

Global E-book Markets

A guide for Canadian publishers

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Canada 

Contents

Introduction	1
Market Profiles	
Australia.	3
Austria.	4
Brazil	5
China	6
Denmark	7
France	8
Germany	9
India	10
Italy	11
Japan	12
Netherlands.	13
Poland.	14
Russia	15
Slovenia	16
South Korea.	17
Spain	18
Sweden	19
United Arab Emirates	20
United Kingdom	21
United States	22
References	23
About the Author	25

Introduction

Livres Canada Books is dedicated to developing and increasing Canadian publishers' sales in international markets. As part of its charter, the organization provides market intelligence as well as financial, promotional and logistical support to Canadian publishers looking for ways to grow their international sales.

This report builds on work done to prepare *Exporting Digital Books: A Guide to Best Practices for Canadian Publishers* (2011) and *Territorial Rights in the Digital Age* (2012), both published by Livres Canada Books. A bibliography of other sources used for these profiles appears at the end of the report.

Methodology

Data on each market was collected from various sources. The primary resource for statistical information (population, growth rate, GDP, GDP per capita, literacy rate and internet penetration) is the Central Intelligence Agency's *World Factbook*, whose online version is updated weekly. The data presented here was obtained online in January 2013.

The various statistical data points are outlined here:

Population: An estimate from the US Bureau of the Census based on statistics from population censuses, vital statistics registration systems, or sample surveys pertaining to the recent past and on assumptions about future trends. The total population presents one overall measure of the potential impact of the country on the world and within its region.

Population growth rate: The average annual percent change in the population, resulting from a surplus (or deficit) of births over deaths and the balance of migrants entering and leaving a country. The rate may be positive or negative.

GDP: An estimate of the gross domestic product (GDP) or value of all final goods and services produced within a nation in a given year. A nation's GDP at purchasing power parity (PPP) exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States at the time the estimate was made. This is the measure most economists prefer when looking at per-capita welfare and when comparing living conditions or use of resources across countries.

GDP per capita: This estimate calculates GDP on a purchasing power parity basis divided by population on July 1 of the year in which GDP is calculated.

Literate population: An estimate based on literacy rates multiplied by a country's population. Calculated for the purposes of the profiles contained in this report.

Literacy rate: Generally, rates are based on the most common definition - the ability to read and write at a specified age.

Internet users: The number of users within a country that access the Internet. Statistics vary from country to country and may include users who access the Internet at least several times a week to those who access it only once within a period of several months.

Internet penetration: An estimate based on the number of internet users as a share of the total population. Calculated for the purposes of the profiles contained in this report.

Size of book market: Presented as the total revenues that accrue to publishers in a given market. Methodologies vary across markets.

Book sales per capita: An estimate based on the size of the book market, divided by the total population. Calculated for the purposes of the profiles contained in this report.

Financial information was generally collected in local currency and converted to Canadian dollars at the time the information was obtained. The CIA *World Factbook* presents all of its financial information in US dollars. At the time this report was prepared, the US and Canadian currencies were close to parity.

China

Population	1,343,239,293 (1 st)	Literate population	1,238,466,540
Growth rate	0.481%	Literacy rate	92.2%
GDP (billions)	C\$11,300	Internet users	389,000,000
GDP per capita	C\$8,400	Internet penetration	29.0%
Size of book market (millions)	C\$10,347.7	Book sales per capita	C\$7.70

Market profile

Around 92% of the population are Han Chinese but there are 55 other recognized ethnic groups. Within Han there is a common written language, but 11 major dialects and 100 sub dialects in the spoken language.

When measured by unit volume, the Chinese publishing market is by far and away the largest the world. For the last ten years, growth in the book market has mirrored GDP growth at roughly 7% to 10% per year. By Western standards, however, prices are very low, a situation thought likely to persist for some time.

The literate urban population purchase around 75% of books and magazines. For consumer titles, the skew towards the urban population is even higher. With the population migrating to cities, appealing to buyers in metropolitan areas will become even more important.

Founder Electronics, a large publicly traded, government-controlled Chinese electronics and software company, developed an e-publishing system initially for

the Chinese newspaper industry, where it has around 90% market share. The company then moved into digital rights management and the provision of systems for the production and distribution of e-books.

