The race to sell books on the Internet is about to heat up, as giant Barnes & Noble Inc. prepares a major on-line book-selling venture with America Online Inc.

Selling books on-line has been one of the few bright spots in terms of sales and visits from users in the overhyped world of Internet commerce. But Barnes & Noble, the nation's biggest book retailer with 433 superstores, ceded the fledgling market to nimbler entrepreneurs, most notably Seattle upstart Amazon.com Inc.

Now Barnes & Noble is expected to announce today it will become the exclusive bookseller on AOL, with a database of more than one million titles, quick delivery of about half a million books and 30% discounts on the cover price of hardcover books -- deeper than the discounts its stores offer. And at Borders Group Inc., the second-biggest U.S. operator of book superstores, executives confirmed yesterday they are readying their own on-line bookstore.

Though late to the game, Barnes & Noble has plans to play a big role on the Internet. It has spent significantly and hired a staff of 50 over the past year to mount its on-line counteroffensive. In early spring it plans to make its book-selling site available beyond America Online to all Internet users, and to announce more technology and marketing partners.

"We are projecting to be the No. 1 bookseller on the Internet," says Len Riggio, Barnes & Noble's aggressive chairman. Acknowledging the growth of competitors already selling on the Net, Chief Operating Officer Stephen Riggio adds: "We have to be a player. . . . On-line book selling is going to be a very big thing."

One senior book retailing executive says the chain made overtures as recently as last week to acquire Amazon.com. The closely held Seattle company pioneered the on-line book-selling market with a vast catalog of 1.1 million books and software that makes it easy for customers to browse for obscure titles, read each other's on-line reviews, and receive e-mail alerts about their favorite subjects and authors. The company's founder and chief executive, Jeff Bezos, says revenues have lately been leaping by 20% to 30% each month, while the work force has
swelled from seven to 200 in less than two years.

* Mr. Riggio denied he offered to buy Amazon.com, but added: "I can't say whether or not we would be interested if it were offered." Mr. Bezos wouldn't comment.

Barnes & Noble won't discuss the terms of its partnership with AOL. It says that the agreement allows it to "capture" market share immediately based on access to AOL's more than eight million subscribers.

But the book retailer's timing isn't perfect. Overrun by a tidal wave of response to a new flat rate and an unlimited-access price plan, AOL is facing an embarrassing public-relations black eye as customers encounter busy signals, disconnected calls and slow response times. The delays have led to a series of lawsuits and angry petitions against AOL.

AOL said in a statement that its partnership with Barnes & Noble "addresses our subscribers' growing demands for more on-line stores."

At Borders, executives said their online site will feature access to titles well beyond those that can fit into a Borders superstore. Borders also has had a small book site where users could order books, but it required either sending an e-mail or a fax to a store in Ann Arbor. The new site will let users pay for books directly on-line using a credit card, and is expected to allow for swift delivery from a distribution center.

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The giant book chains will be plunging into an on-line world already sprinkled with smaller retailers. One, Book Stacks Unlimited Inc. offers more than 425,000 titles on a searchable database. The on-line bookstore provides more than 190,000 book annotations and reviews, a daily Internet radio show covering literary news and on-line book discussion groups. Based in Cleveland, Book Stacks was recently acquired by CUC International.

* Amazon.com's experience has already demonstrated how different the book marketplace is on-line. When it announced its 100 best-selling books for 1996, the list was topped by an arcane choice: "Creating Killer Web Sites: The Art of Third-Generation Site Design" by David Siegel. But the list also featured some titles that sold well in stores, such as Tom Clancy's "Executive Orders" and "The English Patient" by Michael Ondaatje, the book that was the basis for the popular movie.

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Based in Seattle, Amazon.Com is an online retailer of books.

In a filing with the Securities and Exchange Commission, the company said proceeds will be used for working capital and other general corporate purposes.

