Patterns of change

Digital growth, decline in print, and shifting forces in European book markets.
1. The global context
The Bookish Elite

Market size & new title production in relation to GDP per capita in the 23 largest publishing markets worldwide.

Bubble size = GDP(PPP) per capita in US$
Publishing and entertainment media (bn$)

Various sources; compilation by RWCC
The 6 largest book markets (%, 2012)

Top 6 markets:
- United States: 26%
- Rest of the world: 39%
- China: 12%
- Germany: 8%
- Japan: 7%
- United Kingdom: 4%
- Other Markets: 3%

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2. Key drivers and trends in European book markets
### Shrinking book markets

#### 2012>2013 sales bookstore (print), % value

<table>
<thead>
<tr>
<th>Country</th>
<th>DE</th>
<th>FR</th>
<th>IT</th>
<th>SP</th>
<th>SE</th>
<th>Finland</th>
<th>Norway</th>
<th>AT</th>
<th>CH</th>
<th>Belgium (FR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0,1</td>
<td>-1</td>
<td>-5,3</td>
<td>-12</td>
<td>-1</td>
<td>-2,1</td>
<td>1,7</td>
<td>1</td>
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</table>

#### 2011>2012 sales bookstore (print) % value

<table>
<thead>
<tr>
<th>Country</th>
<th>DE</th>
<th>FR</th>
<th>IT</th>
<th>SP</th>
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<th>Norway</th>
<th>AT</th>
<th>CH</th>
<th>Belgium (FR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1,4</td>
<td>-1,5</td>
<td>-7</td>
<td>-12</td>
<td>-3</td>
<td>-2</td>
<td>0,9</td>
<td>0</td>
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</table>

#### 2010>2011 sales bookstore print % value

<table>
<thead>
<tr>
<th>Country</th>
<th>DE</th>
<th>FR</th>
<th>IT</th>
<th>SP</th>
<th>SE</th>
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<th>Norway</th>
<th>AT</th>
<th>CH</th>
<th>Belgium (FR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2,6</td>
<td>-1</td>
<td>-3</td>
<td>-2</td>
<td>0</td>
<td>-1</td>
<td>-3</td>
<td>-2</td>
<td></td>
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</table>

#### 2009>2010 sales bookstore print % value

<table>
<thead>
<tr>
<th>Country</th>
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<th>SP</th>
<th>SE</th>
<th>Finland</th>
<th>Norway</th>
<th>AT</th>
<th>CH</th>
<th>Belgium (FR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-3,3</td>
<td>-1,5</td>
<td>0</td>
<td>-5</td>
<td>-1</td>
<td>1,8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Globalisation & consolidation in publishing

Global:
- Penguin Random House
- PRH completes Random House Mondadori to 100%
- PRH buys Santillana (trade)
- HarperCollins acquires Harlequin
- Hachette expands globally: Brazil; UK Quercus

Global players
- The expansion of Amazon (Brazil, China, India)
- Apple (Brazil, Spain, Arab world)

France
- Gallimard buys Flammarion from RCS

Central Europe
- Vertical integration & consolidation across the region

Scandinavia:
- Swap between Bonniers & WSOY

Spain:
- Boost from exports
Turmoil in retail

**US:**
- Borders (2011)
- B&N reshuffle; Nook decline (2013/14)

**France:**
- Virgin Megastore (out spring 2013)
- Chapitre (fall 2013)

**Netherlands**
- Seldyxz /Polare

**Germany**
- Thalia (failed sale; restructuring 2013/14)
- Weltbild insolvency (2014)
Turmoil in retail: Patterns and similarities

**US:**
- Nook:
  - The strongest competitor to Amazon becomes the problem child of B&N
  - The plans for international expansion are scaled back
  - The impact from investments (Microsoft) remain unclear

**France:**
- Chapitre
  - A chain disintegrates
  - Some locations go independent

**Netherlands**
- No Amazon; local BOL.com owning the online market
- Seldyxz /Polare
  - Failed takeover by investors
  - Independent owners as the „White knights“

**Germany**
- Tolino?
- Thalia with a new online strategy?
- Weltbild unclear
3. Amazon
Amazon’s global expansion (Revenue 2010 to 2013)

- Amazon’s international growths derives from only 3 markets (DE, JP, UK)
- Is the expansion slowing down?
# Market share of online retail and of Amazon (print; ebooks)

