

Rüdiger Wischenbart  
*Content & Consulting*

# Global eBook

*A report on market trends  
and developments*

Update fall 2013



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# About the Global eBook Report

## Global eBook: Current Conditions & Future Projections

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Written by **Rüdiger Wischenbart**. Together with **Carlo Carrenho** (Brazil), **Veronika Licher** (China), **Miha Kovac** (Central and East Europe), and **Vinutha Mallya** (India). Additional research by **Julia Coufal** and **Jennifer Krenn**.

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# Executive Summary

**This report provides an overview of internationally emerging ebook markets, with a unique set of data from a wide array of the best available sources, a thorough analysis and a synopsis of key global developments and a broad set of detailed references to both global and local actors, forming a resource for anyone interested in the globalization of digital (book) content production and dissemination.**

The report offers a status on the *US* and *UK* markets as well as close ups on *ebook markets* as they take shape across *Europe, Brazil, China, India, Russia*, and in the *Arab world*.

*Thematic chapters* focus on critical policy debates and on key driving forces, notably ebook bestsellers and pricing strategies across European markets, selfpublishing, regulation, piracy, and the expanding activities of the leading global players such as *Amazon, Apple, Barnes & Noble, Google*, and *Kobo*. Fundamental statistics on the more mature ebook markets in the *US* and *UK* serve as benchmarks, to help evaluation data from all other market developments.

The *findings* allow us to assess, on one hand, how the main drivers of digital change in the publishing industry impact international markets in similar ways, as reading platforms and distribution infrastructures become available, and as publishers in all markets start to make their title catalogs available in digital formats. On the other hand, a wide array of local factors—from market size through tax and pricing regimes to cultural choices—show that each market must be presented with its unique defining traits.

In *Europe, Germany* is ahead in embracing digital trade books, especially fiction, but is clearly behind the *US* and

*UK*. Countries as diverse as *Austria, France, Italy, Poland, Slovenia, Spain*, and *Sweden* have recently seen the implementation of an ebook distribution infrastructure, and at least the largest publishing groups are broadly releasing their new titles as ebooks in addition to print.

Debates and market developments in several of the small and linguistically diverse countries of *Central and East Europe* show how global and local factors can both support and repress the spread of ebooks, as local players suddenly have to confront much larger global actors.

In *China, Brazil, India, Russia* and the *Arab world*, distinct local factors also impact market developments, with educational publishing, not fiction, being the strongest driving force toward digital, unlike the case in *North America* and *Europe*.

Key regulatory issues, such as the recent actions of the *US* and *European governments*, as well as tax issues and legal controversies, notably involving copyright, are also documented and analyzed in this report.

The **Global eBook** report is using actual data, not forecasts, to map the course of developments, tapping into a wide array of sources and backed up by expert interviews and an international team of authors.

The *Global eBook* report has been initiated in fall 2011 by the *Tools of Change* conferences and *O'Reilly Media*, and is updated every half year. Since fall 2013, the report is published by *Rüdiger Wischenbart Content and Consulting* which had developed the format and authored the reports from the beginning.

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# Mapping and Understanding the Emerging Global eBook Markets



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# Beyond ebooks: The ecosystem of digital books and reading

**M**any observers of the global book business spent much of 2011 marveling at the pace of ebook penetration in the United States and the United Kingdom. In 2012, a new digital buzzword was added: *global*. Never before has one book spread across not just a continent or two but around the globe, as did E.L. James' *Fifty Shades of Grey*.

By 2013, we began to see the US and UK markets maturing, with growth in ebook penetration slowing down and ebooks transcending their initial niche in a number of countries in continental Europe. More importantly though ebooks are triggering a wave of structural innovation in an old industry, with ever-broadening experiments to explore new business models, such as subscriptions as drivers for reading communities (*Nubico* in Spain, *Scoobe* in Germany, *Youboox* in France, *Oyster* in the US), new models of cooperation between publishers and telecommunication giants and other partners in technology, and scores of startups, which include digital-only publishing ventures, social reading platforms, or service providers that adapt data mining to the requirements of publishing and book retail. In the meantime, global platforms such as *Amazon* or *Apple's iBookstore* affect markets such as China and Brazil, invigorating the dynamics of globalization, but they also challenge traditional local players in publishing and in retail, while *Kobo*, as the newcomer, proposes its approach and partnership models with local players, from France (with *Fnac*) to Brazil (with *Livraria Cultura*), as an

alternative to the predominance of just a few superpowers of the Internet. In the small and highly fragmented markets of Central Europe, and not just there, the unleashing of such new forces is met with serious concern, as it challenges the local book and reading cultures in a time of economic upheaval.

This report will therefore explore the manifold dimensions that the digital transformation is inducing.

## A global book business versus national cultures, fairness and pride

Ebooks are only one part of this new ecosystem of writing, publishing, and reading, as are publishers and retailers, and in many continental European markets, they represent just a few percentage of the revenue of their national book industry. The digital distribution of books finds itself in the middle of a complex economic, political, and cultural battlefield where national governments, the *European Commission*, and the leading global digital actors such as *Amazon*, *Apple*, and *Google* fight over power and control in the digital economy of the next decade.

Globalization, therefore, inevitably spawns a second movement: regulation. In the US, the *Department of Justice* (DoJ) has stepped in, disagreeing with five major publishers and Apple (a distributor of ebooks) over who should control the pricing of digital books, bluntly calling the

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publishers' agreement with Apple a "conspiracy". The ultimate result of this lawsuit, say the critics—and not all of them are publishers—will be a "government-assisted monopoly" (Jenn Webb in a [TOC blog post](#)), as it would help Amazon to single-handedly dominate an industry, allowing it ultimately to define retail prices of ebooks instead of publishers and thus further expand its massive market share. The European Commission has a similar investigation underway.

The complex legal argument, though, is not the most relevant aspect for our perspective here. It is the political dimension instead, and the fact that Amazon—and a few other companies, mostly from the US, that are rolling out their ebook services on a truly global scale—are of an entirely different scale and scope from what used to reign over publishing in the old days.

*Pearson*, the leader in global book publishing, had annual revenues of \$9.2 billion in 2012. *NewsCorp*, one of the leading global media companies and the parent of *HarperCollins*, recorded a turnover of \$34 billion in 2012. This has NewsCorp playing in the same ballpark as Amazon (with \$61 billion in 2012). By comparison, Apple has recorded revenues of \$156 billion (Sept. 2012) and an operating income of over \$55 billion. Google had revenues of \$50 billion and an operating profit of over \$13 billion.

The discrepancies in size fueled the biggest merger in the history of book publishing, when *Random House* and *Penguin* (a division of Pearson) decided to combine their activities in a new company, *Penguin Random House*, which became effective July 1, 2013. Together, they will generate revenues of ca. \$3.9 billion from an output of ca. 15,000 new titles annually (see [The Bookseller](#), 1 July 2013). However, even the now largest trade publisher is clearly centered on books.

In the current battle over emerging ebook and digital publishing markets, we must understand a variety of dynamics between players of not entirely different scales but also contrasting agendas. For Penguin Random House and for *Hachette Livres* (with revenues from publishing at \$2.8 billion), turning front- and backlist titles into ebooks and expanding their access to international markets on a global scale is an imminent priority.

For companies such as Apple or Google, the digital transition and global outlook in book publishing will be only part of a much broader picture, as they distribute all kinds of digital media content, not just books.

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Even though revenue from books is a central element at Amazon, retailing books is one among several of a broadening set of services, and this is similarly true for scores of domestic ventures in emerging markets where those global players are currently expanding with their book and publishing related offers. Obviously, this opens much room for friction and competition.

Only a few book markets are large enough—notably the United States, the United Kingdom, Germany, France, or the Spanish language market, as well as China—to form centers of gravity in their own right for distinct domestic developments. These markets reflect their own national cultural traditions and identities, resulting in strong national framing conditions. Such markets foster the emergence and, more importantly, sustenance of strong domestic players for both publishing and retail and for services and innovation.

Examples include the emphasis on the national book culture in Germany or France, with an almost unanimous consensus in the professional book communities there on the value of the book and reading and, as a result, calls for price regulation as well as strong defense of their book cultures against what is defined as *external interference*.

Google—via its digitization efforts with libraries and the scanning of copyrighted works—had become an early catalyst for such confrontations, getting local stakeholders out rallying in defense of the American company's claim to "organize the knowledge of the world," at least in Germany and France, and in the US, over the past several years. This communal action has resulted in the identification of the digitization of books most broadly as an assault on book culture and on fair compensation for intellectual property. After the downfall of the music industry and the impact of piracy on the music business, lobbying by professional organizations of the publishing industry could find broad support for its claims.

*Digital* has been broadly identified with *illegal* or at least *unfair* use of the cultural stock, first in Germany and France and then over time in many parts of continental Europe. In the context of an ever-broader concern about digital information technologies, surveillance, and the loss of privacy, ebooks hit continental Europe at a moment when *digital* or *e* reading is often considered a threat to citizens' freedom and Europe's difficult standing in a globalizing world.

In such a context, books are swiftly perceived as a strong symbol of resistance, rooted in a genuine European tradi-

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tion of *enlightenment* (through books and universal reading and education). At least such is the current argument of the cultural establishment in most European countries, which must not, however, be confused with readers—the majority of whom are well-educated and media-savvy urbanites—who are largely open to the offerings of the Web, including ereaders and ebooks. It is the same cultural elite though that is preoccupied with losing local *cultural identity*.

Google's digitization projects have been confronted by coordinated legal action in several European countries, which has had (particularly in France) strong political support from government institutions. Examples are the French-sponsored national and European digitization projects (e.g., *Gallica* and *Europeana*) and the German digital distribution platform *Libreka*, as well as legal charges against Google. Interestingly, in several of the largest continental European book markets (but not in the UK), the creation of a digital infrastructure has led to the forming of consortia, of which several have managed to take up a position as either the primary or the secondary leader in the digital service environment. Such is the case in France, Germany, Spain, Italy, and Sweden.

Although 2012 and 2013 have seen at least some of those flames put out in scores of settlements, in Europe, notably in France and in Germany, while Amazon is now perceived, at least by traditional representatives of the book business, as the main threat in a landscape shaped primarily by mid-sized or even small family-run businesses.

In particularly, smaller markets find themselves in a challenging situation. Many have rooted their cultural and national identity in a cultural singularity, which is usually anchored in literature and books. However, those same local elites who represent such a strong local identity, and who are strong readers also tend to be among the first to embrace reading in English, as they are fluent in foreign languages, open to other cultures, and travel widely. Slovenia, Sweden, and Denmark are examples of such markets.

## New paradigms and new challenges

The conflicts triggered by the global actors are not limited to culture. In the late autumn of 2012, a new battle received publicity across Europe, and this time it was about money and power.

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## Global players versus local taxation

"It's time to boycott Amazon, ethical consumer" **was written** in bold letters on a UK-based website. The activist call for action, however, is just one element in a broad debate on how *Amazon*, *Google*, and the global coffee brewer *Starbucks* use complexities and differences among European countries and their respective financial regulations to reduce their spending on local taxes on a grand scale.

"We're not accusing you of being illegal, we're accusing you of being immoral," was the accusation uttered at a hearing of the *British Parliament* in November 2012, when it turned out that, for instance, Amazon's European head office, Amazon EU S.a.r.l., based in Luxembourg, had declared a profit of €20 million after revenues of €9.1 billion, while its British arm, Amazon UK Ltd., had paid £1.8 million in corporate taxes on over £200 million in turnover in 2011. Google had reported £2.5 billion in UK sales in 2011 but tax of just £3.4 million (*The Register*, **November 13, 2012**).

Reports started to shed light on how Amazon, in "highly complex transaction(s)," since 2005 had rearranged their company structure in various European markets, notably through establishing its headquarters in tax-friendly Luxembourg, giving it a significant competitive advantage over companies that operated mostly out of and in one market. (For details, see a *Reuters* "Special Report: Amazon's billion dollar tax shield", **December 6, 2012**, and "How one word change lets Amazon pay less tax on its UK activities," *The Guardian*, **April 4, 2012**).

The outrage over Amazon quickly spilled over the Channel to France, where the online retailer on the one hand had received significant financial public support for installing a distribution center in Burgundy and on the other hand framed its local operations as those of a mere "service providing society", while transferring and accounting profits to its holdings in Luxembourg. As a result, not only did independent booksellers rally against Amazon (*Livres Hebdo*, **January 3, 2013**), but French financial authorities launched an inquiry (*Livres Hebdo*, **November 14, 2012**).

During the first half of 2013, the fiscal debate picked up momentum as well as massively extended its ambitions and goals, with the French government debating models to tax digital global actors better. A report has been commissioned to explore ideas ranging from taxing the collection of individual consumer data by firms such as Google to international actions to redefine how transnational companies and their revenues can be localized ("Fiscalité du numérique: vers une taxation des données," *Les Echos*,

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January 18, 2013; “Un rapport envisage une taxe sur les données personnelles,” *Le Monde*, [January 18, 2013](#)).

The localization of ebooks however confronts much more mundane obstacles as well.

## Oddities of contradictory tax regimes

One such hurdle—and a really tough one to overcome—is tax: sales tax in the US and value-added tax (VAT) in Europe. The tax issue has already been raised in many American states with regard to a genuinely American brand: Amazon.com (for a detailed account, see this [Wikipedia page](#)). In Europe, VAT is redrawing the map of retail, placing the tiny state of Luxembourg at the center. Luxembourg is the European headquarters for Amazon, Apple, *Kobo*, and *Barnes & Noble*. (Of the major European ebook sellers, only Google is based elsewhere—in Ireland—for historic reasons.) Having already created an attractive business environment, notably with regard to corporate taxes, Luxembourg decided in late 2011 to unilaterally lower VAT on ebooks to 3% (from 15%), which obviously gives it a significant edge over many other European markets, including the UK (where VAT on ebooks is 20%). The resulting tax advantages for transnationals have triggered heated debates, notably in the UK and France in fall 2012.

European trade authorities consider ebooks to be software that is licensed to consumers rather than a product that can be purchased, like a print book. As a result, preferential VAT rates for books (0% in the UK, 7% in Germany) do not apply for a title’s digital edition. Despite such views in the European Commission, France and Spain have recently passed national laws (or simply tolerate practices) that consider ebooks to be books. (See *The Bookseller*, [December 18, 2011](#).)

## The complexities of localization

So paradoxically, the global expansion of ebook platforms such as Amazon, Apple, Barnes & Noble, Google, and *Kobo* at first resulted in fragmentation within a basically integrated economic space such as the EU. Although this fragmentation may lessen over time, it highlights a deeper problem that results from contradictory policies between member states of the EU and the European Commission, which is calling on publishers, retail platforms, and national governments to embrace digital change more boldly and create a single market for ebooks (see this [blog entry](#) by Commissioner Neelie Kroes and [launching an ebook round table](#) from June 2012).

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In Sweden, there is no Amazon.se website, probably because a local Swedish platform run by a local company, *Bonnier*, has a strong presence; in addition, the Swedish market is too small to fight over, at least for such a global behemoth as Amazon. Furthermore, many Swedish consumers are also readers of English-language books and can easily purchase them online, even from Amazon, if they wish. But how long will such exceptions be sustainable?

Legal battles are not limited to Europe, as also in several emerging economies, policies - or at least local specifics - aim at preserving local markets from being overrun by global players. In India (one of the most attractive emerging economies), Amazon could not get a license for opening a local enterprise; this situation allowed two local Indian equivalents, *Flipkart* and *Indiaplaza*, to build relevant market positions. Only in August 2012 could Amazon open a dedicated site with a huge catalog of more than a million titles priced in rupees.

## The politics of piracy

Piracy is obviously another challenge in the new mix of digital and global elements.

In Germany, and to a certain degree all over Europe, the debate on piracy has evolved in the first half of 2012 into mainstream headline news. What started as a battle at the margins, with lobbyists for the content industries opposing free speech advocates and digital nerds, has now been split into two strictly opposed camps, with the majority of authors ironically siding with the industry and arguing for strong government action against online sources of illegally distributed copyrighted content. The “pirates,” on the other side—who have formed political parties across the continent to run for election to national parliaments—occasionally find common ground with government authorities or the *European Commission*, for instance in derailing the internationally supported *Anti-Counterfeiting Trade Agreement*, which was strongly supported by the German publishers’ and booksellers’ association *Börsenverein*. The European Parliament voted against the agreement, with 478 negative votes, 39 positive, and 165 abstentions (for a detailed account, read this [Wikipedia page](#)).

Many authors who do not have regular income other than from their writing have good reason to be worried. In Germany, more than 1,500 such authors protested, **shouting** “We are the creators! Against stealing intellectual property!” (“Wir sind die Urheber! Gegen den Diebstahl geistigen Eigentums!”), and found many more who followed their call.

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In Russia, the government released official statistics showing that at least 90% of available Russian ebooks come from pirates; under such circumstances, a solid ebook market can hardly take shape. In December 2012, Russia and the US agreed on an “action plan” to jointly fight for improved intellectual property protection (United States and Russian Federation Agree on Action Plan to Improve Intellectual Property Rights Protection, press release, [December 21, 2012](#)). Not just ebooks, but all kinds of digital content are targeted, and this high-level initiative illustrates well how seriously the matter is being taken.

In China, the commercialization of digital content, including online reading and ebooks, is severely suffering from competition through pirate sites that offer their most popular content free of charge. Can Google’s recent compromise to offer the black-listing of websites with illegal content become a model for China? Or would this instead be just another incentive for governments to ban access to unwanted content altogether? Or, more broadly, can anyone argue in favor of China blocking websites for such a reason and at the same time defend free speech and free access to information in other countries such as the US or Europe?

Is policing the Web enough? Is it conceivable to outsmart piracy, legally or practically?

For a more in depth discussion of anti-piracy efforts, see [“eBook piracy in Europe: The example and debate in Germany, and related findings” on page 96](#).

## Global contexts: How books become embedded in the digital universe

*Apple*, whose *iTunes* store is already popular with consumers in many markets for downloading music, movies, and TV shows, continues to add ebooks in new languages to the closely integrated *Apple iBookstore*. Some languages have been initially excluded, notably those running from right to left, such as Arabic. Did this build a barrier of access to global knowledge and learning for Arabs? Certainly. But technological innovation can solve these issues. Connecting an entire culture to the ebook market is another hurdle altogether. Will an already shaky Arab publishing industry be able to evolve to meet the standards of the leading global players, or will Arab readers have to read international fiction in English or as a quickly pirated copy?

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For some time, the book business, as an industry of a certain scale, was largely occupied by actors from a few home markets in North America, Europe, and Asia—notably Japan and Korea as well as, more recently, China and India. In most other parts of the world, disregarding the cultural aspirations of large populations, strict limits existed from the simple lack of a professional infrastructure to make all the newest books available, to disseminate basic information about new titles, and to ship a title across much of the Arab world, sub-Saharan Africa (perhaps with the exception of South Africa), and even large parts of Latin America.

When a simple and affordable hookup to the Internet turns billions of phones, laptops, and now tablet computers into reading and book-retrieval devices, something fundamental is about to happen. In a very similar pattern, communication was forever changed a decade and a half ago by the advent of mobile phones, as they bypassed the ailing infrastructure of land lines in so many parts of the globe.

In 2011, 86.7% of the world’s population had a mobile cellular subscription; 17%, or 1.2 billion people, owned a mobile broadband subscription, which is slightly more than the 16.6% with a fixed land line (*International Telecommunication Union*, November 2011, quoted [here](#)).

For books and reading, several factors coincide:

- In a significantly growing number of *emerging economies*—which goes a long way beyond the usually quoted Brazil, Russia, India, and China, and includes countries such as South Africa, Argentina, Mexico, the Gulf countries, Indonesia, Thailand, Vietnam, and many others—a significant part of the population can afford and is in fact using mobile networks of digital content, have growing educational aspirations as well as an interest in both local and global entertainment, and have access to all this via the Internet and their mobile devices.
- A relatively small number of leading publishing companies, specializing in trade and education—groups such as *Pearson*, the newly formed *Penguin Random House*, *Hachette*, *HarperCollins* (backed up by their parent *NewsCorp*), plus a few learning companies (*Oxford*, *Cambridge*, *Wiley*, *Cengage*) and publishers of science and professional information (*Thomson Reuters*, *Reed Elsevier*)—have woven truly global networks over the past few years, with local offices (not just for sales) exploring those (notably digitally connected) routes opened by the finance industry in the



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1980s, global cities in the 1990s, and global tourism in the 2000s.

