



LIVRES CANADA BOOKS®

# International Ebook Markets and Pricing

Webinar presented by Brian O'Leary  
December 12, 2018

# Overview of today's webinar

- ▶ Methodology
- ▶ Profiles of significant ebook markets
- ▶ Profiles of emerging ebook markets
- ▶ Current pricing profiles
- ▶ How to put this information to good use

# Methodology

- ▶ Developed using a range of sources
- ▶ Core statistics collected from *World Factbook*
  - ▶ Population, Growth Rate, GDP, GDP/Capita, Literacy Rate, Internet Use
- ▶ Other statistics calculated
  - ▶ Literate Population, Internet Share, Sales/Capita
- ▶ Multiple sources on the size of each market, converted to C\$ at prevailing rates (C\$1.32 = US\$1)

# Market Profiles

The slide features a white background with abstract, overlapping green geometric shapes on the right side. These shapes include triangles and polygons in various shades of green, ranging from light to dark, creating a modern, layered effect.

# Countries studied for this report

Type	Countries Included
"Mega-markets"	U.S., China, Germany, and the U.K.
Emerging markets	Brazil, Russia, and India Poland, Slovenia, and the United Arab Emirates
Important to Canadian publishers	English-language titles: Australia, Italy, Japan, Netherlands, South Korea, and Spain  French-language titles: Austria, France, and parts of Italy
Potentially important markets	Denmark Sweden

# Top-level observations

- ▶ Wide variation in per-capita book sales
- ▶ Population growth above 1%/year in three markets (UAE, Australia, and Brazil)
- ▶ Population is shrinking in several countries
  - ▶ Germany, Japan, Russia, Poland, and Slovenia
- ▶ Literacy rates are improving enough that they may no longer provide as much insight

# Overview: Mega-markets

Country	Population (millions)	GDP/Capita	Internet	Book Sales (millions)	Sales/Capita
United States	326.6	C\$78,540	75.6%	C\$52,227	C\$159.90
China	1,379.3	C\$22,004	53.0%	C\$31,195	C\$22.62
Germany	80.6	C\$66,528	89.8%	C\$13,826	C\$171.68
United Kingdom	65.6	C\$58,512	93.0%	C\$9,127	C\$139.03

# Mega-markets trends

Country	Trends
United States	<ul style="list-style-type: none"><li>• Agency pricing persists for the Big 5</li><li>• Online sales account for around 60% of the market</li><li>• Ebook sales have peaked and declined somewhat</li><li>• Digital share of market estimated at 15% - 20% (revenue)</li><li>• Audio share of market is increasing</li><li>• Self-published sales are thought to be increasing</li><li>• OverDrive and Biblioteca support library sales</li></ul>
China	<ul style="list-style-type: none"><li>• Largest market in the world for unit sales</li><li>• Some movement toward copyright protection</li><li>• Online sales account for 45% of the market</li><li>• About 58% of the population reads books “regularly”</li><li>• Largest distributors: DangDang, Amazon China, and JD.com</li></ul>

# Mega-markets trends

Country	Trends
Germany	<ul style="list-style-type: none"><li>• Relatively stable sales, but fewer book buyers</li><li>• After several years of growth, ebooks are about 4.6% of total sales. Ebook prices dropped 5.1% in 2017.</li><li>• Average book consumer buys 8.3 books per year</li><li>• Physical bookstores retain 47.1% market share</li><li>• Institutional sales represent 21.3% of the market</li><li>• Online sales are 18.8% of sales</li><li>• Translation rights sales rose 7.7% in 2017</li></ul>
United Kingdom	<ul style="list-style-type: none"><li>• Book sales up 5% in 2017</li><li>• Hardcover books increased by 31%</li><li>• Exports increased 8%</li><li>• Export sales to Europe jumped 13%, while exports to East/Southeast Asia increased 8%</li><li>• Digital book sales dropped 2% to UKP543 million (9.5%)</li><li>• Audiobook sales grew 25% to UKP31 million</li></ul>