<table>
<thead>
<tr>
<th>Country</th>
<th>Market share online book retail</th>
<th>% Amazon in online book retail</th>
<th>Amazon % in ebooks</th>
<th>#1 local retailer</th>
<th>% for #1 local</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>26%</td>
<td></td>
<td>67%</td>
<td>B&amp;N/Nook</td>
<td>12%</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td>79%</td>
<td></td>
<td>Waterstones</td>
<td>3.3%</td>
</tr>
<tr>
<td>Germany</td>
<td>16.5% (BöV) 26% (GfK)</td>
<td>18% of total market</td>
<td>43%</td>
<td>Tolino alliance</td>
<td>37%</td>
</tr>
<tr>
<td>France</td>
<td>18%</td>
<td></td>
<td></td>
<td>(Apple)</td>
<td>40%</td>
</tr>
<tr>
<td>Spain</td>
<td>35%</td>
<td>40%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>10 to 12% 35 to 40%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>no local presence</td>
<td></td>
<td></td>
<td>BOL</td>
<td>50 to 75%</td>
</tr>
<tr>
<td>Sweden</td>
<td>30%</td>
<td>no local presence</td>
<td></td>
<td>Adlibris</td>
<td></td>
</tr>
</tbody>
</table>
4. Ebook markets:
Good bye to the good old integrated book business?
# Market share of ebooks in selected markets (in %)

<table>
<thead>
<tr>
<th>Country</th>
<th>% of total market</th>
<th>% of trade market</th>
<th>% in specific segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>13%</td>
<td>21%</td>
<td>Up to 50%</td>
</tr>
<tr>
<td>UK</td>
<td>11.5%</td>
<td>25%</td>
<td>40%</td>
</tr>
<tr>
<td>Germany</td>
<td>5%</td>
<td>10.6%</td>
<td>15 to 20%</td>
</tr>
<tr>
<td>France</td>
<td>1.1%</td>
<td>3%</td>
<td>20 to 30%</td>
</tr>
<tr>
<td>Spain</td>
<td>3 to 5%</td>
<td>8%</td>
<td>Up to 15%</td>
</tr>
<tr>
<td>Italy</td>
<td>n.a.</td>
<td>4 to 5%</td>
<td>Up to 40%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4.7%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>1%</td>
<td>n.a.</td>
<td>70% library lending</td>
</tr>
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</table>
# The „Big Five“ publishing groups in ebooks

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>publishing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues from</td>
<td>20%</td>
<td>10.4%</td>
<td>23%</td>
<td>27%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>ebooks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rev. From ebooks</td>
<td>RH Germany: 10% rev.</td>
<td>30% rev. in US trade;</td>
<td></td>
<td></td>
<td>n.a.</td>
<td>2.6%m ebooks sold</td>
</tr>
<tr>
<td>(details)</td>
<td>ebooks;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Penguin 33% in US</td>
<td></td>
<td>27% in UK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(adult trade)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2 totally different approaches:

- „Keep ebooks up“ (Sweden, Germany, France)
- „Follow the market“ (Italy, Spain, UK)

Publishers compete with consumers & Amazon
Ebook pricing: Germany

Contradictory pricing strategies lead to confusing pricing:

- Publishers push hard for ebook prices to be high
- Amazon et al. form separate benchmarks

A fixed book price under pressure
The new book market „made by Amazon“

Amazon

- Integrates the complete value chain
- Synchronizes markets
- Across borders (across Europe)
- Across contexts (e.g. w/ w‘out price regulation)

<table>
<thead>
<tr>
<th>Ave. Top25</th>
<th>Books</th>
<th>Fiction</th>
<th>Kindle</th>
<th>Romance</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td>2,86 €</td>
<td></td>
</tr>
<tr>
<td>DE</td>
<td>14,09 €</td>
<td>4,33 €</td>
<td>2,91 €</td>
<td>4,11 €</td>
</tr>
<tr>
<td>FR</td>
<td>11,00 €</td>
<td>7,76 €</td>
<td></td>
<td>4,61 €</td>
</tr>
<tr>
<td>IT</td>
<td>12,19 €</td>
<td></td>
<td>5,04 €</td>
<td>3,59 €</td>
</tr>
<tr>
<td>SP</td>
<td>15,71 €</td>
<td>5,86 €</td>
<td>4,15 €</td>
<td>3,10 €</td>
</tr>
</tbody>
</table>
The new fault lines of the book business

- Decline of print sales
- Canibalization of paperback by ebooks
- The biggest and some specialists are winning in digital
- New business models emerge (e.g. subscription platforms)

- Expanding market share of few blockbuster titles
- Selfpublishing
- Some genres become autonomous sub-markets (e.g. romance)
- Some target audiences become closed communities outside the traditional book system (e.g. genre fiction, learning)
- Some distribution channels form separate communities (e.g. subscription platforms)
5. Questions & lessons

- Are these cases more local or more fundamental?
- Is price regulation helpful in preserving markets?
- Can politics help? (e.g. in France)
- Nook, Kobo,
  - Is there no viable market anti-dote to Amazon?
- Tolino, Skoobe, Nubico
  - Can consortia succeed?
  - What will be the impact of new subscription platforms as the likely next „disruptive force“?
The Global eBook report
www.global-ebook.com

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