- Apple's iPod and iTunes have shown consumers around the globe how easily content can flow, while text messages, *Facebook*, and *Twitter* have connected consumers as individuals, not just as target groups.
- *Amazon* and the *Kindle* allowed books—first in English, then in more languages—to flow through these virtual tubes, and the iPad seamlessly embeds those digital books in an integrated digital content universe, with movies, music, games, other reading, education, and other media.
- Numerous local companies springing up in the various target markets enroot and diversify that web and extend it into a three-dimensional grid, by adding to the globalizing dimension local specifics, with local language, credibility, and logistics adding the last mile or last inch.

The last factor—adding localization to the global read—must not be brushed aside as just a level for collecting the consumer's money for the global players. Quite the opposite: it is a critical part in stabilizing a process of exploration and expansion that has, even with tremendous momentum, only started.

The global ebook market will not be a level playing field for some time to come, and we can be fairly certain that it will not become the open digital space that many across the globe wish for. Exclusions and inclusions will remain a governing pattern for a long time, often enough in not planned, but accidental ways.

For instance, US headquartered Amazon **launched a localized platform and Kindle shop** in neighboring *Canada* only in January 2013 (!), over five years after its introduction in the US in November 2007. *Google Play* varies the media it offers to consumers widely, according to territory. Another example had two deeply intertwined, neighboring markets such as Germany and Austria at first separated by a gap, as books were initially available in Germany, yet not in Austria. Only since spring 2013, books can be purchased in Austria as well through *Google Play*. Also an ebook edition of a given (English language) title may be available internationally on Amazon for the *Kindle*, yet not through other major international platforms in *ePub*, despite the fact that an *ePub* version has been made available by the publisher.

Sometimes, the result of all these contradictory developments are simply funny: My wish, in late 2011, to acquire a digital copy of, ironically, a book on the global spread of English (Nicholas Ostler's fabulous *The Last Lingua Franca*, published by Penguin in the UK) led to an unexpected odyssey. Buying an EPUB version (as opposed to one for Mobipocket/Kindle) of the book from online retailers in the UK (*Waterstones* or *WHSmith*) from a computer in Vienna, Austria turned out to be impossible. British retailers would not accept an overseas customer. They would, of course, have shipped a paper copy anywhere in the world without hesitation (with a few extra pounds charged for shipping). The same applied to the publisher, Penguin, despite that house being at the forefront of both the globalization and digitization of books. In the end, the purchase was possible through *Kobo*, a (then) new Canadian venture, which had started to become an international player exactly by venturing into this odd mix of challenges and opportunities.

Two years later, in fall 2013, such surprises are far from overcome, as many author contracts are not clear enough when it comes to global distribution rights, and not all involved in the new dimensions of the trade, from publishers to -global or local- distributors to retailers have been able to integrate all their catalogues and the complex metadata involved.

These are times of transition, with huge turbulences that often enough make it hard to be sure what in this new world of digital books and reading introduces a new opportunity, and what is instead a cumbersome, or even threatening challenge.

## Global mapping initiatives

With respect to the ongoing globalization of the book publishing industry, few surveys have been published with a broad international approach.

While professional and STM (science, technical, and medical) publishing has seen both systematic digitization of its value chain and global expansion for a decade, general trade houses have followed behind at a much slower pace. A few British houses (notably *Penguin*, but also *Oxford and Cambridge University Presses* and *Harper Collins*) have a longstanding tradition of significant operations across several continents.

After the acquisition of *Random House*, the largest US trade publisher, by German *Bertelsmann* in 1998 and similar moves by French *Hachette* and, on a smaller scale, Spanish

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*Planeta*, the new “emerging markets,” led by Brazil, Russia, India, and China (the so-called BRIC countries), have seen offices opened by Western publishers in recent years. The merger between two of the largest trade publishing houses, Penguin and Random House, in 2013 is expected to impact on global publishing with similar far reaching consequences, even if, at this point, details are only taking shape. Little of this evolution has been the subject of systematic market research.

The most prominent exception has been the *PriceWaterhouseCooper* annual **Global Entertainment and Media Outlook**, which includes an analysis of and projection for the book sector, among other forms of media. The current edition of this outlook refers to the years 2013 to 2017. Already the previous edition, for 2012 to 2016, had built on a theme that couldn't be truer for the book sector: The “**end of the digital beginning**”, portraying in depth how “E&M companies reshape and retool for life in the new normal.” Digital, so the report put it, is now “embedded in business-as-usual and moving to the heart of media companies worldwide.”

The expanding role of emerging economies as some of the most dynamic publishing markets has also been documented with data on global market developments by the **International Publishers Association** (IPA) and in the *Global Ranking of the Publishing Industry*. Both ongoing surveys are researched by the author of this report. (For details and links see [www.wischenbart.com/publishing](http://www.wischenbart.com/publishing)).

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A broad selection of emerging markets and developing countries has been covered in the report “**Digital publishing in developing countries**”, authored by Octavio Kulesz and released in October 2010. The research, which is freely available for download in several formats and languages, focuses on Latin America, Sub-Saharan Africa, the Arab world, Russia, India, and China, and documents relevant local actors and initiatives across those continents, with detailed references, providing a valuable resource even as market details evolve quickly. A continuous debate on the topics raised by the report is documented in the **Digital Minds Network**.

A detailed account on how select ebook markets evolve was started by *Bowker* in May 2012 (see this **press release** with key findings). The *GlobaleBook Monitor* (GeM) is based on consumer surveys in ten countries: Australia, Brazil, France, Germany, India, Japan, South Korea, Spain, the UK, and the US. It tracks ebook adoption and consumer attitudes. India and Australia, together with the UK and the US, are seen as leaders in ebook adoption, while consumers in France and Japan were the least likely to have purchased an ebook, at 5 and 8%, respectively. GeM has been widely presented and discussed at major trade events and book fairs and is expected to be updated and extended to additional markets on a regular basis.

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# The ambitions, and the limitations of this study

**T**he goal of this study —and particularly the updates that we’ve continued to make to it after its initial presentation at the *Tools of Change conference* in Frankfurt in October 2011— is to pursue a mapping process of international ebook markets and to provide details and insights for a better understanding of those challenges and opportunities. The current update of this report, now rebranded as **Global Ebook** report, is the first edition published directly by **Rüdiger Wischenbart Content and Consulting**, after **O’Reilly Media** generously decided to handing over the rights to do so after deciding to discontinue the Tools of Change conference series.

This study primarily dwells on data, reporting, and research done by others, adding original research only on some key aspects (such as ebook pricing issues in Europe). Its aim is to summarize, condense, and —with the ambition of comparing trends and developments— frame the status quo and strategic perspectives with regard to global ebook markets. (It is more and more significant that the plural “markets” is used here, as compared to the initial 2011 study.)

For many markets, we also want to provide at least a directory of brief references to a variety of local actors, be they involved, as independents, in ebook publishing, or act as aggregators and distributors, or launch reading and writing community platforms.

To some extent, descriptions of earlier developments reaching back to 2011 and even 2010 have been kept in the text as a reference and for historic context.

The ambition is not and cannot be to track every ebook market development worldwide. We are very much aware of the incompleteness of the report in both geographical and thematic regards. Japan and Korea are missing from this study, as is a chapter on the digitization of educational materials, to name just a few blind spots. But much more fundamentally, we cannot yet refer to any useful global map of the ebook business, nor to reliable definitions of identifiers and parameters. As a result, it is mostly hard, if not impossible, to provide comparable figures for even basic statistics. The market share of ebooks sometimes refers to total industry revenues - which makes only limited sense, as ebooks concentrate usually on a few sectors, notably fiction. Also the number of available titles as an ebooks is difficult to assess, as for most markets, no clear line can be drawn to differentiate between commercial titles, and corporate or public domain works, not to speak to the sky rocketing number of selfpublished ebooks of all sorts. As will be shown in the chapter on ebook pricing strategies, this results in uncomparable ebook charts, as the definitions (and the intentions behind the bestselling lists) are a strong illustration of the traditional book trade, and the new digital ecosystem are drifting apart.

This report is thus very much a survey limited by the availability of material. Despite all of the previously listed shortcomings, the ambition is to serve as a reference for the industry as well as nonprofit stakeholders. In return, we strongly encourage feedback and —even more enthusiastically— the input of information and data to improve the foundations of this analysis.



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# Advertorial Klopotek. How Soon Is Now?

## Start marketing digital content in a future-proof way

Publishers around the world have started embracing or are about to embrace the burgeoning e-book market. But, as digital pioneer *Bob Stein* pointed out at [Klopotek's Publishers' Forum](#) in 2011, "publishers are fooling themselves when they minimize the difference between reading on pages and reading on screens." To date, most e-books are digital versions of printed books. There are 'enhanced e-books', adding video and audio elements. However, as Bob Stein argues, digital – and, more importantly – online texts "live on a network which connects readers to other readers, allowing social components to come forward and to multiply in value."

## Manage products that do not even yet exist

The potential of e-books has not been fully realized; the development is still in its early stages. The result will probably be something new, something completely different, something very different from marketing printed books through digital channels. The problem is: we don't know what these e-books will look like. But the good news is: a system to handle future products is already available.

*Klopotek* provides a tool to manage content which is split into separate parts (chunks, chapters, etc.) and pieced together into various other products. Publishers can create open product structures (including for products that do not yet exist) and easily manage their associated components and metadata. These components can be reused in

different products – so new, evolving business models can be supported with *Klopotek*, even if these models change.

With this tool, *Klopotek* provides component-based rights and royalties management. It is capable of retracing the steps of splitting up individual components and of checking into the contracts themselves, so that it is possible to create new products and automatically produce the correct statements for handling the related royalties.

## Modern planning and production—in its true sense

"We don't think in products any more," *Joop Boezeman*, Managing Director *De Arbeiderspers* | *A.W. Bruna Uitgevers*, said in a *Klopotek* Case Study in 2012. "Our way of thinking is: How can we develop the content we have in several directions?" Only a system which allows you to decide at the end of the planning process which product form should be used is fit for modern planning and production processes.

The *Klopotek* system provides an integrated workflow for planning and production for which your content is the starting point. Throughout the process, relevant data is created and added, including metadata and target group information. A DAM tool is available, and reports, estimates, calculations etc. are available each step along the way. Print? Digital? Online? All of it and/or combinations? A decision for product forms and formats, distribution channels and models is only made at the end of the process, so new products and business models – for example new (social) e-book forms – can easily be added to the product range.

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## Metadata is the key to online sales success

“Obscurity is a far greater threat to publishers than piracy,” *Mark Majurey*, Digital Development Director at *Taylor & Francis Books*, argued at the *Publishers’ Forum 2010*.

“Without full and complete metadata, and without the capability to output and feed that metadata to the digital supply chain, our titles are destined to be lost in the noise of the market.” Efficient metadata management is crucial for marketing your products on the Web.

Klopotek helps you to get a top search engine position for your content. Metadata management and data supply is in the standard ONIX format (for all types of channels: websites, flyers, catalogues, bookshops, e-book platforms). The system provides automated relationships with complete metadata (product synchronisation). Various target groups can be automatically addressed. There are tools for search engine optimisation (SEO) as well as efficient web services and message-based services.

## Emerging models for libraries

“We don’t own e-books. Physical books, once purchased, are ours to do with as we like, but we can’t sell, lend or give away an e-publication because we pay a rental license on them: they belong to a corporation. By the same token, there’s no public lending right. Paradoxically, physical books are freer than digital.” (*Sean Cubitt*, 23/4/2013)

There is a heated and ongoing debate about e-book rental and business models for supplying libraries with e-books. Whatever the outcome may be, Klopotek supports a range of related and sometimes complex business models, such as e-book rental, charging libraries (for example) three times the price of the ‘primary’ print book (but a library only has to buy a copy once), and patron-driven acquisi-

tion. PDA allows you to provide libraries with large numbers of e-books while individual titles are only purchased and paid for when a reader orders them.

## Get in touch with us

We’d be delighted to discuss all of this in more detail with you. Please **contact** one of our **Klopotek** representatives.

## We look forward to talking to you.



klopotek.

### Start marketing digital content in a future-proof way

#### Switch the focus from ‘product’ to ‘content’:

- Manage e-books, enhanced e-books and product forms that do not even yet exist
- Handle chapters / chunks of content which are pieced together into new products
- Component-based rights and royalties management

#### Modern planning and production:

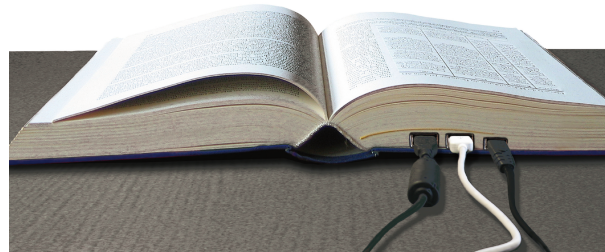
- Decide at the end of the process which product form(s), channels, models should be used
- Your content is the starting point; relevant data is created step by step
- Reports, estimates, calculations available each step along the way

#### Metadata management for online sales success:

- Full and complete metadata in standard ONIX format for all types of channels
- Various target groups automatically addressed
- Tools for SEO, web services, message-based services

#### Digital content for libraries:

- E-book rental
- Different prices of e-books for libraries (e.g. three times the price of the print book)
- Patron-Driven Acquisition



Amsterdam, Berlin, London, Munich, Paris, Parsippany (NJ)

[www.klopotek.com](http://www.klopotek.com)

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# Profiles of Markets and Selected Global Actors



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# English Language eBook Markets

The following overview provides key data for the two leading English markets, those of the US and the UK, as a benchmark for a more in-depth representation of trends and developments in places where English is not the first language of the average reader.

## United States

The debate on the ebook market in the US shifted gears and focus in 2013. While in previous years, the fast pace of the expanding market share of ebooks had hit the headlines, 2013 saw more complex patterns emerging.

Accounting for 20% of the US trade book market, ebooks have become an essential part of mainstream reading (see [AAP BookStats 2013](#)). By the end of 2012, over 1,000 ebook titles had been estimated to account for sales of more than 25,000 copies each (*Publishers Weekly*, [March 18, 2013](#)). Major trade publishers have reported a market share for ebook revenues around the 30% mark (e.g. at [Simon & Schuster](#)), and 29% of revenues came from digital books in the second quarter of 2013, up 39% from the first quarter.

Nevertheless, a debate started about a *plateau* in ebook sales, as the previous strong growth patterns in sales had come down in the first half year of 2013 (see e.g. [USA Today](#)).

The total US trade book market showed a return to solid growth of almost 7% in 2012 (while the total US book market had shrunk again), after a previous slump in the first stages of ebook expansion, and “virtually all of that growth

comes from ebooks rather than print books.” (as reported by [PublishersLunch](#)). In the first quarter of 2013, ebooks helped overall trade publishing to increase by 3.3% (AAP Statshot, as quoted in [Publishers Weekly](#)). Ebooks also continuously provide a lively push for US exports, which increased in 2012 by 7.2% to \$833.389 million, with 135,526 million units.

By mid 2013, the developments had become more complex though, as in the first six months of 2013, as “overall ebook sales of \$731.4 million actually declined — yes, declined (!) — for the first time across such a period, down \$40 million or 5 percent. But adult ebooks were the single-largest of seven format breakouts (!) for the first time across such a period.” ([Publishers Lunch](#), 19 September 2013) In units, ebooks accounted for 30% in this period (up from 27% in the first half of 2012, according to Bowker, quoted in [Publishers Weekly](#), 20 September 2013)

Aside from commercial developments, several legal battles as well as pricing strategies, notably those of online retailer Amazon had a critical impact in shaping the US ebook market.

On July 10, 2013, a New York court found “by a preponderance of the evidence that *Apple* conspired to restrain trade in violation of Section 1 of the Sherman Act,” resulting in higher prices for ebooks, to the disadvantage of consumers (see a detailed summary at [Publishers Weekly](#)). In the hearings preceding this ruling, Apple had declared the company’s market share for ebooks through the *iBookstore* at around 20% ([Publishers Lunch](#), [June 13, 2013](#)).

The court decision was widely commented as giving Amazon a significant advantage to strengthen its position in

## United States (2010–2011 Book Market)

Key Indicators	Values	Sources, comments
Book market size (print + electronic [p + e], at consumer prices)	Publishers' net sale revenues: \$27.124 billion	Down from \$27,124 bn. Source: AAP/BISG; data for 2012. Nielsen reported print sales to have declined by 9.3% in units, in 2012, against 2011. (Quoted in PublishersLunch, 7 January 2013). No comparable data available for ebooks.
New titles per 1 million inhabitants	1116	
eBook titles (available from publishers)	1,700,000	Amazon claims in early 2013 to have 1,700,000 ebook titles in their catalog, the vast majority of which are in English.
Market share of ebooks	ca. 20% of all trade sales	AAP/BISG; data for first half 2013.
Key market parameters	No price regulation	

the ebook market further, with new challenges with regard to pricing strategies for both print and ebooks anticipated.

In late July 2013, for instance, *Amazon* had decided to discount major bestsellers, including *Inferno* by Dan Brown, between 50 and 65% in response to a campaign of discounting by Overstock, which subsequently ended the skirmish in early August (see Publishers Weekly, [August 12, 2013](#)).

The other litigation, on *Google's* practice of scanning huge numbers of titles, both in and out of copyright, from libraries, continued to -grind on- in its eighth year, after the company settled with publishers as well as the *Association of American Publishers* (AAP) (see *Silicon Republic*, [October 13, 2012](#)), but it is still in a confrontation with the *American Author's Guild* (for a concise status and assessment, see e.g. Publishers Weekly, [July 4, 2013](#)).

## The US ebook market in 2012

The US publishing industry and the US public have embraced new reading formats like no other nation. For readers, ebooks came as a natural and permanent choice in addition to printed books. Publishers have effectively responded to consumers' fast-growing acceptance of new reading devices by constantly redefining and expanding new concepts for books.

"The eBook phenomenon continued in 2012 with eBooks ranking, for the first time, as the year's #1 individual format for Adult Fiction" was the headline in the *BookStats report on US publishing in 2011*, issued jointly by the *Association of American Publishers* (AAP) and the *Book Industry Study Group* (BISG) in July 2012. The \$27.2 billion 2011 US book market declined by 2.5% from \$27.94 billion in 2010, while unit sales grew by 3.4%, as did the number of new print

titles, from 328,259 million in 2010 to a projected 347,178 million in 2011 (*Bowker*, [June 5, 2012](#)).

By the end of 2012, with incomplete data available for the entire 12 months, a somewhat complex picture took shape. Unit sales of print books had fallen over 9% according to *Nielsen BookScan*, continuing the decline seen a year earlier, from 2010 to 2011 (*Publishers Weekly*, [January 6, 2013](#)). Print sales were largely driven by a few bestselling titles, notably E.L. James' *Fifty Shades of Grey* trilogy with 14.4 million print units sold, followed by Suzanne Collins' *Hunger Games* books with 9.6 million. "Together, these two authors accounted for over 4 percent of all print sales for the year" (data from Nielsen BookScan, quoted in *PublishersLunch*, [January 7, 2013](#)).

Despite the decline in print, according to the American Association of Publishers (AAP), based on data from September 2012, the overall bookmarket reflected "the trends we've seen all year: continued publishing growth overall with significant increases in children's/young adult (especially eBook format) and slight erosion in religion publishing" ("StatShot" for September 2012, quoted in *PublishersLunch*, [January 25, 2013](#)).

Similarly, the *US Census Bureau* reported that bookstore sales increased by 3.3% in November 2012, largely compensating for prior losses (*Publishers Weekly*, [January 15, 2013](#)). As for holiday and year-end sales, independent booksellers widely congratulated themselves on the highly positive development in sales (*Publishers Weekly* in a summary for this report). At the same time, Barnes & Noble reported a decline of 8.2% in comparable store sales for the nine-week holiday period. Digital NOOK sales decreased by 12.6% compared to 2011, with revenue from digital content going up by 13.1% and device unit sales going down (*Barnes & Noble press release*, January 3, 2013).