# Overview: Emerging markets

Country	Population (millions)	GDP/Capita	Internet	Book Sales (millions)	Sales/Capita
Brazil	207.4	C\$20,592	59.2%	C\$2,649	C\$12.78
Russia	142.3	C\$36,696	76.5%	C\$1,742	C\$12.25
India	1,281.9	C\$9,504	29.2%	C\$5,361	C\$4.18
Poland	38.5	C\$38,940	73.4%	C\$1,219	C\$31.67
Slovenia	2.0	C\$45,408	75.7%	C\$102	C\$51.54
UAE	6.1	C\$89,364	88.4%	C\$373	C\$61.41

# Emerging market trends

Country	Trends
<b>Brazil</b>	<ul style="list-style-type: none"><li>• Largest book market in South America</li><li>• Internet penetration increased 20 percentage points since 2013</li><li>• Metabooks Brasil hosts metadata for a plurality of titles</li><li>• PRH now owns Companhia das Letras (largest trade pub)</li><li>• Livraria Cultura and Saraiva, two larger retailers, under financial pressure</li></ul>
<b>Russia</b>	<ul style="list-style-type: none"><li>• Since 2011, new title production in Russia has fallen about 40%</li><li>• Book prices have generally increased over that time</li><li>• Overall and per-capita book sales down since 2013</li><li>• Major trend: decline in demand for fiction</li><li>• Educational and study works make up about 75% of the market</li><li>• Children's literature takes some 22% of the market</li></ul>
<b>India</b>	<ul style="list-style-type: none"><li>• Strong market for translated works (22 official languages, 122 dialects spoken)</li><li>• Growing internet access, some growth in digital consumption</li><li>• Flipkart acquired by U.S. retailer Walmart</li></ul>

# Emerging market trends

Country	Trends
<b>Poland</b>	<ul style="list-style-type: none"><li>• Contracting market since 2010</li><li>• Both title output and retail outlets are declining</li><li>• Only 42% of Poles have read a book in the last year</li><li>• Translations account for 20% of title output</li><li>• Ebook sales around 5% of total; online sales around 35% share</li></ul>
<b>Slovenia</b>	<ul style="list-style-type: none"><li>• Single Price for Books Act (2014)</li><li>• Maintains a database of translated Slovenian authors</li><li>• Several campaigns to promote reading</li><li>• Ebook sales C\$0.9 million (less than 1%)</li></ul>
<b>UAE</b>	<ul style="list-style-type: none"><li>• Multiple initiatives to promote literacy in the UAE</li><li>• Dependent on imports (non-Arabic and Arabic, alike)</li><li>• Domestic and imported titles subject to approval</li><li>• Abu Dhabi and Sharjah book fairs</li></ul>

# English-language markets

Country	Population (millions)	GDP/Capita	Internet	Book Sales (millions)	Sales/Capita
Australia	23.2	C\$66,396	87.3%	C\$2,048	C\$88.15
Italy	62.1	C\$50,292	61.2%	C\$3,998	C\$64.33
Japan	126.5	C\$56,496	92.2%	C\$8,466	C\$66.95
Netherlands	17.1	C\$70,752	90.1%	C\$1,966	C\$115.07
South Korea	51.2	C\$52,008	86.3%	C\$4,436	C\$86.87
Spain	49.0	C\$50,556	79.9%	C\$4,309	C\$88.02

# English-language trends

Country	Trends
<b>Australia</b>	<ul style="list-style-type: none"><li>• Title output peaked in 2013; down about 25% since then</li><li>• Ebook share around 20% of total</li><li>• Efforts to reduce import restrictions have stalled</li></ul>
<b>Italy</b>	<ul style="list-style-type: none"><li>• After several down years, strong growth (+8.1% trade, +4.2% overall) in 2017</li><li>• Flat to down in 2018; eBook share about 3%</li><li>• Translations 18% of the total number of books published</li><li>• 61% of all books translated originally written in English</li></ul>
<b>Japan</b>	<ul style="list-style-type: none"><li>• Fixed price market, with up to 65% sales in bookstores</li><li>• Typically, consignment sales (returns allowed)</li><li>• Estimate: only 8% of titles are translated works</li></ul>

