors get 58% instead of the usual 50%, retailers get 48% instead of 40%. "That's the road to ruin," says David Galloway, Harlequin's chief operating officer. "Once you give a discount, you never get it back."

Galloway, who came to Harlequin from its parent Torstar last year, is clearly on the defensive. Torstar borrowed \$132 million last year to buy out a 30% minority stake in Harlequin, and the book publisher's 1981 net earnings, to be reported late this month, are expected to be off some 30%. Part of the reason is that 1980 results were overstated by 27%. Harlequin got back far more returns than it had anticipated.

Still, no one is writing Harlequin off. It boasts a powerful trade name and a formidable market share—at least 50%. The old 15% after-tax returns are probably gone forever. But then again, probably none of its new competitors will achieve such profitability either. Indeed, with so many publishers entering the market, the magic of marketing brand-name books may wear off. Confronted with an excess of choice, readers may resist buying books based on author, title or cover.

So far, that shows no signs of happening. But then the competitive spirits are just now beginning to fly. "Deep down I can see a shakeout coming," says Bantam Chairman Louis Wolfe. "Some who see gold will find ashes," says Simon & Schuster's Snyder. In real life, there are unhappy endings. ■

Boy meets girl

Vivian Lee Jennings is a perky 36-year-old who writes the only weekly newsletter serving the romance novel industry. Its title? *For Men God*, of course. Jennings, who runs a bookstore chain in the Kansas City area that specializes in romance novels, is part of a cottage industry that serves what is now a \$150 million-a-year business. Most readers are industry executives who pay \$125 a year for a mix of gossip and sales statistics.

Since August three competitors have made a pass at Jennings' market, but she feels the field is big enough to support a varied trade press. "Once women see how much fun these books are," she says with a smile, "they'll stay with 'em until... well, until they're pushing a walker somewhere." —R.R.



Vivian Lee Jennings

Wanna quick \$30,000?

Category romance novels are pure formula fiction, but the pay can be lavish. A first-time author who delivers an acceptable manuscript—as close to 55,000 words as possible—can expect a \$6,000 advance and royalties of perhaps 8%. Nearly all titles that make it into print have a similar sales appeal, so that might work out to a gross income of \$30,000. A real pro can turn out ten books annually and afford to live as well as most corporate chief executives.

To try your hand, follow the outline below, which Simon & Schuster's Silhouette Books provided to fledgling writers for its original line. Currently popular settings include Paris, the Caribbean and even the Yukon. Manuscripts should be typed. Neatness counts.

The hero: "She is always young [19 to 27]... She has a good figure and is often petite and slight of build. Naturally, when she dresses up she is stunning... Her outfits are described in detail... She should not be moony or weepy... She is unaccustomed to alcohol and seldom smokes. She is usually without parents, though a brother is permissible. He may be weak or

even handicapped...
The hero: "He is 8 to 12 years older than the heroine. He is self-assured, masterful, hot-tempered, capable of violence, passionate and tenderhearted... He is rich and successful, or he can be independently wealthy. He is always tall, muscular [but not musclebound], above all virile. He is usually dark, although we have seen some great Nordic types."

The other woman: "Usually mean, oversophisticated, well-groomed... She NEVER gets our hero."

Other characters: "Stock, easily recognized... the Scottish housekeeper, the overbearing aunt... We would prefer no children [especially not illegitimate]."

Plot: "Murder, ganglay, abductions, beatings, spies, name-hospital novels and the occult are out. The action should explore the relationship between the lovers."

Love scenes: "Descriptions of lovemaking should be sensuous with some details... Nudity is permissible depending upon context, but it should not be too graphic. Of course, references to pain and blood are out. The only pain permitted is the sweet pain of fulfilled (or unfulfilled) desire."