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Overall, the spectacular growth in ebooks since the fourth quarter of 2010 seemed to have come to a halt by 2012, arguably the result of saturation in the migration of readers from print to digital. By September 2012, ebooks “comprised just 19 percent of trade sales for the month—their lowest percentage since December 2011” (AAP StatShots September 2012, summarized by PublishersLunch, [January 25, 2013](#)). The “revolution has reached an evolutionary stage,” according to Mike Shatzkin (“The Shatzkin Files,” [August 13, 2012](#)).

Still, the number of Americans over age 16 reading ebooks rose in 2012, from 16 to 23%, while those reading printed books fell from 72% to 67 (*PewInternet*, “E-book Reading Jumps; Print Book Reading Declines,” [press release](#), December 27, 2012).

In fiction, the share of ebooks was 34% in units and 31% in value in the first quarter of 2012, according to the AAP (“StatShots”); for the first time, ebooks—which on average sell at a significantly lower retail price than printed copies of the same work—at \$282.3 million brought in larger revenues than hardcover sales at \$229.6 million, sparking comments such as: “It’s the end of books as you knew them” (*ZDNet*, [June 18, 2012](#)). The change was mirrored in purchases and ownership of devices as well as in reading habits.

The shift in devices, with tablets gaining on dedicated ereaders, continued throughout 2012, according to research by BISG, and the recent increase in tablets was notably fueled by Amazon’s *Kindle Fire*, which was the first choice of 17% of ebook consumers, as compared to 10% who preferred Apple’s *iPad*. Barnes & Noble’s *NOOK* increased from 2% in August 2011 to 7% in August 2012 (“Tablets Gain on Dedicated E-readers, Says New BISG Study,” *Bowker* [press release](#), November 14, 2012).

US title production grew significantly, as it had already done in previous years, driven notably by self-publishing, roughly tripling since 2006 to 235,000 titles for print and digital combined (“Self-Publishing Sees Triple-Digit Growth in Just Five Years, Says Bowker,” *Bowker* [press release](#), October 24, 2012).

In 2012, the US publishing industry began to witness the transition from print to digital as well as the transformation of the very business practices governing the sector. At first, a battle over who controls pricing in ebooks came to a seminal settlement. Only a couple of months later, the announcement of the merger between two of the largest trade houses, Random House and Penguin, was under-

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stood to be just the first step in a major process of industry consolidation that, according to most commentators, was set to redefine the industry (“Random House, Penguin Agree to Merge,” *Publishers Weekly*, [October 29, 2012](#); for a critical economic analysis of the merger, see Adam Davidson’s “How Dead Is the Book Business,” in the *New York Times*, [November 13, 2012](#)).

In April 2012, a filing by the *US Department of Justice* (DoJ) in New York against five large publishers and Apple defined what may become the key battle over the terms and conditions for the ebook economy in the US and beyond. After a standoff between *Macmillan* and Amazon in early 2011, the DoJ alleged that a scheme known as the *Agency Pricing Model*, in which publishers set retail prices for their ebooks, came from an “ongoing conspiracy and agreement” between defendants, causing “e-book consumers to pay tens of millions of dollars more for e-books than they otherwise would have paid” (quoted in *PublishersLunch*, [April 11, 2012](#)).

Three of the publishers — *HarperCollins*, *Hachette*, and *Simon & Schuster* — settled with the DoJ by promising for two years not to “restrict, limit, or impede an e-book retailer’s ability to set, alter, or reduce the retail price of any e-book or to offer price discounts or any other form of promotions to encourage consumers to purchase one or more e-books.” *Macmillan* and *Penguin* argued that they “did not act illegally” and therefore declined to settle (John Sargent, *Macmillan*, quoted in *PublishersLunch*, [April 11, 2012](#)).

The settlement between HarperCollins, Hachette, Simon & Schuster, and the DoJ was approved on September 7, 2012, more swiftly than had been expected (*Publishers Weekly*, [September 7, 2012](#)). The settlement almost instantly resulted in publishers reconsidering their pricing policies and renegotiating their agreements with many of their ebook retailers, including Amazon (see the discussion of HarperCollins in *PublishersLunch*, September 11, 2012; for a detailed overview of all related lawsuits, see *Publishers Marketplace*, [September 8, 2012](#); for an initial assessment of the agreement on pricing policies, see *PaidContent*, [September 11, 2012](#)). By December, a settlement had also been reached between the DoJ and Penguin (Department of Justice press release, [December 18, 2012](#)).

By spring 2012, 21% of adults had read an ebook in the previous year, versus the 17% who reported doing so in December 2011. This is part of a broader “shift from printed to digital material,” according to *Pew Research*, as 43% of Americans ages 16 or older had read either a book or “other



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long-form content” in digital format (*Pew Research Center Publications*, [April 4, 2012](#)).

### The US ebook market in 2011

The increase of ebook sales “was the major story in 2011”; in the trade segment, sales of ebooks rose to \$2.07 billion from \$869 million, as units increased 210% to 388 million. In adult fiction, ebook revenue increased by 117% to \$1.27 billion, representing 30% of segment sales (*Publishers Weekly*, [June 18, 2012](#)). Online retailers reported growth of 35%, and direct-to-consumer sales grew by 57%, while sales through brick-and-mortar stores fell by 12.6%.

After the collapse of the bookstore chain Borders in 2011, Amazon “appears to have been the big winner,” with a share of 29% of overall spending on books in the first quarter of 2012; % Barnes & Nobles’s share of the book market rose from 19 to 20% (Bowker Market Research’s “PubTrack Consumer Survey”, quoted in *Publishers Weekly*, [July 27, 2012](#)).

The 2011 end-of-year holiday season had already seen a significant spike in sales of devices. The share of US adults owning a tablet nearly doubled, from 10 to 19%, equaling the ownership of ereaders, which was also at 19%, with stronger adoption by women than men (*Pew Internet*, [January 23, 2012](#)). However, another survey only a few months later pointed toward tablets outperforming ereaders as the preferred ebook reading device (Bowker with *BISG*, [April 30, 2012](#)).

The work of authors has also undergone broad structural change, as self-publishing has become the path to market for an increasing number of books. Based on ISBN statistics, Bowker has counted 211,269 self-published titles for 2011 (compared to 133,036 in 2010), with fiction accounting for 45% of the titles. The average retail price is \$6.94 for self-published fiction. eBooks represented 41% of self-published units, yet a mere 11% of sales, as the average self-published ebook sold for \$3.18; in comparison, trade paperbacks had an average price of \$12.68 and hardcovers averaged \$14.40 (*Publishers Weekly*, [June 4, 2012](#)).

Bowker announced the creation of a self-published best-seller list; the segment was represented strongly in overall charts, a development that became a game-changer with *Fifty Shades of Grey*, a three-volume novel by E.L. James, which (as mentioned earlier) was originally written as fan fiction for the *Twilight* series. The reworked version was first self-published. In early summer 2012, it was published by major traditional publishing houses internationally and became a bestseller, first in the US and then in countless

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translated editions around the globe for autumn 2012 and the end-of-year holiday season 2012.

In the meantime, all sectors and elements in the value chain of publishing have been confronted with new players and new business practices, notably as the largest retail platforms assume more and more roles that had been previously taken care of by specialized actors. eBooks and reading devices are now host to hefty controversies with regard to market access, business practices, and consumer attention. Amazon launched and then scaled up its own publishing activities. Even libraries have found themselves becoming battlefields, as a controversy between public libraries and US publishers took shape over lending rights for ebooks when several major groups, including *Simon & Schuster*, *Hachette*, and *Penguin*, decided to withhold titles from library loans (*The Bookseller*, [February 16, 2012](#)).

Still, not all segments of the book market seem to follow one and the same rapid transition from print to digital, as reports with regard to children’s books indicate, pointing to a remarkable preference for printed book by many of the youngest readers (for a detailed discussion, see the summary of a *Scholastic* study, “Children still prefer reading physical books,” in *The Bookseller*, [January 16, 2013](#), and a similar study by Bowker, “The Children’s Digital Market: Still Uncharted Territory,” quoted in *Publishers Weekly*, [January 16, 2013](#)).

### Earlier Developments (through 2011)

The popularity of ebooks was demonstrated by impressive growth rates. According to a survey by *AAP* and *BISG*, the total share of ebooks in the trade market rocketed from 0.6% in 2008 to 6.4% in 2010. Although that number represented a small amount of the total market for all formats, it translated to total net revenue for 2010 of \$878 million from 114 million units sold. From October 2010 through the 2010 holiday season into early 2011, ebook sales exploded month by month. In adult fiction, ebooks accounted for 13.6% of the net revenue market share in 2010 (*AAP/BISG*, data for 2010; *AAP* February 2011 sales report).

According to *Publishers Weekly*, sales of printed books dropped in the first half of 2011 by 10.2% compared to the same period in 2010, to 307.1 million units, mostly due to ebook purchases but also to reluctant consumers. Adult fiction was hit hardest, with a decrease of 25.7% versus the same period in 2010, according to Nielsen data. Nonfiction decreased by only 2.7%. Mass-market paperbacks showed a decrease of 26.6% by units sold, with the most popular genres—romance, mystery, and science fiction—hardest



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hit (source: various reports summarized by Publishers Weekly, July 8, 2011).

Consumers' attitudes as reported by BISG reflected the deep and rapid change in the industry, particularly the revenue losses of hardcover and paperback sales. About 67% of ebook buyers said that they increased spending on ebooks in May 2011, up from 48% in September 2010. Just over 50% of ebook buyers said that they cut back on their purchases of printed books in May 2011, and 45% said they reduced spending on hardcover books.

Dedicated ereaders as well as multifunctional devices continued to gain in popularity in the spring of 2011 as the favored way to read ebooks, while computers continued to lose ground (BISG, "Consumer Attitudes Toward E-Book Reading," quoted in Publishers Weekly, [August 19, 2011](#)).

The leading actor in the ebook market, *Amazon.com*, also dominated the US retail market for printed books. More than 70% of ebook buyers used the store to buy ebook titles, an increase of 60% over the previous year. For the second quarter of 2011, Amazon reported revenue growth of 51% to \$9.91 billion, of which \$5.41 billion was in the US (\$4.51 billion in Europe). Amazon's *Kindle store* offered 950,000 ebook titles, of which 800,000 cost \$9.99 or less; 110 of the 111 titles on the bestseller list of the *New York Times* were available as ebooks for the Kindle.

The second heavyweight player in retail, and the strongest competitor to Amazon, is *Barnes & Noble* (*barnesandnoble.com* or *BN.com*), with more than 2 million ebooks available. Although *BN.com*'s total revenue increased by only 2% to \$1.42 billion (first quarter ending July 2011), its digital content and ereader device (*NOOK*) segment grew 140% and represented 19.5% of total sales. With an investment from *Liberty Media* of \$204 million, Barnes & Noble announced plans to become the leading bookseller in the US.

*BN.com* stayed ahead of *Apple's iBookstore* and *iTunes* in May, with about 27% of ebook buyers going to *BN.com*, while ebook buyers using the *iBookstore* or *iTunes* stayed below 10% (and actually fell slightly from January) (BISG, May 2011; Publishers Weekly, [August 19, 2011](#)).

## United Kingdom

In the first half of 2013, 20% of the UK book market was digital, up from 15% the previous year, and 30% of fiction revenues came from ebooks, with the rate of digital migration slowing down in similar ways as in the US.

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Meanwhile the print book market declined in this period by 6.7% against the first half of 2012, yet with over a third of this drop coming from slower sales of E.L. James *Fifty Shades of Grey* superseller.

Overall in 2012, the increase in ebook sales for the first time compensated for the loss in print: "The invoiced value of UK publisher sales of books rose 4% in 2012 to £3.3bn with a 66% increase in digital sales offsetting a 1% decrease in physical book sales." (The UK Book Publishing Industry in Statistics 2012. UK [Publishers Association](#))

In the first half of 2013, the battle around ebook pricing, started in late 2012, has continued, as at first *Sony*, closely followed by *Amazon.co.uk*, launched a campaign of 20p ebooks, resulting in a significant increase of volume shipped for some bestselling titles, such as Yann Martel's *Life of Pi* selling 406,000 ebooks, or Jonas Jonasson's *Hundred-Year-Old Man* with 396,000 ebooks sold. Certain titles of genre fiction, like Sylvia Day's erotic bestseller *Entwined in You* recorded up to 55% of sales from ebooks, while ebooks of narrative nonfiction, like James Bowen's *A Street Cat Named Bob*, accounted for a more modest 22%, with Dan Brown's *Inferno*, the top bestseller in print, recorded 29% digital sales.

*Random House* was the most successful publishing house in the UK, with a 12.6% share in the British print book market. Together with *Penguin*, which merged with Random House effective July 1, 2013, the new group controls some 24.2% of the UK book market. *Hachette UK* came in third (data from *Nielsen/Kantar Worldpanel* and *Nielsen BookScan*, quoted together with original research in a "Half Year 2013 Review" by *The Bookseller*, [July 19, 2013](#)).

Another round of deep discounting of ebooks was launched in the summer by Nook and Amazon, offering frontlist titles at 99p (*The Bookseller*, [July 31, 2013](#)).

Early 2013 also saw the first publishers to introduce a "re-fined agency model" with online retailer *Amazon.co.uk*. Notably *HarperCollins* and *Hachette UK* removed text indicating that the retail prices for their books were "set by the publisher" after an antitrust investigation by the *European Commission*. This move resulted in a slight drop in prices (*The Bookseller*, [April 4, 2013](#)).

At the book chain *Waterstones*, a major restructuring was announced in spring 2013 in response to the "unforgiving bookselling environment" (CEO James Daunt, quoted in *The Bookseller* [May 5, 2013](#)).

## United Kingdom

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	£3.1 billion	PA Statistics Yearbook 2011
Titles published per year (new and successive editions)	149,800	PA Statistics Yearbook 2011
New titles per 1 million inhabitants	2,424	
eBook titles (available from publishers)	ca. 1,750,000	eBook titles available at Amazon UK, in early 2013, of which the vast majority is in English.
Market share of ebooks	12.9%	January to June 2012 (PA release; September 18, 2012); eBook market estimated at £250 million at the end of 2012 (The Bookseller, January 18, 2013)
Key market parameters	No price regulation; VAT: 0% for print, 20% for ebooks	

## The UK ebook market in 2012

In all 2012, ebook sales doubled their volume for the top trade publishers in the United Kingdom, forming a digital market worth around £250 million, “putting the overall book market back in the black after a transitional 12 months for the trade,” according to numbers collected by *The Bookseller* (“E’ market nears £300m”, *The Bookseller*, [January 18, 2013](#)). At *Random House UK*, digital reportedly accounts for over 22% of revenue (CEO Gail Rebusk in a [letter to her staff](#), *The Bookseller*, December 19, 2012). *Hachette UK* reported 250,000 ebook downloads between Christmas and Boxing Day alone (*The Bookseller*, [January 7, 2013](#)).

Among the 65 million estimated downloads, fiction clearly dominates the ebook charts, led, as in most markets, by E.L. James’ *Fifty Shades of Grey* trilogy, followed by Suzanne Collins’ *Hunger Games*, and 43 out of the top 50 titles were brought to market by traditional publishers (*The Bookseller*, [January 11, 2013](#)).

In the first half of 2012, digital sales accounted for 12.9% of the total value of sales, up from 7.2% in the equivalent period of 2011. Sales of digital fiction increased by 188% in value in that same period, and overall digital sales accounted for £84 million for the January to June period, compared to £30 million for the same period in 2011, according to the *British Publishers Association* (*The Bookseller*, [September 18, 2012](#)).

The continuing shift toward online ordering and of digital replacing physical reading altogether has much broader implications. As a survey by *Deloitte* frames the issue, “the majority of UK retailers have simply got too many stores” (*The Bookseller*, [March 21, 2012](#)). An ever-broader sector

of the market for content has moved online. *Amazon* alone accounts for 21% of the British entertainment market (*The Bookseller*, [July 24, 2012](#)).

The resulting momentum brought about some surprising new coalitions of (primarily) brick-and-mortar book chains; for instance, in May, *Waterstones* started selling *Amazon’s Kindle* devices, *Kobo* engaged in a partnership with 100 *WHSmith* stores, and *Barnes & Noble* —in preparation to enter the UK market as their first step in a broader strategy of going international— began selling its *NOOK* in 37 *John Lewis* retail stores, 60 *Blackwell’s* stores, 6 *Foyles* stores, and 700 *Argo* stores, as well as *online* in October 2012. In April 2012, *Sony* entered the field of content offerings by opening its *Reader Store UK*, with digital editions of old and new fiction and nonfiction books. Retailers in the traditional book sphere also secured their part of the pie: *Tesco* acquired the ebook platform *MobCast* with 130,000 ebook titles from British publishers (*buchreport*, [September 5, 2009](#)).

From numerous new dedicated ereaders under £70 to multifunctional tablets of various brands and operating systems —and a new strong push in early fall of 2012 before the end-of-year holidays— the underlying sales trend points to a shift from dedicated black-and-white gadgets to full-color tablets. At this point, though, dedicated ereaders still occupy a significant market share. One-third of Britons owned an ereader as of early 2012, and 40% of ebook readers do so on a *Kindle*. However, tablets have more than doubled their market share to approximately 12% among readers of ebooks (*The Bookseller*, [May 15, 2012](#); for the evolution of devices, see *The Bookseller*, [September 10, 2012](#)).

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## Debates Shaping the Book Industry in 2012

The one piece of news that clearly triggered the most heated debate within the industry was the proposed merger of *Random House* and the London-headquartered *Penguin* in late October 2012, a deal resulting in a “super-group to redefine trade” (*The Bookseller*, [November 2, 2012](#)).

For the broader reading public, however, another story probably induced stronger emotions and succeeded in encapsulating the entire scope of change and transformation of books: “Amazon’s billion-dollar tax shield” (*Reuters* special report, [December 6, 2012](#)). It was revealed by numerous media reports that the US retailer saved hugely by having set up European headquarters in tax-friendly Luxembourg, and optimized its management of revenues across complex fiscal networks. As a result, *Amazon* would charge the full VAT of 20% on ebooks in Great Britain, while paying only 3% of taxes at its Luxembourg holding. The uproar among consumers, which included calls for a boycott, was huge. In December 2012, the *European Commission* ordered Luxembourg to close the VAT loophole (*The Guardian*, [December 21, 2012](#)).

Other events also show how much the book business has evolved.

The already stiff competition over pricing in the UK was further highlighted when both *Amazon* and *Sony* started promotional campaigns through their ebook platforms in early fall, offering scores of bestselling ebook titles at a radically low retail price of 20p. Discounts of up to 97% raised author concerns that such a downward spiral on prices might ruin the industry. Publishers recorded significant volume growth, which translated into extra value, as the promotion cost was pocketed by the distributors (“Ebook price war sees discounts reach 97%”, *The Guardian*, [September 18, 2012](#); for a detailed analysis by value and volume and publishers, see *The Bookseller*, [January 24, 2013](#)).

In January 2013, news broke that one of the main retail chains for all kinds of media content, including books, had to go into administration. *HMV* operated 239 stores across Britain, with analysts pointing to competition from online channels as a main cause for the failure (*The Bookseller*, [January 18, 2013](#)).

The value chain around ebooks has not just been upset by confrontations between brick-and-mortar retailers and online outlets or by aggressive pricing strategies. Libraries have also raised the concerns of publishers because of

their desire to include ebooks in their offerings, a development that publishers think could significantly reduce the number of book buyers. Confronted by major budget crises and severe cuts in government support, British libraries are struggling to cut costs and better serve the public. As a result, some 71% of libraries have either already introduced e-lending or plan to do so imminently (“UK Library E-lending Evolves”, *Publishing Perspectives*, [November 21, 2012](#)).

Publishers in the US and UK have reacted by strictly limiting options to lend their books. At the consumer level, digital rights management (DRM) embedded in ebooks further limits their ability to lend books to friends. In the UK, the *Intellectual Property Office* has stepped in by proposing new legislation that will allow “greater freedom to use copyrighted works such as computer games, paintings, photographs, films, books, and music, while protecting the interests of authors and right owners,” targeting possibilities for private copying. The *British government* is expected to have new regulations in place by fall 2013 (*PublishersLunch*, [December 20, 2012](#)). Such a move would further enliven the debate on the use of DRM altogether.

## Earlier Developments: 2010 and 2011

In 2011, sales of books by UK publishers fell 2% compared to 2010 to £3.2 billion, with a 5% decrease in physical book sales outweighing a 54% increase in digital sales.