# English-language trends

Country	Trends
Netherlands	<ul style="list-style-type: none"><li>• After contractions in 2013 &amp; 2014, steady growth</li><li>• Digital sales represent about 5% of total</li><li>• Kobo Plus subscription service launched Feb 2017 (anti-piracy initiative)</li></ul>
South Korea	<ul style="list-style-type: none"><li>• Decline in physical sales; growth in digital (+18%)</li><li>• 37% jump in online sales, but it's less than 5% share</li><li>• Almost 25% of works sold in Korea are translations</li></ul>
Spain	<ul style="list-style-type: none"><li>• Fixed book price</li><li>• Digital share around 8%</li><li>• Dilve, Sinli, and Librired offer shared access to bibliographic and real-time market data</li></ul>

# French-language markets

Country	Population (millions)	GDP/Capita	Internet	Book Sales (millions)	Sales/Capita
Austria	8.8	C\$65,868	83.9%	C\$970	C\$110.82
France	67.1	C\$57,816	85.3%	C\$5,850	C\$87.18
Italy	62.1	C\$50,292	61.2%	C\$3,998	C\$64.33

# French-language trends

Country	Trends
Austria	<ul style="list-style-type: none"><li>• Fixed book price</li><li>• Anticipated modest growth (1%/year)</li><li>• Limited ebook uptake (5% - 7%)</li><li>• Rakuten OverDrive entered 2016 (also Germany, Switzerland)</li></ul>
France	<ul style="list-style-type: none"><li>• Fixed book price</li><li>• Decline (1.6% sales, 1.1% units) in 2017, tied in part to a change in national curriculum</li><li>• Digital represents 7.8% of total sales</li><li>• Sales of foreign rights total C\$211 million, spread across 15,460 deals (up 9% versus 2016)</li></ul>
Italy	<ul style="list-style-type: none"><li>• After several down years, strong growth (+8.1% trade, +4.2% overall) in 2017</li><li>• Flat to down in 2018; eBook share about 3%</li><li>• Translations 18% of the total number of books published</li><li>• 61% of all books translated originally written in English</li></ul>

# Overview: Other markets

Country	Population (millions)	GDP/Capita	Internet	Book Sales (millions)	Sales/Capita
Denmark	5.6	C\$65,868	96.8%	C\$771	C\$137.47
Sweden	10.0	C\$67,980	90.8%	C\$294	C\$29.53

# Major trends: Other markets

Country	Trends
Denmark	<ul style="list-style-type: none"><li>• Number of printed releases increased by 58 per cent from 2009 to 2017, but time given to reading declined</li><li>• Share of ebooks estimated at less than 1% (C\$32 million)</li><li>• An increase in audiobook lending, with more than 238K available through Danish libraries</li></ul>
Sweden	<ul style="list-style-type: none"><li>• Modest sales growth in 2017</li><li>• Digital sales up 120% (units) and 40% (revenues), driven by audiobooks &amp; subscriptions (ebooks small)</li><li>• Sales shifting from bookshops (down 6%) to online (up 9%)</li></ul>

# Ebook Pricing

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# Regional focus

- ▶ North America
- ▶ United Kingdom
- ▶ Western Europe and France

# North American pricing

- ▶ Not a fixed-price market
- ▶ Major publishers moved to agency pricing in 2011
  - ▶ Set the price for a given book
  - ▶ Retailer takes 30% share of the sale
- ▶ Outside of the largest publishers, heavy discounting
  - ▶ Self-published market at \$1.99 - \$4.99
  - ▶ “Sweet spot” pricing below \$7 (to promote books)
- ▶ Significant parts of the market may not be measured