Here, it has a dominant position, this time in providing systems for digital publishing. As well, its e-content arm, Apabi, is the main supplier of academic and consumer e-books. Apabi has struck a strategic alliance with Penguin to adapt 2,000 Penguin/Dorling Kindersley titles for e delivery in China.

Within China, there are two major online Book retailers: Joyo (owned by Amazon); and Dangdang. There are estimated to be as many as 300 other entities that are involved in selling books online.

Several of the larger Chinese publishing groups have set up their own vertically integrated e-book businesses. These units offer content (e-books) and a compatible, own branded e-reader.

France

Population	65,630,692 (21 st)	Literate population	64,974,385
Growth rate	0.5%	Literacy rate	99.0%
GDP (billions)	C\$2,226.4	Internet users	45,262,000
GDP per capita	C\$35,300	Internet penetration	69.0%
Size of book market (millions)	C\$6,224.1	Book sales per capita	C\$94.84

Market profile

Major French publishers include Lagardere, Editis, Gallimard and Flammarion, now part of the same company as Gallimard. Having seen the disruption caused by price competition in the United States and the United Kingdom, these publishers have worked with the government to develop “France-only” solutions as a way to preserve economic and cultural heritage.

Major retailers like FNAC, Virgin Megastore France and Chapitre cannot compete on price. French law mandates a single fixed price on all publications, regardless of their point of sale or distribution. In 2011, this law was extended to include e-books.

Although the price of e-books need not be the same as print books, the legislation does apply to companies based outside of France who want to sell e-books in France. This is consistent with past efforts to maintain stability in the French market. E-books that have been published by French publishers may not be sold at lower prices by Amazon, Kobo, Google and Apple.

Despite the relative ambivalence of French publishers and retailers, sales of books through online channels have tripled since 2003. Estimates of the share of books sold online range from about 4.6% in 2007 to 8% in 2010. This share is expected to increase as key players (Amazon.fr, FNAC and Alapage) grow their digital presence in France.

Although an early leader in e-book technology (Bookeen 1998) was a French company, the market has been slow to adopt e-books. Part of the reason is availability: the number of titles available in digital form is estimated to be about 100,000 – a tenth of the digital content libraries in the US and UK.

FNAC launched its own e-reader in 2010 at a price (EUR 179) that brought it within reach of a wider audience. Early adoption was relatively low, largely because the number of French-language titles remained limited. In addition to its reader, FNAC has offered apps for the iPhone, iPad and Android platforms.

United Kingdom

Population	63,047,162 (22 nd)	Literate population	62,416,690
Growth rate	0.553%	Literacy rate	99.0%
GDP (billions)	C\$2,300.8	Internet users	51,444,000
GDP per capita	C\$36,704	Internet penetration	81.6%
Size of book market (millions)	C\$4,722.6	Book sales per capita	C\$74.91

Market profile

Along with the United States, the United Kingdom has one of the most highly developed digital publishing markets in the world. It is also a robust market for the development and sale of leading e-readers, smartphones and tablets.

Within the European Union, British consumers have recorded the highest use of e-commerce platforms. This includes their use of online vendors for e-book purchases. The number of digital titles available for local consumption now rivals that seen in the United States. In addition, digital forms of local magazines and newspapers are widely available.

For much of the twentieth century, UK book-market pricing was governed by the "Net Book Agreement." This arrangement was similar to agency in that publishers set the price of their books. It was ruled illegal in 1997.

Since then, retailers like Waterstone's, WH Smith and Blackwell as well as national supermarket chains have competed on price. As a result, there has been a general decline in consumer prices and a fairly dramatic consolidation of the retail and distribution markets as many smaller players struggled to compete.

This concentration has not produced stability, however. In 2011, HMV sold its interest in Waterstones to Russian billionaire Alexander Malmut, who replaced senior management. The company subsequently struck a deal with Amazon to sell Kindle e-readers in its 294 retail outlets, a business it launched in the fall of 2012.

The overall retail environment appears mixed. Early in 2013, reports indicated that the number of booksellers had declined from 4,000 in 2005 to 1,878 in 2012, a decline of 53%. The UK Booksellers Association disputed the analysis, claiming that it had 3,655 members, a decline of 20% since 2006.

The UK government has begun to scrutinize Amazon's business practices, particularly the extent to which it pays UK taxes. The company maintains an operation in Luxemburg, where taxes are relatively low. In 2012, Amazon representatives were asked to appear at Parliamentary hearings, conversations that appear likely to continue in 2013.