All digital formats—ebooks, audio book downloads, and online subscriptions—accounted for 8% of the total invoiced value of book sales in 2011, up from 5% in 2010. Consumer ebook sales in 2011 constituted 6% of consumer physical book sales by value. 13% of academic and professional book revenues came from digital products (*UK Publishers Association* (PA), based on *Nielsen* data, [May 1, 2012](#)).

As in previous years, the end-of-year holidays in 2011 resulted in yet another push from print to digital, as mirrored in statistics reported by *Nielsen BookScan*; print sales in fiction declined by 30% in the three weeks after the holidays, according to *The Bookseller*. In the week of December 31, 2011, fiction hardcover sales were down 14% and paperbacks declined by 34% (*The Bookseller*, [January 23, 2012](#)). At the same time, sales of printed works showed significant decline in the UK and other English-speaking markets. According to statistics presented by *Nielsen BookScan* in February 2012, in the UK “the print decline accelerated in 2011, while in the first four weeks of 2012 print sales have dropped 12 percent, with fiction sales down almost 26

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percent” (The Bookseller, [February 8, 2012](#)). In the first quarter of 2012, eight out of the top ten UK publishers recorded double-digit drops in print sales (Nielsen, The Bookseller, [April 13, 2012](#)).

In its annual report for 2010, the PA disclosed growing digital sales figures, demonstrating the acceleration of the digital market in the UK. The overall size of the digital market stood at £180 million, having increased by 38% from 2009. Most striking was the rapid growth of total consumer digital sales, which increased by 318% from £4 million to £16 million between 2009 and 2010. This figure includes consumer ebooks, downloads, and audiobooks.

Consumer sales of ebooks and downloads account for 11% (from 2% in 2009) of the British book market. The field leaders are still academic and professional publishers, whose sales doubled over three years, amounting to 72% of all digital sales. According to the PA, academic publishers were involved in digital publication before trade publishers, mainly because many of the bigger scholarly jour-

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nal publishers are also the largest academic and professional publishers. The trade side started to take off only after the opening of a localized *UK Kindle* store in August 2010 and with the arrival of the *Apple iPad* in the UK (communication from the PA for this study).

In spring 2011, Penguin reported growth of 180% in global ebook sales against early 2010, constituting 14% of overall sales across the Penguin Group (21% in the US, and 8% in the UK) by late summer of 2011. *Penguin* offers nearly 6,500 ebook titles on their website (Penguin company information). Independent publisher *Bloomsbury* also benefited from the flourishing digital market and changes in consumer behavior. The company reported an increase in ebook sales from \$131,000 to \$2.3 million in 2010, with ebook sales running just under 10% of trade print sales. The success was mainly derived from *Man Booker Prize*-winning novelist *Howard Jacobson* and the international bestseller *Eat, Pray, Love* by Elizabeth Gilbert.

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# Advertorial Bookwire

## Availability and discoverability in a global eBook market.

The separation of content from the printed book has a lasting impact on product strategy, production, marketing and distribution of book content. In a global content market, digital products must be distributed reliably, quickly and securely in a rapidly developing trade sector. Availability and discoverability are the key to success in eBooks, as they become mainstream in Europe and other developing digital markets.

Availability of products in all channels and secure dealings with shops are the first steps. Then comes the question of how customers will find the titles in the future. The user experience and discovery experience vary greatly among the popular eBook shops and are still in need of development. Along with analysis of sales reports and continual improvement of metadata, trade marketing is becoming increasingly important. How do I turn an available product into a discoverable product? How do I get placements and cooperation with major eBook shops that will enhance sales? Which marketing tools help with circulating titles, information and text samples in the social web? On which platforms and communities must title metadata be available? How do I guarantee the quality of this information and that it can be updated?

### Creating smart data

It is essential that publishers are able to quickly draw the right conclusions from their own digital strategy. Which title and which genre have been successful in which sales channel and at which price in the various countries?

We live in a world of constant “beta”, where we have to keep on checking and updating strategies and marketing. Publishers have to sift out the relevant smart data from the

mound of data available and turn it to practical use. Speed and perfect analysis are increasingly becoming crucial factors for the success of digital publications.

### eBook distribution made easy

**Bookwire** was established in 2009 with the aim of offering a service to independent publishers of all sizes, in order to open up the new digital market quickly, simply and skilfully, from production and quality management, distribution and marketing in all relevant digital sales channels to transparent statements and analysis of all sales.

Bookwire provides solutions for publishers that want a slice of the digital pie while it is still hot, quickly, flexibly and with as much technical and content-related know-how as possible. Together with our clients, we have created distribution solutions for digital and audio books that facilitate future-orientated, fast, reliable and successful global distribution and marketing of digital content.

### Changing challenges of the digital market

Not a week goes by on the digital market that doesn't bring with it a technical innovation, a new sales channel, a new business model or a new marketing tool to which a content provider needs to react. A clean and flexible technical process chain is essential for implementing new product strategies. This process chain enables a response to be made to demands and publishers' innovations to catch on in the shop and with customers.

**Bookwire** helps publishers to cope with the challenges of reduced innovation times, rapid product-publication cycles, global distribution, the new eBook player, new quality management requirements as well as new legal issues. By pushing ahead with innovation and trial and error today, we gain the competitive advantage for tomorrow.



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# Europe

## Germany

In the first half of 2013, book sales in Germany saw a slight growth of 2.5% (*Branchen Monitor Buch*, July 2013). However, for the preceding two years, German book sales shrank to 9,520 million Euros (from 9,601 million in 2011), according to the annual statistical report of *Börsenverein*, the German publishers' and booksellers' association. (*Buch und Buchhandel in Zahlen 2013*) Hardest hit were the traditional book chains, with a loss of 3.7% (*buchreport*, [January 10, 2013](#)).

Ebooks meanwhile, developed into a sector of significant growth. Overall, the market share of ebooks has been estimated at around 10% by mid-2013, representing frequently even 8 to 10% and more for new releases. 84% of all German publishers currently offer ebooks or plan to do so soon (according to a survey from *Börsenblatt*, [June 7, 2013](#)).

An in-depth analysis of the survey findings point at a widening gap between the struggling traditional chain book stores on the one hand and the leading online platforms, which account for an estimated 16% of all book sales, on the other hand, with those online platforms also in control of ebook downloads.

*Amazon* is estimated to own roughly half of the German ebook market, followed by the *Tolino* alliance of the two largest book chains, *Thalia* and *Weltbild-Hugendubel* at 34%, and *Apple* at 10% (according to *Libreka's* CEO Ronald Schild, in an estimate for this report). As a result, 90% of German publishers consider the consolidation to pose a risk to the entire traditional book business (quoted from the *Börsenverein* and *GfK* survey in [buchreport](#)).

The role and impact of *Amazon* and its market force in Germany was at the center of several debates in both professional and general media in the country. In Bad Hersfeld,

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at *Amazon's* largest logistics center in Germany, unions and the management clashed several times throughout 2013 over wages, resulting in several strikes, as well as *Amazon's* policy of avoiding taxes in large European markets by transferring profits to European headquarters in Luxembourg were critically discussed in German media (*Der Spiegel*, [July 20, 2013](#), and *FAZ*, [July 12, 2013](#)).

Independent booksellers as well as chains responded with several initiatives of their own. A "buy local" campaign has found support from over 90 retailers and was broadly echoed by the media (*Börsenblatt*, [March 13, 2013](#)).

The two largest book chains chose to attack *Amazon* with their own reading device, branded the *Tolino*. The consortium made of the book chains *Thalia*, *Weltbild-Hugendubel*, together with *Bertelsmann's Club* and *Deutsche Telekom*, as technology partners introduced their first device in March 2013, taking aim at *Amazon's Kindle Paperwhite*. At €99, the *Tolino* sold clearly below *Amazon's* €129 device. Backed up by a catalogue of 300,000 titles at *Thalia*, and 500,000 at *Weltbild*, the declared goal for 2013 is a market share of 36% in the German device market, a mark that reportedly should be met by the end of the year (*Buchreport*, [June 17, 2013](#)).

Competition over ebooks and devices was however only part of the opposition to *Amazon*, chain stores, and independents in Germany in 2013.

*Thalia* had put significant efforts into a restructuring plan to cut down on its losses from its overall business, while earlier efforts by mother company *Douglas* to sell off the book arm did not bear fruit. Altogether, it cut down its sales floor by 8,000 square meters to 239,000 by March 2013. (*Buchreport*, [May 15, 2013](#))

At *Weltbild*, earlier turbulences over the group's strategy and future among its owners - a consortium of Catholic

## Germany

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	€9,520 million	Börsenverein (Publishers and Booksellers' Association), 2012
Titles published per year (new and successive editions)	91,100	Börsenverein (Publishers and Booksellers' Association), 2012
New titles per 1 million inhabitants	1,138	
eBook titles (available from publishers)	ca. 200,000 EPUB	Estimate by Libreka
Market share of ebooks	5% (mid 2013)	(2012): 2.4% (Börsenverein)
Key market parameters	Fixed book price for printed books; VAT 7% for print, 19% for ebooks	Börsenverein lobbying for extended fixed pricing for ebooks.

dioceses in Southern Germany- erupted again by late summer, with rumors of serious financial strains reported in the media (FAZ, [September 10, 2013](#); for more details on the companies of Thalia and Weltbild, see below at [“Earlier developments in 2012 and 2011” on page 27](#)).

Selfpublishing has taken off in Germany recently both in popularity among authors and in recognition as a valid way to release professionally works of various formats, segments, and ambitions. Several dedicated platforms could extend their scope and reach, including [epubli](#), owned by the *Holtzbrinck* group, and independent [Xinxii](#). Numerous service providers have also started to enter the widening market niche (for an overview see [Buchreport, July 19, 2013](#)).

In 2012, Amazon announced a first title (authored by Jonas Winner) to have sold over 100,000 copies in the German Kindle Store, and new bestselling titles continue to emerge from its Kindle [Direct Publishing author service](#).

For an overview of new specialized ventures go to [“Dedicated ebook publishers and distributors in Germany” on page 29](#).

The situation is also evolving rapidly with regard to the number of titles offered. The first half of 2012 has seen ebook sales worth some €7.83 million (plus an additional 3.24 million free downloads, or 41%), equal roughly to all sales in 2011 (*Media Control*, [buchreport; September 11, 2012](#)).

### Earlier developments in 2012 and 2011

In recent years, most notably in 2012, market developments in both German print fiction and, as a consequence, in the emerging ebook sector, have been driven by a few

blockbuster bestsellers, notably Susanne Collins' *Hunger Games* trilogy in the first half of the year, E.L. James' *Fifty Shades of Grey* in the second half, and Jonas Jonasson's *The Hundred Year Old Man* (translated from Swedish), throughout the entire twelve months ([buchreport on the annual bestsellers for 2012, December 31, 2012](#)).

The massive impact of just a few megatitles points to the growing fragility of a market that, in Germany, has traditionally relied on a broad and diverse mix of successful midlist titles for its stability. The old balance seems to be giving way to a new unpredictability in the market. As a result, a debate has opened regarding how to best stabilize the German book market as it stands today and prepare it for major shifts driven by a variety of forces, including changes in consumer habits and new entrants to the market. Nevertheless, Germany can still be seen as a haven of relative stability and calm compared to many other international book markets.

Two works of fiction in particular may have helped bring ebooks to a wide reading audience: Susanne Collins's *Hunger Games* trilogy, which hit German movie screens in early 2012, and E.L. James's *Fifty Shades of Grey*, the wildly popular fan-fiction and self-publishing phenomenon from *Random House*. Other books that drove the German reading market in 2012 figure prominently in the top digital sales positions, such as Ken Follett's *Century of Giants*, J.K. Rowling's *Casual Vacancy*, and the most popular examples of crime fiction, be they translated (such as Jussi Adler-Olsen from Danish) or home grown (Nele Neuhaus).

The boost from ebooks comes primarily from the three market leaders in German publishing —Random House, the *Holtzbrinck* group, and *Bonnier* (with their *Ullstein* and *Piper* imprints)—and a few midsized publishing houses

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such as *Oetinger* (publishers of the Hunger Games trilogy) or *Lübbe* (with 1,500 ebook titles available, who succeeded in spearheading the market in genre fiction, notably with digital editions of their decade-old *Perry Rhodan* science fiction series). Romance and fantasy books also constitute a significant share of ebooks, allowing some small niche players to broaden their presence in the market. A number of publishing companies have started to create special departments for ebooks, entertainment (*Lübbe*), or e-publishing (*Aufbau, Gräfe, and Unzer*).

Digital reading devices were a highly popular gift at the end of 2011, and ever more so in 2012, followed by a widely recorded surge in subsequent ebook downloads in January of each year according to strong anecdotal evidence from distributors (no exact figures have been made public). Tablets have also broadened their presence (by 142% across Western Europe in the first half of 2012, according to *GfK*) and can be expected to be used for reading in the most media-savvy consumer segments. Moreover, retail prices for many devices have come down significantly since the end of 2011, with E-Ink devices dropping below €60 (e.g., *Weltbild*, which is arguably Germany's second-largest online platform for books behind *Amazon.de*, promotes the *Kindle* from €79), and with the range of tablet devices offered broadening rapidly. Summer 2012 saw the advent of Android platforms on a larger scale (including *Google's Nexus 7*). And in the fall, *Kobo* introduced its next generation of devices, as did Amazon (notably its *Fire*), bringing the barrier of entry for tablets under the threshold of €200. *Weltbild's Tablet PC4* even sells at €179.99.

As reading devices increase in popularity among German readers, research also shows a strong divide between those migrating their reading at least partially to screens and a majority that, for the moment at least, claims to read only printed books. According to a 2012 survey by *BITKOM*, the German association of ITC and new media ([www.bitkom.org](http://www.bitkom.org)), 14% of the German online population access ebooks, with 7% preferring dedicated ereaders, 5% opting for tablets, and 2% using both. Another 24% plan to explore these devices in the future. Yet 55% of the online population claim to never read ebooks, and another 8% say they don't read books, regardless of the format (*BITKOM and Deloitte: "Die Zukunft der Consumer Electronics"*, 2012, page 18).

The broader debate in the public and most media however in 2012 and earlier was focused not on ebooks, but several entirely different topics.

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Most remarkably, the issue of copyright infringement in the first half of 2012 developed from a niche topic into a mainstream issue, producing headline news in early summer and drawing almost as much attention as the Euro crisis and Germany's role in preventing the continent's economies from drifting apart (see the discussion of piracy in "[eBook piracy in Europe: The example and debate in Germany, and related findings](#)" on page 96 for a detailed account).

In retail, the traditional chain and independent stores found themselves on a steady downward path, having lost some 8% in sales over the past decade. Professional media for the book community found their defining moments when arguing over how the two largest book chains have been running into ever deeper trouble since late 2011.

The market leader in brick-and-mortar book retail, *Thalia* (owned by the perfume and drugstore chain *Douglas*, which was acquired in 2012 by the private equity group *Advent*), fell behind its old owners' expectations—particularly in its online performance, which despite being the strongest part of the company failed to compete with either Amazon or *Weltbild*. At *Thalia*, profits declined from €30 million in 2010 to €5 million in 2011, and sales for the fourth quarter of 2011 underperformed in comparison to the overall market. At the same time, online revenue at *Thalia* grew by 20%, casting even darker shadows over the group's brick-and-mortar performance. Online sales accounted for 14% of *Thalia's* revenues. By early fall 2012, it was decided that the entire *Douglas* group was to be sold to a US investor, *Advent International*; its bookselling arm is undergoing severe restructuring, which might involve the closing of up to 50 locations (buchreport, [September 5, 2012](#)).

A similar trend in favor of online sales occurred for *Weltbild*, a chain store that is the second-largest online bookstore after *Amazon.de*. But *Weltbild* turned these developments to their advantage by heavily promoting its own E-Ink readers and tablet computer starting in late 2011, making these the "absolute top-selling products" for Christmas 2011 (*Weltbild* digital head Klaus Driever, buchreport, [January 12, 2012](#)). On December 25, 2011, *Weltbild* recorded 17,500 customers buying ebooks, compared to an average of 10,000 before Christmas (buchreport express, 51 and 52, 2011; buchreport, [December 21, 2011](#)). Amazon reported similar sales. At *Hugendubel*—which is, together with *Weltbild*, part of *DBH*, the *Deutsche Buch Handels* group—revenue from ebooks for the first time accounted for more



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than 10% of all online sales by the end of 2011 (buchreport express, 51, 2011).

Weltbild's trouble came not from poor business performance but from conflicting strategies set by their owner, the Catholic Church, which, in a surprise announcement, said in late fall 2011 that it would sell the successful company, seeing no reasonable way to harmonize the bookseller's business ambitions with the church's ethical standpoint. Indeed, a controversy had raged on its board over some erotic and esoteric literature in its catalog. In June 2012, the board decided to instead have a foundation take over the commercial enterprise, in part to secure its compliance with moral standards—a decision announced ironically only two weeks before the launch of the erotic megaseller *Fifty Shades of Grey* in a German edition, which will account for a significant share of the group's 2012 results (interview with Weltbild CEO Carel Halff, *Börsenblatt*, June 29, 2012).

The pattern of online growth could be seen in various other segments of the German book market in 2011. At the end of 2011, Amazon.de announced that its Kindle reader, introduced in a localized German version in September 2011, had been the bestselling product since the start of the holiday season on November 1, 2011; the bestselling product on Cyber Monday, December 12, 2011; and the top-selling product of 2011 (press release from January 4, 2012).

*Libreka*, the German trade association's ebook distribution platform, announced in January 2012 that sales in 2011 showed "exponential growth," driving Libreka's income from €50,000 in the first quarter of 2011 up to €150,000 in the second quarter, €420,000 in the third quarter, and €1.5 million in the fourth quarter. Forecasts for 2012 indicate a continuation of this trend: in the first two weeks of January alone, sales of €400,000 were recorded (buchreport, January 19, 2012).

In November 2011, Germany's largest wholesaler of books, *Libri*, at its online platform *libri.de* claimed revenues from ebooks that were for the first time higher than from any other book format. End-of-year holidays in 2011 appear to have marked an even more fundamental watershed moment in ebook and ereading developments for Germany, as reflected in a comment by trade magazine *buchreport*: "The signal is unambiguous" (buchreport express, 52, 2011, December 2011); notably, ereading devices and tablet computers were the drivers behind the trend, and ebook downloads were widely expected to follow the expansion of device sales. Only half a year earlier, in summer

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2011, various media reports estimated that in Germany ebooks accounted for about 1% of the book market. In March 2011, *Börsenverein* released a study based on a 2010 survey by market research firm *GfK* identifying an ebook market worth €21.2 million for 2010 or 0.5% of the market of book consumers (the estimated share of books bought by readers in retail). In 2010, 2 million ebooks were sold to 540,000 ebook consumers, according to the study. In October 2011, at the *Frankfurt Book Fair*, market research company *GfK* published a survey on the first half of 2011, reporting ebook sales of €13 million—already equal to 60% of overall revenue in 2010, which is significant, as book sales in December alone represent usually around 18% of a year's sales.

At the end of 2011, the German book market recorded a significant acceleration of the previously experienced change in the book industry, and digital developments accounted for the momentum in this shift.

### Pricing

eBooks are generally sold at a retail price about 20 to 30% lower than the lowest-priced printed edition. The trade association *Börsenverein* is strongly lobbying to extend the German regulatory framework of fixed book retail prices to ebooks. Another major concern is that, under European policies, the reduced VAT rate of 7% on books cannot be applied to ebooks, as they—being categorized as a service, not a product—fall under the normal rate of 19%.

## Dedicated ebook publishers and distributors in Germany

Early 2013 and 2012 also saw the emergence of a remarkable number of startups, notably aimed at publishing and self-publishing.

**Dotbooks**, was founded as a digital-only publisher in 2012 by Beate Kuckertz, who previously had a 20-year career in traditional publishing, notably at *Droemer*. (Here a media report).

**Microtext**, was launched in early 2013 by author **Nikola Richter**, specializing in short fiction.

**Sobooks**, is a project of blogger and online activist **Sascha Lobo**, due for launch in the fall of 2013, aimed at browser-based ebooks.