# United Kingdom pricing

- ▶ Like North America, not a fixed-price market
- ▶ Major publishers also moved to agency pricing in 2011
- ▶ Outside of the largest publishers, heavy discounting
  - ▶ Most eBooks sold below UKP 2.00, with volume sold below UKP 1.00 2.5x as large as that sold between UKP 1 and 2
  - ▶ Almost no ebooks sold above UKP 7.00
- ▶ While there are measurement challenges, they may not be as severe as is the case with U.S. titles

# Western Europe/France pricing

- ▶ Predominantly fixed-price markets
- ▶ Publishers can charge less for eBooks (and do)
- ▶ In the past, differential VAT complicated pricing (higher rates set for eBooks, raising prices)
- ▶ In October 2018, the EU voted to let members choose a different VAT for eBooks
- ▶ Ebook prices in most fixed-price markets are discounted at least as much as the difference between VAT rates
  - ▶ More typically: VAT difference plus about 20% less

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Using This Data

# Recommendations

- ▶ Look at markets as a whole, not just language or their appetite for translations
  - ▶ *World Factbook*, national sites are resources
- ▶ Check for 'gaps', where literacy is high but per-capita sales is low, or smaller market/growing population
- ▶ Move early on eBook availability, especially when working with international distributors
- ▶ Express prices in local currency
- ▶ Try to match the basic range of local prices
- ▶ Keep up to date with anticipated changes in eBook VAT rates, relative to print and overall price

# Next steps

- ▶ Developing this data set into a full report, to be made available in 2019
- ▶ Additional information that would not fit in this webinar format will be included
- ▶ Final report will include a robust index and a detailed description of methodology
- ▶ Have a suggestion? Contact us this month to help shape the final report

# Q&A

Please type your questions in the Q&A panel

# Some initial questions

- ▶ Can you provide a better understanding of eBook pricing strategies?
- ▶ How do pricing strategies vary across territory and distribution of sales platform?
- ▶ Any additional information on the German market?
- ▶ How do other countries deal with scholarly and academic eBooks?
- ▶ Do they face copyright issues for eBooks adopted as textbooks?

# eBook pricing strategies

- ▶ Covered in the 2017 Livres Canada Books publication, “Digital Exports Revisited”
- ▶ Low marginal costs suggest “revenue maximization” for e-only titles
- ▶ Books with print counterparts are trickier
  - ▶ Market seems to want half off hardcover price
  - ▶ Publishers pushing softcover equivalent instead
- ▶ Significant differentials between price and expectation invite piracy
- ▶ Important to match local prices, currency

# Territory/platform impact on pricing strategy

- ▶ Availability matters (can help price, reduce piracy)
- ▶ Local prices, currencies matter (a lot)
- ▶ If international distribution lets you go eBook-first, test lower prices to maximize revenue
- ▶ In the EU, VAT differentials will be around for a while (keep them in mind when setting prices)
- ▶ Be sure your rights metadata is in good shape (an area where ONIX 3.0 is a better option)

# Additional information on the German market

- ▶ In 2017, the average book buyer bought 12.4 books, up from 11 in 2016
- ▶ Fewer book buyers overall (down 11.9% since 2007)
- ▶ Country focus on marketing solutions, customer outreach, and new formats (though eBooks are down)
- ▶ Rights sales *from* Germany dominated by children's titles (38.7% of the total)
- ▶ Strongest growth in rights sales *from* Germany favor travel, nonfiction, education
- ▶ China leads in purchases of German rights

# Scholarly books and related copyright issues

- ▶ Macro differences between the U.S. and Europe
- ▶ Open-access plans are EU-driven (e.g., “Plan S”)
- ▶ Growing open-access movement in the U.S., but government role is limited
- ▶ In Canada, sweeping changes in copyright for educational materials have already been adopted
- ▶ In the EU, books adopted by government-sponsored entities may lose some copyright protection (unclear)
- ▶ Some influential rulings in the U.S. (Kirtsaeng, Georgia State) for use of educational materials

# Q&A

Please type your questions in the Q&A panel

# Contact information

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