Deutsche Morgan Grenfell, Alex. Brown & Sons, and Hambrecht & Quist will underwrite the offering, which has an overallotment option for up to 375,000 additional shares.

Following the offering the company will have 22.95 million common shares outstanding.

NEW YORK (Dow Jones)--The next chapter on Amazon.Com, a popular Internet bookstore and a rare cyberspace success story, will be written in the stock market.

On Monday, the Seattle company filed for an initial offering of 2.5 million shares at $13 each, through underwriters led by Deutsche Morgan Grenfell. The IPO, which values the company at $299 million, will generate net proceeds of $33.9 million that would be used to pay for anticipated operating losses and capital expenditures and other general corporate uses, the company said. Amazon.Com marketing director Jennifer Cast declined to comment.

If Amazon's finances match its high profile, the deal should attract a lot of interest.

"Folks who have money and buy things are turning to the Internet as a place to shop because it's convenient, and Amazon is one of those companies riding those demographics," said Larry Dietz, a vice president at Zona Research, an Internet research firm.

Even though the technology sector is crumpling, Dietz doesn't think it will hurt Amazon.

"It's like how the home shopping club uses television. I really don't think investors are going to lump them together with technology stocks. It's part of the electronic commerce industry," Dietz said.

Jay Papasan, a New York writer and bibliophile, said he would buy stock in Amazon.Com, which he lauded for being user-friendly and on the vanguard of the new frontier.

"They are pretty much the success story on the Internet. Who else has made money there? They are the model that everyone's copying," he said.

Amazon.Com was founded in July 1995 by Jeff Bezos, a former investment banker. He told Dow Jones late last year that monthly revenue was increasing by 20% to 30% a month. Amazon's work force rose to 158 employees at the end of 1996 from the seven people who worked there when the company started.

Amazon.Com said it has 1.5 million books in print and 1 million hard-to-find and out-of-print books. If shoppers can't remember the title of a book, they can search by subject.

"It's like having a library card catalog in a bookstore," said Papasan, who orders several books each month.
As anyone who has ever bought a book can attest, there are thousands of bookstores. But Amazon.Com is one of a handful of Internet book vendors, and it is generally considered by users as the leader.

However, tough competition already may have begun. Retailing powerhouse Barnes & Noble Inc. (BKS) recently started selling books on America Online Inc. (AOL). Borders Group Inc. (BGP), another big book retailer, also plans to make a strong push on the Internet.

Dietz, of Zona Research, doesn't think the two giant bookstores will hurt Amazon.Com's business because the retailers appeal to different customers. Some customer cross-over is unavoidable, but he doesn't expect it to be significant.

"I think most people go to the bookstore to browse and look at the books and be with the other allegedly smart people and drink coffee," Dietz said, whereas Amazon.Com offers convenience and speed and likely would appeal to people who are accustomed to buying from catalogs.

People who buy books from Amazon.Com don't pay sales tax. They only pay delivery costs.

Like the major book retailers, Amazon sells books at a discount. Buyers get 40% off U.S. bestsellers, 40% off Oprah Winfrey's book club picks, 10% off hardcovers and paperbacks, among other discounts.

"It's bookstore access right at your desk. They have a huge title selection," said Papasan, the New York writer.

Amazon.Com said it has 14 times as many book titles as the largest Barnes & Noble or Borders stores.

The book industry is highly fragmented, and the pie is big enough for a couple of major players. In 1996, Americans spent $26 billion on books. By 2000, sales are expected to increase to $30 billion. Worldwide sales are expected to increase to $90 billion in 2000 from $82 billion in 1996, according to Amazon.Com's preliminary prospectus.

Amazon.Com said it sold $16 million worth of books in 1996 to 180,000 customers in 100 countries. Average daily visits to the company's Web site have risen to 50,000 in December 1996 from 2,200 in December 1995. Repeat customers account for 40% of business.