A number of domestic actors compete—and cooperate—in the distribution of ebooks. Among the leading global actors was *Amazon*, the first to launch a dedicated German

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website for its *Kindle* reader in April 2011, with 40,000 commercial (or copyrighted) German-language ebook titles available by summer 2011 (and almost 1 million titles overall). *Kobo* followed in July 2011 and also announced a collaboration with *Libreka*. As a rule of thumb, almost all commercially distributed titles come with DRM, with a few limited experiments with social DRM (e.g., watermarking). As file formats, ebooks are predominately offered as PDF or EPUB, except those for Amazon's Kindle, which are MobiPocket.

**Libreka** is a platform launched by *Börsenverein* in 2006, offering ebooks since 2009, with a September 2011 catalog of about 530,000 ebook titles, of which 57,000 are in German. Libreka claims to be the largest German distributor of ebooks. Owned and run by *Börsenverein*, Libreka has recently announced several partnerships —such as with *Kobo* in July 2011— to position itself as a link between retail platforms and publishers, thereby strengthening its strategic position after facing internal challenges, notably from domestic wholesalers, over competition issues.

The market research firm of *Media Control* has launched its own ebook distribution platform **ceebo** in 2011, promoting it as a “neutral” platform.

**Libri**, the largest wholesaler for printed books—and claiming to be the lead seller of ebooks— offers a catalog of 600,000 ebook titles as of year-end 2012, which includes a majority of titles in languages other than German and 80,000 titles in German, as well audio books, used books, and DVDs. *Libri* re-branded *Libri.de* as *eBook.de* in October 2012. *Libri* has an ongoing partnership with *Sony* for their ereading devices.

**Ciando** is a Munich-based independent retail platform for ebooks, with 250,000 currently available titles from about 1,800 publishing houses, including both independent (e.g., *Hanser*, *Campus*) and corporate (e.g., *Random House*, *the Bonnier group*) as well as international (e.g., *Pearson Education*, *Wiley*, *O'Reilly*) publishers.

**Sony Readerstore**: In December 2012, *Sony* opened its own dedicated ebook store after having partnered exclusively with traditional book retailers in Germany.

**Txtr**, based in Berlin, offers a broad range of distribution services on various platforms, notably for retailers, usually in the form of white label shops under their customers' brands. In 2011, *Txtr* won an investment from 3M to extend their international strategy. *Txtr* currently distributes 700,000 ebooks from over 3000 publishers, mostly in EPUB and PDF formats.

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**Bookwire** (not to be confused with [www.bookwire.com](http://www.bookwire.com), a service of the US bibliographical service *Bowker*) is a Frankfurt-based aggregator offering small- to medium-sized companies easy access to the ebook market. *Bookwire* is serving all relevant German distributing platforms and is offering DRM-protected as well as watermarked files.

**KN Digital**, a branch of the distributor *KNA*, is a “full-service provider for digital media” (company statement), which includes digital distribution, ecommerce solutions, print on demand, conversion, digital warehousing (or hosting), and marketing services for ebooks. *KNA* has provided these services for printed books to a broad customer base for many decades, particularly for various small- and medium-sized publishing houses.

**Skoobe** is a consortium led by Bertelsmann and Holtzbrinck that specializes in lending ebooks as a “mobile library” via an app in the *Apple App store* or from *Google Play*. Launched in February 2012, *Skoobe* is currently lending 25,000 ebook titles from over 400 publishers at a monthly fee of €9.99.

Other lending platforms in Germany include *Amazon.de*, the already mentioned distributing platforms *ciando* and *Libreka*, and **PaperC**, which specializes on educational materials.

## France

Ebooks evolve in a complex and challenging context in France. At €2771 million worth of net sales for publishers, France is home to the second largest domestic book market in Europe, second only to Germany, yet the overall book market has been declining slowly for several years (-1.2% against 2011 and -0.3% in the first half of 2013). Books are by far the most popular cultural format among French consumers, with a value of 4,130 million in 2012, or 52.7%, compared to video (movies, at 16.8%), music (9.4%), and games (21.1%), with books declining less than the overall cultural sector (-3% 2012, against 2011), (*SNE*, **Les Chiffres Clefs de l'édition 2012**, and *Livres Hebdo*, **August 27, 2013**).

Relatively upbeat statements by publishers about the solid resistance of books in difficult economic times are a clear contrast to the continuous turbulences that is notably shaking several of the largest actors in retail. The leading operator of chain stores for books and other media and content, *Fnac*, is undergoing deep structural change, and an IPO on the Paris stock exchange in June 2013 was luke-

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warm at best, and the half-year results echoed a decline of 5.8% in revenues for the group, and 3.9% for its French holdings. The *Virgin Mega Store*, which had highflying plans for digital media, before filing for bankruptcy in 2012, had to be shut down altogether in 2013, as no buyer could be found. (Livres Hebdo, [June 11, 2013](#)), and *Chapitre*, the second largest book chain, had to announce significant closures of outlets, and major restructuring (Livres Hebdo, [April 9, 2013](#)). Overall, French publishers have been sufficiently concerned about the challenges of book retailers to offer an unseen initiative to support independent bookshops notably with a one-off payment of €7 million (Livres Hebdo, [June 3, 2013](#)).

Against the backdrop of such harsh economic conditions, there seems to be little room for digital experiments, while anecdotally, the general media not only paint a picture highlighting the “resistance” of the French public to reading on small screens but discuss this in the more fundamental terms of a French “cultural exception”, or a specific national preference for cultural traditions over the (US American) notion of culture and entertainment as an industry and a business.

For 2012, the French *Syndicat National de l'édition* (SNE, the French publishers' association) attributed to ebooks 3.1% of all of French book revenues (up from 2% in 2011), worth €81.76 million (SNE, “Edition numérique 2012”, and Livres Hebdo, [June 27, 2013](#); a much lower estimate for ebooks to account for just 2.1% of all trade sales by GfK is due to a much narrower definition of which revenues are included - for a detailed discussion see the blog of [Aldus2006](#)).

Much of the resulting media coverage was in line with coverage from a year earlier, when, in early summer 2012, the “French exception” hit the headlines of the cultural pages in New York and London. “The French Still Flock to Bookstores”, stated *The New York Times* ([June 20, 2012](#)), and they are “shunning the ebook,” according to *The Guardian* ([June 4, 2012](#)). Voices from within the Paris establishment of the French book industry joined the skeptical choir by emphasizing that sales of ebooks were still limited in their country, with a market share estimated for mid-2012 at perhaps 2%.

However, in summer 2013, some observers started to caution their readers by adding questions to their headlines: “Paper Resists: Why Ebooks Are Not Landing (Yet)” (*L'Express*, [July 3, 2013](#)).

The reason to see France as being more and more in line with the digital developments in other markets across

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continental Europe derives from various surveys who, in their majority, are consistent with findings in other European countries, when it comes to analyzing the dissemination of devices, or reading habits and the overall consumption of online content. In addition, both the traditionally leading organizations of the French book industry, as well as a growing number of startup ventures, propose an ever expanding infrastructure and offer reading materials as well as points to access this content conveniently.

By the end of 2013, French consumers are expected to own some 6 million tablet computers and half a million e-reading devices. One French in five has already read an ebook (Livres Hebdo, [February 25, 2013](#)), and a consumer panel showed that many consumers who already own a device expect to expand its usage. For fall 2013, several of the largest general retail chains are expected to launch their own series of devices, which will further broaden the penetration among consumers.

The most popular sector for digital reading is literature (at a share of 60% of all sold ebooks), with genre fiction (notably erotic, fantasy and science fiction) being particularly popular. Leaders of the segment include the independent French houses *Bragelonne* and *Le Béal*, as well as Canadian *Harlequin* in a [joint venture](#) with *Hachette*. Surveys indicate that half of the consumers reading genre ebooks have not read similar books on paper (“La littérature de genre en numérique”, SNE, Assises du livres numérique, March 2013).

Several major French publishers, notably *Editis*, *Gallimard-Flammarion*, *La Martinière*, *Actes Sud* - yet not *Hachette* - have launched a pilot to directly cater their ebooks to libraries. Another experiment concerned the bundling of heavily discounted ebook editions with the purchase of a printed book. The offer will be introduced to the market at a large scale in 2014 by the ebook distributor *Eden*, who also will add audiobooks for download. (Information provided by Gallimard for this report, one of the consortium members of Eden.)

Throughout 2013 in France, the political debate continued on how to sustain or even defend its domestic culture in the context of globalization and the impact of global players on its heritage and specifics. In a report for the government, a number of measures have been proposed, notably to introduce specifically targeted taxation on smart phone and other digital devices, as well as to secure the collection of local taxes from global conglomerates to foster the creation of original French content. (For a summary of the “Rapport Lescure” see *Le Monde*, [May 13, 2013](#); the

## France

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	€4,534 million	2011 Syndicat National de l'Édition (French Publishers' Association, SNE)
Titles published per year (new and successive editions)	86,295	SNE (figure for 2012)
New titles per 1 million inhabitants	1,340	French National Statistics Institute
eBook titles (available from publishers)	ca. 126,000	From publishers
Publisher revenue share of ebooks	ca. 2.1% of trade (GfK), 3% (SNE)	Estimates GfK, SNE
Key market parameters	Fixed book price; VAT of 7% for print, audio books, and ebooks	

complete report is available online from the [French government](#)).

In response to debate on how to act against pirated ebooks, the French publishers' association has signed an agreement with their British homologues to adapt their [Copyright Infringement Portal](#) in a [French version](#) (see also ActualLitté, [August 5, 2013](#)).

For an overview of dedicated ebook ventures and distributors go to "[Selected distributors and new ebook ventures in 2012 and 2013](#)" on page 35.

### Earlier developments in France 2012

It had come as a surprise to some that readers in the country of the Marquis de Sade, Georges Batailles, and Catherine Millet could fall for a clearly less-sophisticated version of eroticism imported from America. And yet 900,000 printed copies plus another 40,000 ebooks had been picked up in the French translations, which again made it to the pages of the *New York Times* ([January 16, 2013](#)).

Despite the boom, one major retail channel for all forms of media content, *Virgin*, which in 2012 had started to get serious about ebooks, went bust. The fifth-largest retail chain for books, according to *Livres Hebdo*, with a turnover of €280 million, of which €80 million came from books, and a market share of 2 to 4% of the French book market, declared bankruptcy in January 2013 (*Livres Hebdo*, [January 14, 2013](#)).

Overall, 2012 was a flat year for bookselling, as were the years before (*Livres Hebdo*, [January 11, 2013](#)). Although exact numbers are not yet available, interviews by the trade magazine *Livres Hebdo* with various retailers reflect almost unanimously on a difficult end for 2012 sales. According to estimates, even at *Amazon* growth seems to

have slowed down in 2012, but at a high level of some 60% market share for online sales of primarily printed books. But overall, online sales are believed to account for just around 10% of the entire retail market for books, which is small when compared to Anglosaxon countries or neighboring Germany.

However, consumers have started to embrace digital devices that can be used for reading: In 2012, some 3.6 million tablet computers plus another 300,000 dedicated ereaders were sold in France (compared to 145,000 in 2011). This should trigger growth in ebooks by some 80% at least (*Livres Hebdo*, [May 3, 2012](#), and *Livres Hebdo*, January 11, 2013, print edition, page 17).

Perhaps even more conclusive is research commissioned by the *French publishers' association SNE* in March, and then updated in September of 2012. In spring, a mere 5% of the French population over 18 admitted to having read an ebook. Another 5% considered doing so. A staggering 90% said flatly "Non," as they could not see themselves exchanging paper for a screen. Only half a year later, 14% of the adults had in fact read an ebook at least in part, plus another 8% would give it a thought at least. As in most countries, the strongest segment of the reading population has started to embrace digital first. The tablet seemed to gain forcefully over the ereaders. Remarkable shifts may be under way, if a tendency regarding the preferred locations for downloads solidifies: The share for general Internet platforms such as *Amazon*, the *Apple Store*, and *Google* grew from 38% to 41%, while the share of specialized book platforms such as *Fnac* or *Virgin* declined from 30 to 28%. But this snapshot may be too random to identify it as a trend (*Sofia*, SNE, *SGDL*: "Baromètre des usages du livre numérique," [Vague 1, March 2012](#); [Vague 2, September 2012](#)).



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SNE had earlier started to systematically track the emergence of an ebook market on an annual basis. It has recorded ebook downloads worth €35 million for 2011 (against €17.9 million in 2010), hence doubling an albeit modest stream of revenue in an overall market of €4587 million (“L’édition de livres en France, Repères Statistiques 2012,” données 2011). Together with digital sales of physical supports worth another €21.5 million for 2011 (down from €35 million) this accounts for a market share of 1.2%. More importantly, the figure illustrates a shift from distribution by CD/DVD or flashdrive to Internet downloads.

As hinted, the overall temperature among French book professionals with regard to ebooks was far below the boiling point as of mid 2012, an assessment which is well in line with Bowker’s “Global eBook Monitor” consumer survey. *Hachette*, by far the country’s leading publishing group and arguably the world’s largest trade publisher, considers the French ebook market as “embryonic” (comment for this report) and returned ownership of its ebook distribution platform Numilog to its founders press release (June 13, 2012).

At *Editis*, the second-largest French house and an arm of Spanish *Planeta*, the “ebook evangelist” Virginie Clayssen admits that she “feels discouraged or saddened by the schism that exists between traditional publishers and those who work in a digital world and are impatient with the former” (*Publishing Perspectives*, March 13, 2012), even as she sees France in a fundamentally similar development with regard to digital as Germany (interview for this report).

*Gallimard*, France’s third-largest publishing group, which just expanded significantly by acquiring *Flammarion* from Italian *RCS*, sees “a lot of movement” (comment for this report). But it’s likely that all of these primary observations fall short of the overall story, which is clearly more complex. A survey sponsored by several trade and related organizations (SNE, SGDL, and Sofia, released in March 2012) showed that only 5% of French adults have ever read an ebook (with 2% having consumed an entire digital book and 3% having consumed just parts).

Many separate indicators point to a serious build up of infrastructure, regulatory and market framing efforts, new relevant impulses from the outside, and a quiet, yet pervasive formation of a market ready to embrace digital, against heavy odds from local tradition and routine.

France has become one of the key markets targeted by global players such as Google (by quietly settling its legal

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confrontations with French publishers and related stakeholders) (*Livres Hebdo*, June 6, 2012), Amazon (by announcing its new generation of low-cost devices), and *Sony* (by signing a cooperation agreement with online distributor *Chapitre.com*).

New domestic initiatives have also emerged. In Lyon, retailer *Décitre* has launched a new TEA “The Ebook Alternative” service.

Meanwhile, traditional strong arms such as the omnipresent chain of *Fnac* have produced headlines showing similar trouble in finding their place and strategy —between bricks and mortar and online as well as digital— as is its German peer *Thalia*, with revenues declining by 1.1% to a still lavish €1.77 billion, yet with profits going down by some 7.5% (*buchreport*, August 1, 2012). Still, *Fnac* is way ahead of its direct competitors. But with new entrants and new games to be played, its once singular position has become everything but comfortable.

French book professionals still feel that they are having a hard time getting what they want or what they deserve from the digital world. Eric Marbeau of *Gallimard* argues about shortcomings in the representation of their ebooks in the catalogs of Amazon and *Kobo*, in adjusting metadata standards, and coming to agreements on digital rights and retail prices (interview for this report).

Several serious issues need to be sorted out with regard to regulating a market that barely exists, but which everybody seems to be preoccupied with, which at least indirectly hints at how seriously the broader perspective is thought to be.

The *European Commission* has started investigations into pricing arrangements and is expected to look very closely into the procedures of the *US Department of Justice* (DoJ) with regard to the American “agency model,” and the dealings of French publishers with regard to support of an extension of the fixed price system for ebooks.

The gap of VAT on printed and digital books has been brought down from 19.6% for ebooks to the print level of 5% in 2012, and will probably further drop to 5.5% from January 2013.

For the second half of 2012, a serious dynamic with regard to reading devices, and notably all sorts of tablets, is expected, which could result in a surge in ebook downloads after the year-end holidays. All actors, notably in distribution, are expected to spend heavily on related marketing.

## Developments in 2011

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Although no exact figures have been released for ebook sales at the end of 2011, a number of indicators point to strong overall development, with a strong drive from all the major domestic actors (in retail and publishing) and the entry of *Amazon* and *Kobo* with localized actions.

Publishers as well as retailers strongly promoted ebooks and reading devices in the pre-holiday period, with anecdotal reports of a sizable increase of purchases of ebooks. Bestselling titles included the *Prix Goncourt*—winning novel *L'art français de la guerre* by Alexis Jenni, *La délicatessen* by David Foenkinos, and the *Millennium* trilogy by Stieg Larsson.

Perhaps more definitively for the overall trend, devices (both ereaders and tablet computers) saw a substantial increase in sales; the market research firm *GfK* predicted figures of 1 million tablets purchased by users in 2011 and 3 million for 2012 (*Livres Hebdo*, [January 9, 2012](#)). According to an [article](#) from *Les Echos*, 1.45 million tablets were sold in 2011, 450,000 in December 2011. Notably, in the fourth quarter of 2011, strong promotional campaigns accompanied the launch of Amazon's dedicated French *Kindle store*, the respective entry of *Kobo* into the French market (by introducing its ereading device and entering into a partnership with the largest French online retail platform, *Fnac*, which claimed to have sold 50,000 *Kobo* readers between mid November and the end of December 2011).

Not everybody found the path to a winning strategy, as shown by the failure of *Virgin*, which filed for bankruptcy in January 2013 after having promoted ebooks with great enthusiasm, with a catalog of 150,000 titles and ereaders (notably the *Cybook Odyssey* of the French manufacturer *Bookeen* at €129). *Virgin* also concluded a deal with Amazon for distributing the *Kindle Fire* tablet in France (*Reuters*, [November 8, 2011](#)) and was considered to have thus instantly become the second-largest online retail platform in France, after *Fnac*.

Also in 2011, legal action was taken to facilitate the emergence of a stronger ebook market by extending the reduced VAT from printed works to ebooks. In reality, this turned into a rollercoaster, introducing at first a reduced value of 5% VAT—instead of the normal rate of 19.6%—which was then increased to 7% effective April 1, 2012 (*Livres Hebdo*, [November 7, 2011](#)) and brought back to 5% by January 2013. However, the alignment of VAT for printed and electronic books was immediately challenged by the *European Commission* (*Livres Hebdo*, [January 18,](#)

[2012](#)). The procedure at the European level is still pending in early 2013.

Earlier in 2011, the law regarding fixed book retail prices ("Loi sur le Prix Unique du Livre Numérique") as defined by the publisher was rendered effective for ebooks as of January 1, 2012.

As a result of the lowered VAT and general market developments, some publishers—notably *Gallimard*, but also *Denoël* and *Mercure de France*—lowered ebook prices in December 2011, followed by *Hachette* titles in spring 2012, which resulted in ebooks being sold at prices around 30% less than the print edition of the same work (see "[Ebook Bestsellers and Ebook Pricing Strategies in Europe](#)" on [page 89](#)).

The surge in the digital segment coincided with an overall flat market in France for 2011. Although overall sales in December appeared to have been strong, the months between January and November 2011 saw a drop of 1.5% compared to the same period in 2010 (*Livres Hebdo*/I+C). A much stronger drop of 3.2% in revenue for 2011 hit the largest media (and book retail) chain, *Fnac*, as it announced plans to eliminate 500 staff positions, including 310 from its operations in France (*Livres Hebdo*, [January 13, 2012](#)).

## The political and cultural context for ebooks in France

The ebook (or livre numérique) faces an environment in France that is characterized by various factors from politics, culture, and trade.

France—through its [National Library](#) and its national digital library, [Gallica](#) (which currently has 1.5 million digital documents on display)—has gotten an early start on the digitization of its book culture. France also has a strong tradition of national politics spearheading the digital dissemination of its legacy and of creating institutional frameworks for such ambitions, including the European digital library project [Europeana](#).

French publishers, while setting up the infrastructure for an emerging ebook market, started to confront *Google* regarding its library digitization efforts, citing infringement of works under French copyright.

