

Start-up

Vertical Offers Japanese Lit Hits in English

AFTER SEVERAL YEARS researching the American book market, Hiroki Sakai, former book editor of the Japanese business newspaper *Nihon Keizai Shim-bun*, is about to launch the inaugural list for Vertical, a New York City-based publishing house dedicated to English translations of Japanese mega-sellers.

With a staff of three and such notable freelancers as acclaimed graphic designer Chip Kidd, Vertical's goal is to find an English-speaking audience for contemporary fiction writers beyond such well-known Japanese literary authors as Banana Yoshimoto, Haruki Murakami and Nobel laureate Kenzaburo Oe. "Our motto," editorial director Ionnis Mentzas told PW, "is literary entertainment. We will publish

works that appeal to the U.S. audience, that can be serialized, and that are easily adapted for movies."

Vertical's publishing program kicks off this month with *Ring*, the first book in the best-selling (four million copies in Japan) horror trilogy by Koji Suzuki, known as Japan's Stephen King. The book was the basis for the 1998 Japanese movie *Ringu* and for last fall's U.S. remake by DreamWorks, *The Ring*.

Other spring titles include Kaori Ekuni's 1991 novel *Twinkle Twinkle*, which sold more than 500,000 copies in Japan, and *Ashes* by mystery writer Kenzo Kitakata, whose more than 100 novels have never gone out of print in Japan. And there's *The Guin Saga, Book One: The Leopard Mask*, the

initial installment of a proposed 100-book fantasy epic that so far has 86 volumes, which have sold 25 million copies in Japan. Despite the hefty Japanese sales figures, Vertical plans to start small in the U.S., with 10,000-copy first printings.

Funding for the new publisher is provided in part by Sakai's former employer and the Japanese trading house Itochu International. Vertical plans to release four books this spring, eight in the fall and 20 to 24 next year. According to marketing director Micah Burch, Vertical budgeted \$150,000 to promote its first list and is in discussion with DreamWorks about co-marketing for *The Ring*. Vertical will bring Suzu-

ki, Ekuni and Kitakata to the U.S. in June, and plans an extensive print advertising campaign in both horror and fantasy publications. At the same time, Vertical is looking to the Web for promotional opportunities and is continuing to develop its site, www.vertical-inc.com.

In addition to the North American market (where its titles are represented by National Book Network), Mentzas anticipates strong sales in Japan. "A lot of Japanese people would be interested in reading these books in English translation to improve their English," he explained. There are plans to open a Tokyo office this year.

—JUDITH ROSEN

Notes from the 10-k

Cuts in Jobs, Costs Shrink Losses at B&N.com

A LEANER STAFF and significant reductions in operating expenses were the main factors driving down Barnes & Noble.com's operating loss in 2002, the company reported in its year-end filing with the Securities and Exchange Commission. Earlier this year, B&N.com reported a 4.5% revenue gain, to \$422.8 million, and a net loss of \$73.7 million, down from \$244.4 million (News, Feb. 3).

During 2002, B&N.com cut 173 full-time and part-time positions, and had 990 employees as of February 28, 2003. The company's marketing, sales and editorial costs fell by 42%, as the e-tailer focused on more targeted marketing programs and also negotiated more favorable online marketing deals. The consolidation of Fatbrain's operation with that of B&N.com helped to reduce fulfillment and customer-service costs by 20% in the year. The elimination of expenses associated with operating the Fatbrain Web site

was a major reason behind the 21% decline in technology and development expenses last year. In its filing, the company said it expects expenses in all major areas to continue to fall as a percentage of sales in 2003.

In brief remarks about the sales increase last year, the e-tailer said an increase in its customer base, to 13.6 million from 11.2 million, helped lift sales. International sales fell in the year, dropping to \$17 million from \$21 million. The increase in sales and reduction in expenses will give B&N.com enough funds to operate for at least 12 months. The strong cash position means that neither of B&N's two major shareholders, Barnes & Noble and Bertelsmann, will need to provide an infusion of cash this year. Under its plan to acquire more of B&N.com's stock, B&N's stake in the e-tailer rose to 38%, while Bertelsmann's stake was 36.9%.

—JIM MILLIOT

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