Marketing and sales expenses have dramatically increased, to $6.1 million in 1996 from $200,000 the year before. The company expects the numbers to continue to increase.

Product-development expenses, which includes maintaining the computer network, jumped to $2.3 million in 1996 from $171,000 in 1995.

Amazon.Com expects these costs to continue to increase.

Overall, the company said it had an accumulated deficit of $6 million at the end of 1996.

The IPO price is considerably higher than Amazon's $1.50 book value. Anyone who buys the offering will suffer an immediate dilution of $11.50 a share. Existing shareholders paid an average of 50 cents a share.

After the offering, there will be 22.9 million shares outstanding. The proposed Nasdaq ticker symbol is AMZN.
Amazon.com Inc., the Seattle upstart that made a splashy business out of selling books over the Internet, filed for an initial public offering that values the company at almost $300 million. Not bad for a three-year-old company that says profit isn't yet in sight.

The filing also discloses that Amazon has ambitions beyond books, with aspirations to become "the leading on-line retailer of information-based products and services." In an interview yesterday, Jeffrey P. Bezos, 33 years old, the company's founder and chief executive, said Amazon will eventually expand into videos and music.

Amazon, which now offers 2.5 million book titles, plans to raise about $37 million by selling as many as 2.9 million shares at as much as $13 a share, according to a registration statement filed with the Securities and Exchange Commission. Following the offering, led by Deutsche Morgan Grenfell, Amazon would have 22.95 million shares outstanding.

The offering could turn Mr. Bezos, a former Wall Street computer wiz, into one of the Internet world's wealthiest entrepreneurs. He and his family will control at least 52% of Amazon's common stock.

Last year, Amazon had sales of $15.7 million, up from just $511,000 in 1995 and nothing in 1994, the year it was founded, the filing disclosed. Average daily visits to the site have grown to about 50,000 in December, from 2,200 a year earlier.

However, the rapid growth in sales has yet to turn into profit, in part because of Amazon's heavy investing in technology and marketing. The company had a loss of $5.8 million in 1996, widening from a loss of $303,000 the year earlier.

And even at the Internet's most successful retailer, which paid Mr. Bezos just $64,333 in total compensation last year, profit will remain elusive. The company expects to report "substantial operating losses for the foreseeable future," according to the filing, which added: "The rate at which such losses will be incurred will increase substantially." Some of the offering's proceeds would be used to fund future operating losses.

Although Amazon has a clear lead in selling books on-line, it is being confronted with a growing array of competitors. Simon & Schuster, a unit of Viacom Inc., opened a book-selling site last month. Borders Group Inc. said it plans to introduce its own site. And last week, Barnes & Noble Inc. opened an on-line bookstore through America Online with more than one million titles, and said it plans to launch a site on the Web this spring. Barnes & Noble said it would offer hardcovers at a 30% discount.

But Amazon has made it clear that it will meet any competitive threats: One day before Barnes & Noble announced its plans to sell books through AOL, Amazon said it would offer best-selling titles at a 40% discount. On the same day, Amazon said it would double the number of titles it offers to 2.5 million. That includes the estimated 1.5 million books in print as well as relatively popular out-of-print books.
There are more than 100,000 retailers on the Web, but only a handful have had any real financial success or become well known to consumers. * In contrast, Amazon developed a sizable reputation even before it began a major advertising effort. Publishers have eagerly watched the company's success, because it may offer them the chance to change the way they market books. Amazon is accumulating a massive data base about readers that it has yet to fully exploit.

Mr. Bezos founded the company after deciding that books were one of the few products that people want to buy on-line. One reason: There are too many titles for any single bookstore to stock. In addition, the company offers 24-hour shopping to customers around the world without having to maintain any retail stores. * Amazon has a vast electronic library, which can be searched by title, subject or author, as well as capsule descriptions, "self-administered" author interviews and customer book reviews. When customers tell Amazon about a favorite topic, the company e-mails a stream of recommendations for relevant books.