The industry trade association *SNE*, together with the *French government*, regularly stands up to defend French culture and its national book industry against what are seen as challenges from global market forces and players. This controversy—which was fostered from the very be-

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ginning by *Hachette Livres*, among others— did not hinder what is by far the largest publishing group in France from actively seeking Google’s cooperation in digitizing its vast catalog of up to 50,000 titles—or 70% of the group’s backlist—in a landmark agreement that was approved in mid-2011, despite significant opposition from other French publishers. In August 2011, publisher *La Martinière* also signed a digitization agreement with Google, and in September 2011, *Albin Michel*, *Flammarion*, and *Gallimard* (whose publisher, Antoine Gallimard, is also president of the French SNE) dropped their charges against Google, at least for the moment (*Livres Hebdo*, September 7, 2011). By mid-2012, all of these legal controversies had been settled.

To strengthen copyright nationally, legislation to protect rights on the Internet (*Loi Hadopi*, based on the creation of a “Haute autorité pour la diffusion des oeuvres et la protection des droits sur internet”) was introduced in 2009. Hadopi was designed mainly for music and video.

Defending a diversified cultural infrastructure—notably, a tightly knit network of bookstores—resonates in various media reports and political actions.

## Selected distributors and new ebook ventures in 2012 and 2013

**Clearpassion** is an online library of 2000 titles specialized on erotic literature and founded by a former executive of *Hachette*.

**YouBox** is a streaming service created in 2011, which could expand its services and its capital in summer 2013.

**PhoneReader** is a new online community platform for readers and reader marketing.

### Distributors

So far, online book sales have been dominated in France by local platforms, notably **Fnac**. *Amazon* operated a dedicated French-language online retail platform, but a localized *Kindle store* with a broad offering of French-language titles for the Kindle only opened in October 2011, while *Kobo* entered into a partnership with *Fnac* in November 2011.

The French book industry has a long tradition of its leading publishers also owning significant distribution operations; from the very beginning, this tradition has shaped the distribution of ebooks as well.

**Numilog** was launched in 2000 and acquired by *Hachette* in 2008 but was returned to its founder in June 2012 (**press**

**release by Hachette**). The distributor claims to be the “reference library” for ebooks in France, with 34,000 commercial titles and 130,000 free books available, of which 22,000 are supposedly French titles (status at year-end 2011; no current update is available). Similar to the German market, most ebooks are offered in the PDF or EPUB format. In spring 2013, *Numilog* and *ePage* (see below) launched a **cloud service** for consumers to organize all of their personal digital libraries online. Numilog has also relaunched its white-label ebook shop solution for booksellers, **ClubReader**, in 2013.

**Eden-Livres** is a joint venture of the independent publishing houses *Gallimard*, *La Martinière/LeSeuil*, *Actes Sud*, and *Flammarion*, offering a catalog of over 5,000 titles in various formats, mostly EPUB. The technical service provider *Canadian De Marque* has received additional financing of 3 million Canadian dollars from three French publishers: Gallimard, Flammarion (later in the year acquired by Gallimard), and La Martinière. A catalogue of 1500 French Canadian ebook titles has been cleared for distribution in France through **Diffusion Dimedia**, in a cooperation with *Volumen* and *Eden Livres* in 2013.

**Epage**—which also has a **Dutch branch**—is a general-solutions provider founded in 2008 for (currently) 177 publishers and bookshops specializing in ebooks.

With **Decitre**, a new platform for ebooks, branded as “the ebook alternative,” or TEA, was launched in March 2012 from Lyon-based retailer *Decitre*, which is based on an open access model for all interested stakeholders, offering direct ebook distribution to all interested retailers (*Livres Hebdo*, **March 18, 2012**).

Since 2013, **Uculture** is distributing a catalogue of 120,000 ebooks and 650,000 printed titles, based on the catalogue of Decitre.

*Eplateforme* is a hub controlled by the publishing arms of Editis, which has reached distribution deals with *Média Participations*, and *Michelin* (more details **here**).

The catalogs of the three largest distribution platforms—Numilog, Eden Livres, and Eplateforme—have been integrated since May 2010.

**Fnac**, founded in 1954, is the largest chain bookstore, also selling music and movies in France, with revenues of €4,473 million. Fnac has additional ventures in Belgium, Switzerland, Spain, Greece, Italy, Portugal, Taiwan, and Brazil. Fnac offers a catalog of 82,000 ebooks (with no breakdown available for the percentage of French titles),

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of which 75% are in PDF format and the rest primarily in EPUB. Fnac introduced its own dedicated ereader, the *FnacBook*, in October 2010. In 2010, *Fnac.com* hosted 120,000 ebook downloads (versus 60,000 in 2009), with 130,000 in the first quarter of 2011 alone—half of which, however, were free titles (*LeMotif*).

French online bookshop **Chapitre** has started a partnership with *Sony* for distributing its ereaders and tablets, starting in September 2012 (*buchreport*, [August 22, 2012](#)).

For the library market, British academic book supplier **Dawson** runs a branch office out of Paris that is dedicated to serving France and other French-speaking markets.

**Bookeen** is, according to one of its founders, Laurent Picard, “primarily a site for book lovers. A 100 percent digital library where the Internet user can be well served,” with a current catalog of 42,700 titles, of which 1,300 are free of charge and without DRM, the others including works published by Gallimard, Flammarion, *P.O.L.*, *Bragelonne*, and *Publie.net*. The two largest French publishing groups with their digital platforms are “the big voids” (company statement). *Bookeen* was founded in 2003, after the first wave of enthusiasm in electronic reading devices had collapsed, and produces its own reading device. In summer 2011, *Bookeen* opened its digital library, *Bookeenstore.com*, to ereading devices other than its own.

Two important aspects in French ebook publishing are the particularly strong national culture and the large fan base for both domestic comics—notably Japanese-style manga—as well as other graphic novels, which are also forming a digital niche market, with platforms like [www.kaze.fr](#) (and its German spinoff, [www.kaze-online.de](#)) and *Digibidi* offering the catalogs of 30 publishers. And the US graphic novel platform *CimoXology* has launched a French language A catalogue of 1500 French Canadian ebook titles has been cleared for distribution in France through **Diffusion Dimedia**, in a cooperation with *Volumen* and *Eden Livres* in 2013.[platform].

## Spain

The Spanish publishing market—and, as a consequence, the ebook market in Spain—is shaped by several paradoxical parameters. With a population of 47 million inhabitants, Spain is a medium-sized European market, closer to Poland than to Germany. However, Spanish is the primary language for 650 million people worldwide, including a significant number of Spanish speakers in the US. Spanish

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publishing revenues were strained recently by shrinking consumer prices over several years, from €3,110 million in 2009 to €2,772 million in 2011, with more titles published than ever (88,349 in 2012) but each selling fewer copies than before. No final numbers are available for the economic development of the book market in 2012. Predictions projected a decline of some 8%.

Most of Latin America is served by Spanish publishing enterprises. However, when the economic crisis of 2008 hit Spain, exports witnessed a severe drop from €490 million in 2007 to 384 million in 2009. Although Spain has recently started to recover some of this lost terrain—exports were worth €430 million in 2011—the overall market environment as well as protectionist politics in several Latin American countries point to a difficult path for the years ahead (according to statistics from the publishers’ association **GFE**).

The Spanish domestic publishing sector, though populated by small- and medium-sized publishing houses, is increasingly defined by three big groups: *Planeta*, *Santillana*, and *Random House/Mondadori* (a former joint venture, with *Random House* taking over full control in 2013).

In this challenging, yet dynamic context, the government has canceled the reduced VAT rate of 4% (versus the normal rate of 21%) being applied to ebooks—as well as theater, music, and movies—with only printed books being exempt. Publishers are concerned that the measure will “slow down sales in a newborn market that had just started to give signs of acceleration,” according to Ernest Folch, the editorial director of medium-sized and highly regarded *Ediciones B* and its digital arm, *B de Books* (Julieta Lionetti, “Spain Hikes E-book VAT to 21%, Likely Slowing Growth,” *Publishing Perspectives*, [July 19, 2012](#)).

In 2012, ebook downloads accounted for €12 million, up from only €2 million in 2011, and grew by over 100% in the first half of 2013 (according to market research by *GfK*, presented by *Actualidad editorial*, [June 6, 2013](#)). Various surveys by *GfK*, as quoted in this overview, point at the considerable base of 5 million devices (tablets and ereaders combined) acquired by Spanish consumers and a particularly high penetration of smartphones.

However, the recent expansion of the ebook market segment faces a general reluctance of consumers with regard to e-commerce, as well as a high level of piracy. Still, respondents to a questionnaire for this report, targeted at Spanish book professionals, estimate the market share of ebooks by mid-2013 at around 3% (up from just 1% in



## Spain

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	€2,772 million	2011 (Publishers Association FGEE; no 2012 available)
Titles published per year (new and successive editions)	88,349	2012 (Publishers Association FGEE)
New titles per 1 million inhabitants	ca. 1,872	
eBook titles (available from publishers)	Between 30 and 50,000 (various estimates)	
Market share of ebooks	above 3% (trade)	FGEE (mid 2013);
Key market parameters	Law on fixed ebook prices; VAT of 4% on printed books and 21% on ebooks	Reduced rate of VAT canceled for ebooks in 2012

2012), and for new fiction at around 8%, with expectations that 15% of revenues will come from ebooks by 2015. Fiction titles account for some 70% of ebook sales. As for the digital catalogue available to readers, estimates vary between 30,000 and 50,000 -probably depending on the inclusion of self-published books and non-commercial items.

Ebook bestsellers are largely identical with those in print, including globally influential authors like E.L. James or Ken Follett, as well as specific Spanish bestselling books, including *La verdad sobre el caso Harry Quebert* by French Joël Dicker, *El maestro del Prado* by Javier Sierra or *Misión olvido* by María Dueñas.

Some indicators hint at a recent expansion of book reading, notably by the lending of books at public libraries (see details in *The Independent*, [July 17, 2013](#)). This is also the context of the new subscription platform **Nubico**, launched in September 2013 as a joint venture by Planeta's *Circulo de Lectores* with mobile operator *Telefonica* (see below for details).

The economic crisis may be at least partially responsible for an exceptional dynamic evolution on the digital end, as readers may find ebooks at lower prices, on average, than in print. That aspect was specifically highlighted by Amazon's Spanish head of content, Koro Castellano, in an interview as he summarized the first year of the online retailer's localized Spanish platform by saying: "I can say we do not suffer from the crisis." ("Los 365 días de Kindle," in *El Cultural*, [December 18, 2012](#)). Dwelling on Amazon's internal data, Castellano emphasized that half of the Spanish *Kindle* catalog offered ebooks at an average retail price of €4.55, while a growing number of shorter books priced at €0.99 or €1.99 were added at the same time. In just one year, Amazon was able to expand its list of Spanish ebooks from 22,000 to 48,000 titles (industry organizations had

estimated that a mere 10,000 Spanish commercial ebooks had been available to readers at the time of Amazon's launch in November 2011).

Amazon's assessment is in agreement with a much broader study by *Bowker*, "Global eBook Monitor" (GeM), a survey with online consumer interviews conducted in January 2012 in ten countries. Spain is portrayed as a "second-wave country," with ebook adoption on par with Germany, France, and Japan: "Spain has similar proportions of the total population who had bought an ebook in the six months prior to interview (8%) as Germany (10%) and Brazil (7%). This was around half that seen in the more mature markets such as the UK and the USA (16%-17%), and equates to 13% of the Spanish online population." Interestingly, with 9% of interviewees considering it to be "very likely" and another 21% as "likely" that they would buy an ebook in the following six months, the penetration of ebooks in Spain has been even stronger than in France, with 6% "very likely" and 12% "likely" to opt for ebooks. The forecast for the following six months predicts a rather higher growth rate in Spain than for other European countries ("Global eBook Monitor 2012," excerpts and data interpretation provided by Bowker for this report). This is ever more remarkable, as traditionally, France had always been on top over Spain in terms of Internet penetration as well as book reading.

For an overview of selected local players go to "[Distribution and specialized ventures](#)" on page 38

### Earlier developments

With the launch of localized ebook shops by *Amazon* (in December 2011) and *Apple* (in October 2011), a significant promotion of ebooks and reading devices by the leading retailers (notably *Casa del Libro* and *Fnac*) for the end-of-

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year holiday sales, and a substantial rise in the presence of both ereading devices and tablet computers, Spain started in the second half of 2011 on a similar trajectory to that of Germany or France.

Articles in the general media commented on the advance of ebooks in Spain in terms of “gigantic leaps,” with Amazon’s market entry seen as “triggering the avalanche” (*El cultural*, November 25, 2011).

In May 2011, *Kobo* launched a Spanish platform, and *Google Editions* is also now available to readers in Spain.

2012 has seen several initiatives by publishing and econtent organizations to improve the infrastructure of the publishing industry, including a sales-tracking service (*DILVE*) as well as a joint effort with other econtent distributors to fight piracy (read more [here](#)).

The report “La digitalización del libro en España,” released in November 2009, argued that “the digitization of books will be one of the most strategic decisions that publishers will have to make in the next years,” yet the report also notes that paper and electronic will coexist in the future (“The emergence of ebooks in Spain,” *Emerald Group Publishing LTD*, 2010). Almost half of the publishers polled for this study expected that even in 2020 print would still be their main source of income. Another report, by the *Federación de Gremios de Editores* in collaboration with the *Fundación Germán Sánchez Ruipérez* and published in February 2010, polled 254 publishers, of whom 80% planned “actions in the digital area during the period of 2009 to 2011,” including parts of their backlist, with 19% expecting to have their full catalog of titles digitized by the end of 2011. According to that report, small publishers showed—at least for the moment—a higher predisposition to digitizing their backlists than the market leaders; even by 2011, the large groups have implemented considerable efforts in that respect as well, offering growing digital catalogs of their titles.

In 2009, an effort to digitize major works took place in both Spanish and Latin American literature under the headline of “Palabras Mayores”; the first selections are commercially available in both Mobipocket and EPUB (with DRM) at the platform *Leer*.

The first emergence of an ebook market can be dated to 2010, with the launch of the dedicated B2B (business-to-business) ebook distribution platform *Libranda*. The venture is the initiative of a consortium of the three largest publishing groups—*Planeta*, *Santillana*, and *Random House/Mondadori*—with 15 publishers initially contribu-

ting titles and eight online stores serving the consumers. By 2012, *Roca Editorial*, *Grup62*, and *Grupo SM*, as well as *Grupo Wolters Kluwer* have joined the group of owners of *Libranda*. The platform distributes titles in the EPUB format with Adobe DRM protection. By the end of 2012, *Libranda* had signed up 128 publishers, representing more than half of the Spanish book market, plus distribution agreements with over 100 retailers in Spain and an “indirect distribution agreement” with *Barnes & Noble* in the US. By September 2011, *Libranda*’s catalog contained 5,133 titles and was expected to expand to 10,000 titles by the end of 2011.

## Distribution and specialized ventures

A number of both global and local platforms are offering ebooks to the consumer. Estimates for this report regard *Apple* as the market leader with a share of ca. 40%, followed by the localized *Kindle store* of *Amazon* at 30%.

The strongest local brand is clearly *Casa del Libro*, with its dedicated ebook section offering a current catalog of around 50,000 titles (commercial and others combined) and an estimated market share in ebooks of 15% (down from initially around 45%). Through its *Tagus* library, *Casa del Libro* has started a broad offer of ebooks without DRM protection.

The Spanish branch of French retailer *Fnac* as well as *El Corte Inglés*, Europe’s largest general retailer, whose online offerings include a media section with books and music, own each another estimated 5% of the Spanish market.

A perhaps totally new page in bringing ebooks to Spanish consumers has been opened in September 2013, with *Nubico*, proposing a combined ebook subscription with the participation at a digital reading community at a flat rate of €8.99 per month. The platform is co-owned by *Planeta*’s *Circulo de Lectores* and the market leader in mobile communication, *Telefonica*.

However, *Nubico* is not the first subscription service for ebooks in Spain, as the model has been pioneered by *24Symbols* with a current collection of 15,000 titles.

*Libranda*, the leading ebook distributor with an estimated market share in B2B of 70%, is controlled by a consortium of seven leading publishers. As of June 2011, *Libranda* started operations in Mexico, Colombia, Argentina, and Chile. Plans exist to include English titles in the *Libranda* catalog.

*Publidisa* offers a wider set of services, as an aggregator and distributor as well as print on demand service provider

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focusing on both Spain and Latin America, with an estimated market share in Spain of 15%. *Publidisa* has offices, aside from Spain, in Portugal, Mexico, Argentina and Colombia.

Aggregator **Leer-e** has recently teamed up with the Germany based aggregator **Bookwire**.

**Amabook** is a platform with strong ties with several Latin American markets, including Mexico, Argentina, Chile, and Colombia.

In December 2012, *Roca Editores* launched a new platform for self-publishing: **Rocautores**. Roca Editores also announced a partnership with Jane Friedman's *Open Road Integrated Media*, to prepare an English-language ebook series with its "Barcelona Ebooks" spin-off (read more [here](#)).

**B de Books** was launched in November 2011 as a spin off of Barcelona-based **Ediciones B** to become Spain's first digital-only book publisher to experiment with new approaches for the book business in several regards, including competitively low pricing of its titles (between €1.99 and €9.99) as well as publication without DRM, to make reader convenience a clear priority ("Libros digitales desde 1,99 euros y sin protección anticopia," *El Pais*, **November 15, 2011**).

*Grupo Planeta*, Spain's largest publisher, also **launched two ebook imprints** with a similar pricing strategy, from €0.99 to €4.99: Zafiro (romance) and Scyla (science fiction) ebooks ([press release](#)). In early 2012, Planeta announced a partnership with the leading telecom company Telefonica to jointly organize an ebook platform to challenge Amazon's impact on the Spanish market (*Bloomberg*, **March 1, 2012**).

## Italy

In 2012, the Italian book market was facing a difficult economy, resulting in a hefty decline in sales of 7.8% in value and 7% in volume. However, this overall number must be considered a slight improvement from 11.7% year on year in March and 8.6% in September 2012. As in other European book markets, children's (at -6.1%) and young adult books as well as fiction (-5.2%) showed relatively better performance ([data from Nielsen BookScan](#) released in December 2012 and in May 2013 at *Giornale della libreria*).

Another indicator of this difficult environment was the announcement in November 2012 that the French bookstore

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chain *Fnac* had sold its Italian arm to the Luxembourg-based *Orlando investment group* (similar to its shutting down their arm in Greece) (*La Stampe*, **November 29, 2012**).

By May 2013, 60,589 commercial ebook titles have been available to Italian readers, equaling 8.3% of the total available catalogue, with some 44% of new titles released in digital format, aside from print, resulting in a market share of 2.1% of trade publishing in all of 2012 (up from 1.1% in 2011). By June 2013, ebooks had gained 8.3% of trade (Source: *Ufficio Studi AIE* (=Research Office of the Italian Publishers' Association)).

In 2012, Italian consumers purchased some 2 million tablet computers (up 379%). By May 2013, the average retail price for an ebook had fallen by 6.6% to €10.44 (from €11.07 in 2011), indicating much higher pressure on pricing compared to print (at an average retail price of €18, down only 1.9% from 2011) (all data from *Dentro all'e-book*, in *Giornale della libreria*, 2013).

Ebooks with social DRM (ca. 42%) outnumber those with hard Adobe copy protection (35%, information provided for this report by [Informationi Editoriali](#)).

For an overview of socialized local actors go to "[Distribution and specialized ventures](#)" on page 41

## Italy

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	€3,072 million	Publishers Association
Titles published per year (new and successive editions)	63,800	Publishers Association
New titles per 1 million inhabitants	1049	
eBook titles (available from publishers)	60,589	March 2013 (up from 31,416 in March 2012; Informazioni Editoriali and Publishers Association AIE)
Key market parameters	Fixed book price, yet with possibilities for discounts on print books of around 15 %, notably in PR campaigns, newly introduced in 2012. VAT is 4 % on printed books, against 20% on ebooks.	

## Earlier developments

ebook sales in Italy had shown strong growth since early 2012, but from very modest beginnings, to €12.6 million, or a market share of 0.9% in trade by fall 2012 (announcement by AIE at the *Frankfurt Book Fair*, quoted in *The Bookseller*, [October 11, 2012](#)).

Yet the update reflected significant growth of 740% from 2011, when the *Italian Publishers Association* had estimated the ebook market at €3.7 million at cover prices, or 0.2% of the overall book market (*Giornale delle librerie*, [March 3, 2012](#)). At some trade publishers, revenue from ebooks accounts for up to 2% (information provided by GeMS for this report.)

The low overall penetration may hide complex dynamics in the Italian marketplace.

The European financial crisis put the book market under severe pressure. Recent years have been characterized by significant changes in the performance of the largest publishing groups. The *Mondadori group* maintained its leading position, but *RCS* saw its presence diminishing, including the model of part-time works—distributing books to-

gether with popular magazines at kiosks—diminishing, and even affecting its strongly branded French arm, *Flammarion* (to *Gallimard* in 2012). The *Gruppo MauriSpagnol*, rebranded as GeMS a few years ago, expanded its reach. Both Mondadori and GeMS spearheaded digital developments, each by setting up distribution platforms: Mondadori for its own purposes and GeMS by forming a consortium (*eDigita*) with Flammarion and *Feltrinelli*.

The catalog of available titles was expanded significantly to over 30,000 by mid 2012. Almost 20,000 were available as of the end of 2011, up from 1,600 by the end of 2010. eBook sales, even though they cannot compensate for declining print revenue, are expected to rise significantly, as is the penetration of reading devices. According to the Italian publishers' association AIE, as of the end of 2011, Italy has seen an installed base of 533,000 ereaders and 858,000 tablets (*Editoria Italiana 2012*, fact sheet, made available for this report by AIE).

In terms of reading devices, Italian readers greatly prefer tablet computers over dedicated ereaders, which may add momentum to ebook evolution, as all major players—notably, the international market leaders such as Amazon, *Apple*, and Google, as well as others—roll out new, cheaper devices. Recent years also included a boom in online bookshops (with sales increasing by 24.5%). In 2011, online sales accounted for 9.7% of the total book trade.

All of the major publishing houses have invested in their ebook catalogs. As of the end of 2011, Mondadori, with an estimated catalog of 2,900 titles, had the largest ebook catalog, followed by *RCS/Rizzoli* (2,337 titles), GeMS (1,274 titles), and *Feltrinelli* (1,048 titles) (*Informazioni Italiani*).

The average retail price for an ebook in 2012 is €11.07 (compared to €11.18 in 2011) (AIE, provided for this report).

A study by AIE for 2010 recorded an average ebook price of €11.38, with a discount of 45% compared to hardcover editions, implying an overall decrease in the average retail price for ebooks. The VAT on ebooks was raised from 20% to 21% in 2012, compared to 4% for printed books, which reduced the revenue of ebooks versus printed editions.

The more broadly defined digital publishing market, notably including revenue from databases and various sources of Internet-based sales, accounted for revenues of €150 million in 2011 (up from €125.6 million in 2010), with database sales and related services increasing significantly (AIE).

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The emerging ebook market may confront an additional challenge from piracy, according to the publishers' association AIE, which found in February 2012 that three out of four bestselling titles were also available in **pirated editions**. Overall, the organization's research found approximately 20,000 pirated titles on 100 illegal sites.

Since 2011, ebooks and ebook distribution have received high visibility in professional debates, media coverage, and promotions at major book fairs such as the *Salon* in Torino, while ebooks have overall been considered less of a threat to the book industry than was the case in other large European markets, notably in Germany.

## Distribution and specialized ventures

The localized platform of **Amazon** is seen as the leading consumer venue for ebooks, followed by *Apple*, *Kobo* and *IBS*, with the global platforms accounting for some 80% of market share. (Estimate by *Messagerie*, for this report)

The relevant domestic distribution platforms include (in alphabetical order) *Bookrepublic*, *Edigita*, *Mondadori*, and *Stealth* (Simplicissimus Book Farm), while a number of domestic platforms also operate online bookstores, notably *IBS*, *Bookrepublic*, *Bol*, *Feltrinelli*, *Mediaworld*, *Ultima Books* (Simplicissimus Book Farm), *Hoeppli*, *webster.it*, *torrossa.it*, *sanpaolostore.it*, and others.

### eDigita

Three publishing companies —*GeMS/Messagerie*, *Rcs*, and *Feltrinelli*, representing a combined market share of about 30% of Italian trade publishing— took the initiative in May 2010 and joined forces to create a consortium platform for the distribution of ebooks, branded **eDigita**, which claims to offer a solution “from publishers to publishers, for the emergence and development of books in digital formats.” *eDigita* serves a broad selection of Italian online retailers, including *Mondadori's bol.it* site. In its announcement, eDigita stated that it expected the Italian ebook market to grow to a volume of €60 to €70 million by 2015.

### Mondadori (and Telecom Italia)

*Mondadori*, Italy's largest publishing group, sparked the emerging market by announcing a distribution agreement with Italy's *Telecom* in October 2010, with Telecom and its ebook store **Biblet**, adding some initial 1,200 titles from Mondadori imprints (800 backlist plus 400 new titles, from Mondadori, *Einaudi*, *Sperling & Kupfer*, and *Piemme*). *Biblet* offers ebooks in EPUB and PDF format, with DRM protection. With retail prices under €12 to €14 for many trade

titles, and many offers even lower, the venture shows a remarkably competitive approach to pricing. In May 2011, another agreement was announced, bringing together Mondadori with *Vodafone* Italy for the creation of a “digital tablet kiosk.” With Italians being strong early adopters of *Apple's iPad* (reportedly 300,000 units were sold in Italy by October 2010, according to the online journal *Publishing Perspective*, October 2010), the open question of reading platforms —between tablets and E-Ink–based reading devices— is crucial for Mondadori, which has significant revenue from magazines and newspapers as well as book publishing.

Further distribution services include **BookRepublic**, **Simplicissimus Book Farm**, and the multilingual primarily academic full text and journal distribution platform **Casalini Libri Torrossa**.

Together with the leading Italian online platform for books, *IBS*, several international players compete for the Italian ebook market. *Amazon* set up a localized Italian platform in December 2011; *Google* then followed suit. *Kobo* **started a partnership** with Mondadori in October 2012, and *Barnes & Noble* is expected to set up a branch in Italy as well.

Since 2011, several local innovators have also started to operate in areas such as publishing, distributing, and promoting ebooks, like **DigitPub**. Founded in 2011 in Milan by former *Harlequin Mondadori* president Marco Ferrario, the group comprises the ebook store **BookRepublic** and two ebook publishing ventures: **40k**, specializing in short digital-only books, both fiction and essays, most released in several languages, including Italian and English; and **Emma Books**, catering to a female readership, similar to Canadian Harlequin.

In addition, DigitPub also launched **Zazie**, a social network specializing in books and reading, and **IfBookThen**, a conference format that expanded in 2012 from Italy to Sweden and Spain.

## Sweden

When it comes to books, Sweden has a strong reputation of differing from what observers expect to see in a highly industrialized and technologically advanced market and, at the same time, providing a model for a balanced society founded on civic and democratic values and a social welfare state. Swedish—and Nordic—literature became world famous and staggeringly successful due to serial



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murder novels and conspiracies by the rich, with outcasts such as young hackers or grumpy old police officers being the sole and last resort of law and order. As world-class industrial brands struggle for survival (Nokia) or are passed on to Chinese ownership, one Swedish publishing house (Bonnier) set out to become Germany's third-largest publisher, and has so far successfully imposed its online platforms on the domestic market with a strong and almost paramount presence.

Sweden does not yet have an Amazon or Kindle shop. Despite being a nation of early adopters in new digital technologies—text messages (SMS), Skype, and Spotify were invented in Scandinavia, and Sweden has been an early market for those innovations—ebooks are still in their very early days there. Yet according to many indicators, in 2012 ebooks are showing strong growth in Sweden, but again, in a unique way: libraries, not booksellers, are at the forefront of the trend, as they account for about 85 percent of the ebook market today, according to identical statements provided for this report by the trade magazine *Svensk Bokhandel* and the leading Scandinavian ebook distribution platform *elib*. This strong role of libraries, and their popularity with many readers, has resulted in significant skepticism from publishers, on how to commercialize ebooks in meaningful ways. (*Publishing Perspectives*, 22 August 2013) In 2013, the launch of a specialized platform to bring publishers and libraries together has been started under the brand name of *Atingo*. (For details, see at “*Distribution and specialized ventures*” on page 43

Furthermore, the Swedish (print) book market has recently come under pressure with an estimated decrease of 5 percent in the first half of 2012 versus 2011, a trend that continued for most book chains into the second half of the year. However, the leading online book retailer, Adlibris, of the Bonnier group, recorded an increase in turnover in December of around 2 percent. 2011 had seen 5 percent overall growth of the book market, largely driven by a few particularly strong bestsellers, yet this growth came after a weak first half of the year and after four years of continuously dropping sales—a trend not seen since the 1970s, according to the Swedish Publishers Association (quoted in *Svensk Bokhandel*, September 2012, and updated in January 2013 for this report).

In Sweden, as in the other Nordic countries, the ebook market is only newly emerging. eBook sales have hardly any current market share, and their growth has so far been challenged by uncertainty in most key parameters, includ-

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ing pricing and availability as well as VAT of 25 percent for ebooks versus 6 percent for printed editions.

Still, 2012 has seen a significant increase in sales, from 10,000 in 2011 to over 34,000 in 2012 (data from *Svensk Bokhandel* for this report). Holiday sales greatly contributed to this development, with ebook sales largely mimicking print bestsellers, including crime novels, E.L. James' *Fifty Shades of Grey*, and local celebrity biographies in the lead (information from distributor eLib for this report).

These recent dynamics notwithstanding, the gap in ebook development between Sweden and the English-language market is still remarkable, given Sweden's significantly high Internet penetration and the affinity of Swedish consumers for digital offers.

One important factor may be the absence from the Swedish market of direct pressure from major global players, notably Amazon; at this point, no concrete dates have been announced for global platforms there. Apple opened a Swedish iBookstore in January 2012. Local online shops prevail instead, with *Adlibris* as the market leader, which is owned by the country's largest publishing group, Bonnier, followed by *Bokus*, which is owned by the Swedish KF (or “*Coop*” group). In December 2012, a *new platform* was introduced by a group of independent publishing houses led by Norwegian Schibsted.

Adlibris launched its own ereading device, Letto, in June 2012, but Apple's iPad is still considered to be the most popular device among readers. Among publishers, promotion of ebooks is currently not a high priority, and only a selection of new titles is released digitally, with an estimated 500 new digital titles rolled out per year versus 3,000 for printed books. Even leading publishers so far have only a limited catalog of available ebook titles (Harlequin has around 400; Nordstedts, Bonnier, and Natur & Kultur have fewer than 400 each; Piratförlaged has around 200). With retail prices between 100 and 170 Swedish krona, ebooks sell at about 10 percent less than printed editions.

A new and so far widely successful approach was started by *Novellix*, a startup founded in May 2011 and specializing in the publication of short stories and other books with a limited volume of around 32 pages each, which are released in print, audio, and ebook formats. Novellix titles are available through all major online platforms for books in Sweden, as well as through Amazon. Novellix's titles include one of the early ebook bestsellers in Sweden: *Heder*, by Jens Lapidus (*Publishing Perspectives*, July 30, 2012).



## Sweden

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	€783 million	Publishers Association
Titles published per year (new and successive editions)	4965	Source: Publishers Association
New titles per 1 million inhabitants	528	
eBook titles (available from publishers)	4800	Estimate
Market share of ebooks	ebooks only starting to appear, lending more popular than buying	
Key market parameters	Most ebook titles without DRM; no price regulation; 6% VAT for printed books; 25% for ebooks	

The publishing and bookselling arm of KF, Akademibokhandeln (which is also linked, through the umbrella of KF, to Norstadts Publishing), and Bokus were also early innovators, as they launched an integrated reading and book-selling platform branded as **Dito** at the Gothenburg book fair in September 2011, with an app available for both Apple and Android platforms. At launch, Dito offered 5,400 titles in Swedish as well as between 75,000 and 100,000 titles in English, in “all formats,” according to the KF release (quoted in *Svensk Bokhandel*, [September 11, 2011](#)).

In contrast to other European markets, DRM is not widespread in Swedish ebooks.

### Distribution and specialized ventures

Scandinavia’s largest ebook distributor is **Elib**, founded in 2000 and owned by the Swedish publishing companies Bonnier, Natur & Kultur, Norstedts (of the KF group), and Piratförlaget. This producer and distributor currently distributes about 50,000 digital books per month to major retailers and libraries in Denmark, Sweden, Norway, and Finland. The relative success of Elib is connected with strong ties as a service provider to libraries, which greatly dominate the ebook market at this point. Elib is selling about 13,500 ebooks each month to retailers and about 85,000 to libraries.

**Publit** is Sweden’s second-largest ebook distributor and initially offered print-on-demand services. It was founded in 2006 and offered its first releases in 2008.

In 2013 Publit, together with the technology provider *Axiell*, has launched a service, branded as **Atingo** to bringing publishers together with libraries, working with more than 1000 public libraries and 3,000 school libraries throughout Scandinavia and the UK.

## Denmark

With a population under 5.5 million (yet in one of Europe’s most developed regions, located between Germany and Sweden), Denmark hosts a significant publishing industry, with internationally active groups such as Egmont and Gyldendal, as well as significant local branches of major players in both publishing and retail from other Scandinavian countries, including Swedish Bonnier. The majority of the highly educated reading audience is fluent in English, to the point where translations into Danish are significantly impacted.

Local publishers—notably, Egmont, Gyldendal, Lindhardt og Ringhof, Politikens Forlag, and People’s Press—have started to release ebooks and are extending their catalog to an expected list of 13,000 titles by early 2013. Distribution has been organized through a consortium-driven platform, **Publizon**, which was founded in 2005.

Publizon is a platform for distributing ebooks and electronic audiobooks, which are “sold by the affiliated retailers. Publizon handles the task of assembling the content from numerous content providers and distributes this catalog to the associated retailers who can be both Internet bookstores and brick-and-mortar retailers” (company statement). Publizon is currently focusing on PDF and EPUB formats. The platform releases a weekly top ten ebook bestseller list, which currently displays a significant share of Scandinavian fiction, including authors Jo Nesbo and Jussi Adler-Olsen but also internationally acclaimed writers such as Haruki Murakami.

Publizon also imports foreign language titles, aside from private imports by consumers, notably from Amazon UK.

The largest ebook retailers are considered to be **Saxo**, which launched its dedicated platform for self-publishing

## Denmark

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	4,000 million DKK (€540)	Bogmarkedet
Titles published per year (new and successive editions)	ca. 9,619 titles	
New titles per 1 million inhabitants	1,275	
eBook titles (available from publishers)	7,000	10,000 trade titles expected by January 2013 (Bogmarkedet)
Market share of ebooks	1% to 2% in 2011	Bogmarkedet
Key market parameters	No price regulation. VAT at 25% for both print and ebooks.	

(Saxo Publish) in September 2012; the dedicated ebook platform riidr.dk; [Adlibris](#) (by the Swedish Bonnier group); and Danish Gyldendal's [g.dk](#). But Amazon also has a significant market presence through its British site [www.amazon.co.uk](#), catering to the high percentage of readers who are fluent in English. Apple's iBookstore is also popular with users.

According to the Danish book trade magazine [Bogmarkedet](#), E ink–based reading devices have a limited presence in Denmark, while the iPad is “dominating the market totally.”

The average retail price for ebooks is between 99 and 179 DKR (Danish crowns), at a discount of 40 to 50 percent from the printed edition. There is no price regulation for printed books or for ebooks, and both formats are subject to 25 percent VAT, which is among the highest rates in Europe.

## Norway

With a population of just around 5 million—yet a nominal GDP per capita of \$97,254 (2011) and an economy benefiting from rich offshore oil resources—Norway is spending part of its fortune on significant subsidies to its culture. The country's book market, which is worth around €800 million, is commercially embedded in the wider Scandinavian market, dominated commercially by publishing companies from Sweden (e.g., Bonniers) and Denmark (Gyldendal), yet with a local book production that is strongly supported by government funding, as it acquires 1,000 copies of every book that a Norwegian author publishes. Furthermore, every Norwegian author who is a member of the Author's Union receives an annual grant of \$19,000 (Andrew Goldstone and Lee Konstantinou: [To Norway!](#)).

Aside from state support, local Norwegian authors, such as Jon Michelet (*En sjøens helt, The Hero of the Seas*) and Per Petterson (*Jeg nekter, I Refuse*), are embraced by a large domestic readership. And they compete on par with international stars like E.L. James (*Fifty Shades of Grey*, with 420,000 copies sold of the combined three volumes in 2012) or Jeff Kinney (*Diary of a Wimpy Kid* series, which sold 440,000 copies).

Unlike neighboring Sweden, ebooks have made a significant impact on Norwegian readers. In 2012, 148,000 ebooks worth 10 million Kroner (€1.34 million) were sold (data provided by the Norwegian book trade magazine [Bok&samfunn](#) for this report). Some 3,500 titles are available as commercial ebooks.

All ebooks from Norwegian publishers are distributed by one central platform, [Bokska](#), a service provided by the industry information service Bokbasen (or [Book Database](#)), which is co-owned by major publishers, distributors, and booksellers in Norway (more details [here](#)). By the end of 2012, Bokska had 100,000 registered users (up from 50,000 in August). The platform calls itself a “digital bookshelf which provides secure storage of all your e-books purchased in a Norwegian online bookstore. The books can be downloaded or read in the apps offered by Norwegian online bookstores,” with all major retail platforms being members. In addition, Bokska also offers an HTML5-based app for offline reading in EPUB format.

With the ambition of creating a vast library of earlier Norwegian literature and making it digitally available to the country's readers, the National Library of Norway has started a substantial digitization effort. In collaboration with [Kopinor](#) (the Norwegian collecting society that represents all domestic copyright holders through its 22 member organizations), 250,000 works are to be digitized by 2017,

with 60,000 titles already available “to anyone with a Norwegian IP address” (read more [here](#)).

## Netherlands

2012 was a tough year for the Dutch book market, as sales had declined by 6.3% in value and 4.3% in volume. (Information provided by the publishers’ association [www.nuv.nl](http://www.nuv.nl) for this report). Earlier reports saw an even stronger decline for the first quarter 2012, of –15.4%, hitting top-selling titles particularly hard and resulting in the chain bookstore Selexyz’ filing for bankruptcy in March (*buchreport*, [March 26](#) and [August 2, 2012](#)). The overall economic crisis is seen as a central factor causing the shrinking of the book market. At the same time, the Dutch ebook market saw a comparatively positive evolution, even though it does not yet compensate for the loss in print revenue. For 2011, the trade association NUV recorded ebook sales of about €7.6 million from a catalog of some 10,000 commercialized titles in the Dutch language. By mid 2012, the title catalog was estimated to have grown to 16,000 titles, with a market share of 3 percent, which may grow to as much as 7 percent by the end of the year (estimates by [goodereader.com](http://goodereader.com) as well as by Jürgen Snoeren at the [Futurebook blog](#)).

Anticipating further rapid growth in ebooks, the largest Dutch ebook publisher, De Arbeiderspers | A.W. Bruna Uitgevers, has decided to use watermarks instead of hard DRM effective January 18, 2013, for its current catalog of 1,200 digital titles (more [here](#)).

## Netherlands

Key Indicators	Values	Sources, comments
<b>Book market size (p+e, at consumer prices)</b>	€1,174 million (Trade: 557m)	Publishers Association
<b>Titles published per year (new and successive editions)</b>	23,300	Publishers Association (NUV)
<b>New titles per 1 million inhabitants</b>	1,293	
<b>eBook titles (available from publishers)</b>	10,700	Estimate, Publishers Association
<b>Market share of ebooks</b>	2.2%	Estimate, Publishers Association
<b>Key market parameters</b>	Fixed book prices for year 1 after publication; VAT of 6% for printed books versus 21% (from October 2012) for ebooks	

This recent development must be compared to an initially slow start in an ebook market that had been characterized by readers and consumers that showed little enthusiasm in migrating from print to digital, according to a study by PricewaterhouseCoopers (PwC) carried out among consumers and experts from the publishing industry in 2010. In addition, the survey concluded that iPads and other tablets had little use as reading devices. The ebook market in the Netherlands shows similar characteristics as Germany, with a conservative approach to digital publishing outside of science, technical, and medical (STM) publishing. In public professional debates, the threats—rather than the opportunities—are highlighted, such as the risk of lost print book sales.

However, the situation started to change in early 2011, when the trade magazine *Boekblad* reported that as many ebooks were sold in the Netherlands in the first half of 2011 as were sold in 2010 altogether. For January through June 2011, ebook sales totaled €3.4 million, with about 327,000 units sold. From there, the growth curve continues to go steadily up.

Momentum is building in the Dutch ebook market from the addition of several of the big global players. Apple, Google, and Kobo (partnering with the retailer Libris BLZ in the Netherlands) launched localized platforms in 2012, and Amazon is as well. Barnes & Noble is expected to follow

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before the end of the year—challenging the current market dominance of BOL.com. As ebooks are not subject to a fixed retail price, a war on prices is expected to begin (see this [blog post](#) at *FutureBook* by Jürgen Snoeren).

Further expansion of the ebook market will have the advantage of a reading audience that has already heavily embraced printed books in English.

## Distributors

Online media store **BOL** is the leading Dutch retailer, serving over 2.7 million customers, which makes it the market leader in the online sales of media products and the largest online media shop of the Netherlands. The store has a catalog of over 3.8 million products. As for ebooks, BOL has partnered with German distributor **Txtr** since 2010. In February 2012, BOL.com was acquired by the general retail giant Ahold (in full: **Koninklijke Ahold N.V.**) for €350 million (read more [here](#)). In January 2013, BOL [posted solid growth](#), making it the main engine for Ahold's performance in the Netherlands, with books increasing at a double-digit rate, according to BOL book director Petra Lubbers (*Boekblad*, [January 11, 2013](#)).

French-founded B2B distribution platform **ePagine** also operates a **Dutch platform** serving a broad list of publishers, including Artemis, Athenaeum, Kluwer, and Querido and retailers and wholesalers **Boekhuis** and **Luisterhuis**, as well as ePagine itself and the British Gardners Books.

Several other platforms have been launched to sell, stream, and lend ebooks, including **Yindo** and **ebook.nl**.

## Reading Devices

In the Netherlands, iRex Technologies, a spinoff of Philips, introduced ereaders at the end of 2008 and reported sales of just over 4,000 units by the end of 2009. Sales rose to 50,000 ereaders by mid year 2010, but this was not enough to prevent iRex from filing for bankruptcy protection in June 2010.

Several other ereader manufacturers have filed for bankruptcy protection as well, including the manufacturer of the **Cool-er ereader** and the European division of Foxit.

In the meantime, a number of ereaders are available that have the capability to integrate with online stores. For example, bol.com offers readers with WiFi capabilities, among them the Sony eReader and the BeBook Neo, which was developed in the Netherlands.

## Pricing

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In the Netherlands, as in Germany, bookstores must use the price defined by the publisher because of fixed book price arrangements. The fixed book price arrangement in Germany is not subject to any time restriction, whereas the corresponding arrangement in the Netherlands is applicable for only the first year after the publication of printed and digital books.

As in most other European markets, a VAT of 6 percent is an advantage for printed books versus ebooks (taxed at a VAT of 19 percent, which will rise to 21 percent by October 2012; source: *Boekblad*).

## Austria

Austria is a good example of a relatively small market neighboring a much larger territory and a market of the same language. With a population of about 8 million, Austria is roughly 10 percent the size of Germany in all major relevant respects for this study and shares both the vernacular and, largely, the current cultural and media framework of its dominating neighbor. Both countries are members of the European Union and the Euro Zone.

With regard to printed books, books from German publishers already reign supreme in Austrian bookshops, namely the chain stores as well as the online platforms of Amazon, **Thalia**, and **Weltbild**, serving the Austrian market from headquarters in Germany. Amazon also serves Austria from its German Kindle store, which opened a localized version in April 2011. Although local Austrian bestselling lists show, as would be expected, significant differences from locally branded authors (e.g., local celebrities as well as local literary talent), the overall pattern and a share of roughly two-thirds of those charts are very similar to those in Germany (for details, see [Diversity Report 2010](#)).

On the other hand, local Austrian publishers have always confronted substantial hurdles to bringing their books to retailers, to media, and hence to consumers in Germany, where Austrian imports account for only about 3 percent (not, as expected by the equivalents in size, around 10 percent). In recent years, this imbalance has significantly increased. Between 2008 and 2010, in an overall flat book market in both Germany and Austria, imports from Germany to Austria have increased by 8.14 percent, as exports by Austrian publishers into Germany slumped by a remarkable 24 percent, reflecting on a domestic publishing sector in Austria that has ever growing difficulties in reaching out beyond its borders.

The Austrian debate on ebooks has been largely shaped by Hauptverband des österreichischen Buchhandels, the Austrian publishers and booksellers support of their German equivalent Börsenverein, in their legal action against Google's unauthorized digitization of copyrighted works from libraries and against the proposed—and, at least for the US, widely accepted—Google settlement. No recent comments have been released as to the association's stand in view of those recent developments.

In November 2012, the association published its second report on ebooks in Austria, but with most data limited to the years 2011 and 2010, which have only very limited value to assess the situation as of late 2012. Because Austria is largely served by publishers, retailers, and distributors from Germany, it is fair to assume that developments as described for Germany largely apply also to the Austrian market, meaning that ebooks are increasingly embraced by the strongest readers, and that retail sales show a significant shift from traditional chain stores to online, notably to Amazon. This last trend has been highlighted by several small Austrian publishers interviewed in late 2012 for this report. Some of the interviewees, however, recognized in that shift an opportunity, notably with regard to bringing ebooks to the tenfold larger German market, as it allowed them to compete on par with the much larger German publishing houses. eBooks and the various services proposed by Amazon would more and more lower the barriers of entry and compensate for a disadvantage of geography for small enterprises.

A top 20 fiction ebook bestselling list for October 2012, which was included in the association's ebook report, was unsurprisingly dominated by James' *Shades* trilogy, followed by Rowling with *Casual Vacancy* and numerous international blockbuster titles, like Ken Follett's *Giants* saga and Jonasson's *Hundred Year Old Man*. All top 20 titles came from German publishers.

## Austria

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	€792 million	Publishers Association
Titles published per year (new and successive editions)	8,505	Publishers Association
New titles per 1 million inhabitants	1,028	

Austrian publishers have been very cautious with regard to investing in digitization, with most starting only in 2011, or even 2012, to regularly offer new print releases in ebook formats. A preference for direct distribution of ebooks by the publishers, which could be seen in 2011, has diminished, as most houses have signed service contracts with German distributors.

Some, like general trade publisher Haymon, started to build a modest list in 2011 and added digital editions of their printed releases as a routine procedure as of spring 2012.

But, as on the German side, the ebook market is largely dominated at this point by a few leading publishing groups. It is foreseeable that it will be increasingly difficult for small Austrian publishing houses to carve out a digital niche.

A first survey of the Austrian ebook market, released on September 29, 2011, by the Austrian publishers' and booksellers' association HVB showed that just 17 percent of Austrian publishers have sold ebooks as of 2010. Another 21.7 percent are planning to do so in 2011, 30.1 percent at some point in the future, and 36 percent said that they had no plans for ebooks. This compares to Germany, where 35 percent of publishers already offer ebooks, and another 43 percent plan to include ebook editions in the near future (for details, see the Börsenverlag study from spring 2011 in the discussion on Germany). The Austrian study reveals several more distinctly different developments and expectations between the two countries, as even those publishers in Austria who have launched ebooks do so for just 10 to 20 percent of their new releases and prefer distribution from their own website (with online retailers and Libreka being the second and third most popular options for distribution). PDF is the prevalent file format, with 88.5 percent of the titles, but half are available as EPUB as well, and 15 percent in the MobiPocket format for Amazon's Kindle. Three out of four books are distributed with some copyright management included, but only 35 percent of the books come with DRM, and 65 percent have digital watermarks built in.

Under such circumstances, it is hardly surprising that no domestic infrastructure for ebook distribution and services has been set up, and publishers—just like local chain and independent bookstores—are instead encouraged to use services from companies based in and run from Germany. At this point, no local branch offices of any of the major German service providers have been opened.



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## Poland

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	€697 million	Renek Mendrun: Polish book market study, 2010
Titles published per year (new and successive editions)	21,740	
New titles per 1 million inhabitants	571	
eBook titles (available from publishers)	18,000	at EMPIK, by year end 2011: 9,937 ebooks, 1,017 audiobooks, 7,288 free ebooks for logged on customers (EM&F Group/EMPIK/Virutalo)

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**Key market parameters**

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As in other European countries, books are subject to a reduced VAT of 10 percent, and ebooks carry the full 20 percent VAT and are discounted against printed editions by 10 percent on average.

## Poland

With an estimated 8,000 trade titles available as ebooks and scanning initiatives for public domain books accounting for about 27,00 titles (mostly in PDF), the Polish ebook market is in its early stages. However, the topic is widely debated, such as in panels at the 2011 Warsaw Book Fair. More importantly, major domestic actors are committed to developing their strategic position.

By the end of 2011, and for the holidays, ereaders were promoted heavily, and most publishers started to add rights for ebook editions to new author contracts. However, printed editions and ebooks were considered different products and were usually not promoted together. This resulted in only modest growth in sales. eBook best-selling titles included Umberto Eco's new novel, *The Prague Cemetery*, and the biography of Apple founder Steve Jobs by Walter Isaacson.

Regarding devices, industry sources estimate an installed base of about 20,000 Kindles, 7,000 ONYX BooX readers, 20,000 to 40,000 iPads, and 250,000 to 350,000 iPhones (source: EMPIK).

A discussion of ebooks in Poland cannot be limited to a focus on an exclusively domestic market. Not only are foreign-language imports—notably in English and, to a certain degree, in German—already a staple for printed books, but in addition, imports and adaptations of devices are met with significant attention, such as when a Kindle edition of the weekly news magazine *Polityka* is promoted (without a localized Kindle shop by Amazon in sight) or when a Polish programmer comes up with an upgrade that

allows the popular American Kindle device to **read ebooks aloud in Polish**.

**Empik**, the largest chain store and online shop for books and cultural goods in general (CDs, films, multimedia games, art&pap, press, tickets for cultural events), which is owned by NFI Empik Media & Fashion, is moving into the emerging market, with 175 stores in Poland and 19 in Ukraine (as of October 4, 2011). In 2007, Empik set up [empik.com](http://empik.com) to extend their international business by offering foreign language (primarily English and German) products and by catering to communities of Polish customers internationally. In its online stores, Empik is offering 250,000 Polish and 425,780 products in its foreign catalog. Since November 2010, Empik has promoted its own dedicated ereading device, the Oyo, and in 2011 it added the Boox as well as other devices. By summer 2011, the Empik ebook catalog included 4,521 titles in EPUB format and 4,068 in PDF format, with most (7,010) selling under 50 Zloty (or €12), similar to the retail price for printed books. eBooks have their own section at [empik.com](http://empik.com), plus a "Top 50 ebooki" bestseller chart and promotional campaigns such as heavily discounting a popular series (which included the Stieg Larsson *Millennium* trilogy) in March 2011.

**Virutalo Sp. z o.o.**, in which Empik Group holds a controlling stake of 51 percent, claims to be the largest electronic bookstore in Poland, specializing in a mix of ebooks, digital magazines, and devices, with a catalog of 12,600 ebook titles.

**Weltbild** is the Polish subsidiary of the successful German parent Weltbild, as a chain store, online shop, and ebook platform; Weltbild relaunched its Polish platform earlier in 2011, aiming to strengthen its position in the Polish market as a vendor for cultural as well as beauty and household supplies, catering to some 800,000 customers each month.

**BezKartek** (literally "book without pages") is a platform launched in 2009 and dedicated to the distribution of



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ebooks, audiobooks, ereaders, and Apple iPhones. Its catalog includes 145,000 books, of which 1,400 are in Polish. The initiative's goal is to "popularize ebooks," serving various formats (PRC, PDF, EPUB, and mp3), and to expand their offer by partnering with selected foreign publishers, notably German educational and language teaching Klett Group and the Polish branch of Canadian romance publisher Harlequin. The venture is the offspring of Apetonic, a local consultancy specializing in IT and telecommunications and financed through the Dracula Investment Fund, plus private investors from Poland and France.

**Libranova** is a promotional platform for ebooks and digital reading.

**Wolne Lektury** is a project launched by the Modern Poland Foundation in 2007, promoting and displaying school reading as identified by the Polish Ministry of National Education, with a library of predominantly Polish classical literary books in the public domain.

## Central and Eastern Europe: eBooks in English and Local Languages

### Overview by Miha Kovac

While most of the international debate focuses on ebook developments in only the largest markets, an analysis of smaller markets allows an exploration of whether or not the digital publishing and distribution of books can provide new opportunities for small and highly diverse book cultures, with audiences that are often particularly fragmented between a domestic population and relevant groups that have migrated overseas. Also, it allows us to highlight how the emergence of ebooks reinvigorate and accelerate other patterns of change, such as the increasing tendency of the strongest readers to read in two languages, their mother tongue and English. Finally, relatively small local publishers and retailers in those markets usually find themselves confronted at once by totally new competitors as consumers privately take advantage of the possibilities for privately importing books and e-reading devices from global platforms such as *Amazon* or *Apple*, which results in further strain for local actors in an already strained economic environment.

The case study of this chapter aims at analyzing this complex evolution, as Central Europe offers a good example through its unique set of small countries that stretches from the Baltic to the Adriatic sea, each with less than five

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million inhabitants and speakers of languages more or less limited to their national states (*Estonia, Latvia, Lithuania, Slovakia, Slovenia, the Czech Republic, Hungary, Croatia, and Serbia*). Regardless of their shared history in the second half of the twentieth century, significant economic, political, and cultural differences are also an inherent part of their contemporary identities, as much as the fact that today's economic recession hits them in very different ways.

The book markets in *Estonia, Latvia, and Lithuania*, commonly described as the *Baltic* region, were most severely struck by the financial crisis after 2008 and started to show new growth only in 2012. The economic evolution of *Slovenia*, meanwhile, is different, as it had its worst year in 2012, resulting in a decline of the book market by 10 percent—while it was up by 5 to 10 percent in *Latvia* and *Estonia*.

## The accelerating impact of English reading

Regardless of their differences, these book markets share at least three similar characteristics:

1. With the only exception of Slovenia, in most Central and East European (CEE) countries, many of the old, traditional publishing houses of the Communist era disappeared with the state-centered economy after 1989, while new ones were created by either local entrepreneurs or by international actors, which withdrew from these markets after 2000.
2. In most CEE countries (with the notable exception of Estonia), major bookshops and publishers are often owned by the same mother companies (so bookstores are commonly owned by publishers or the other way around).
3. As English as a second language gains ground massively across the CEE region, all of these markets turn more and more into bilingual reading markets, witnessing a steady growth of imported books in the English language, though it is difficult to quantify this development, as it is largely driven by individual imports of books and, more recently, of digital reading devices. It must be assumed that, to a high degree, these private imports come through the distribution platforms of Amazon and, to a lesser degree, Apple's *iTunes* and *iBookstore*. However, no data have been made public about those trends.

The only empirical reference available are British export statistics, which hint at, for instance, a share of 10 to 15

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percent of English books in Slovenia, while in *Latvia*, *Lithuania*, and *Croatia*, English books supposedly account for around 6 percent of the local market. In all other CEE countries, English-language imports represented 3 to 5 percent of the market in 2011. This difference probably echoes the fact that, in *Slovenia*, even in the time of *Yugoslavia*, before 1992, English was the first foreign language usually taught in schools, as opposed to Russian in the other countries of the region.

According to data from the British *Publishers' Association* (PA), in 2012, printed book imports from the U.K. remained stable in *Slovenia*, *Slovakia*, and *Hungary* and were slowly growing in *Romania*, the *Czech Republic*, and *Latvia*, while *Lithuania* and *Estonia* saw a significant 20% growth, as opposed to considerable drops in *Croatia* (as importers expected the abolition of custom charges with Croatia's entrance into the European Union by January 2013). In *Serbia*, a severe general recession has caused a cut in English book imports.

Interestingly, most CEE publishers that agreed to complete a questionnaire for this report have not considered the import of English books as significant or endangering their own sales of translated international bestsellers, with the notable exceptions of Lithuania and Slovenia, where we estimate that notably strong young readers read more than 50 percent in English. Those who emphasize the impact of English reading habits refer to the lower prices of imported books and the broader choice of available titles through both local bookstores and through Amazon.

## The emerging role of ebooks in Central and Eastern Europe

Today, ebooks have everything they need to turn another page in this context. While printed books must overcome slow delivery and high shipping costs, ebooks can be downloaded instantly and at even lower prices than printed books in English. Readers of English are therefore obviously among the earliest adopters of ebooks and e-reading devices. The ultimate consequences, though, may prove to be truly disruptive. Experimental research conducted at the Florence Publishing Summer School (organized by university students and teachers from Paris, Oxford, Leipzig, and Ljubljana) has revealed that, in *Slovenia* in June 2013, a remarkable 70% of the 100 top-selling titles in the Slovene IBookstore were in English. By comparison, in *Germany*, English titles accounted for only 1 percent of the top 100 titles, 3 percent in *Italy*, and 2 percent in *France*.

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The domestic production of ebooks in local languages is a different matter altogether. The relatively poor available data indicate that, in all CEE countries, the number of ebook titles in local languages is still just a fraction of the overall output. In 2012, for example, only 400 to 600 ebook titles were available in *Slovenia*, *Croatia*, *Latvia*, and *Lithuania* each, and 1,600 titles were available in *Estonia*. However, in the first half of 2013, significant growth was recorded across almost all CEE countries: in *Croatia*, the number of available ebook titles increased to 1,800, to 1,000 in *Slovenia* and *Lithuania*, to more than 9,000 in the *Czech Republic*, to between 5,000 and 6,000 in *Hungary*, and to 2,000 in *Estonia*.

In 2011, opening localized versions of their ebook stores was hardly an option for global platforms such as Amazon or even *Kobo*. In Apple's iBookstore, CEE books were limited to just a few. However, since 2011, a surprising number of local e-bookstores has started to emerge, mostly in the form of startups (e.g. *Palmiknihy* in the *Czech Republic*) or as new ventures from established local combined booksellers and publishers (e.g. *Zvaizgne* in *Latvia*, *Pegasas* in *Lithuania*, and *Mladinska knjiga* in *Slovenia*).

In addition, some booksellers without publishing activities have built their own ebook platforms (such as *Apollo* in *Estonia*), and in some cases, even telephone companies have launched such experiments (e.g. *VIPnet* and *Hrvatski Telekom* in *Croatia*). In the Czech and Slovak republics, platforms such as *Martinus* and *Palmiknihy* operate across the border in both countries, forming the only cross-border operations in a highly fragmented region.

Judging from publishers' responses to a questionnaire for this report, a majority assumes that local platforms are currently local market leaders, as Amazon has not yet entered the CEE market. This might change by 2014, as Amazon has announced plans to establish a regional logistics center in the *Czech Republic*, and it must be assumed that other global players will follow suit quickly.

Besides such locally developed e-distribution platforms that were prevalent in the region, *Mladinska knjiga* in *Slovenia* has developed its own digital bookstore in a partnership with the American company *Impelsys* (full disclosure: the author of this chapter has been in charge of this project). Additionally, in *Slovenia* in September 2013, the ebook library distribution platform *Biblos* (owned by the local fiction publisher *Studentska založba*), in cooperation with Slovene public libraries, has started to test the unique business model of offering customers the possibility to ei-

ther buy an ebook or borrow it for free for two weeks, with both alternatives proposed through the same Web page.

It must be stressed that, in CEE, there is no real price war between ebook-sellers and print booksellers, as in the majority of cases, ebook retail prices are set by the publishers. Quite obviously, the common vertical integration between publishers, booksellers, and ebook sellers seems to make a strong case for a rather peaceful cohabitation of the *analogue* and *digital* side of the business, and the attitude is shared even by independent ebook sellers.

In a majority of CEE countries, most of publishers discount ebooks by about 30 percent, with *Slovenia* being the only exception, as publishers have decided to set the prices of ebooks equal to those of paperback editions, the main reason for this being the fact that, due to the higher VAT and higher royalties, the production costs of ebooks more or less equal those of printed books.

In all CEE countries, the preferred format for local ebook titles is *EPUB*, and most publishers use hard DRM, but with a growing skepticism as to its value, so watermarking is gaining in popularity.

## Slovenia

In the tiny Slovene publishing market, which is worth an estimated €80 to €100 million at consumer prices, according to the official statistics, more than 6,000 titles are released every year. However, recent research has shown that, out of these 6,000, only 3,500 to 4,500 titles are published for sale on the marketplace, while the rest are reports, directories, and self-published titles for both corporate and private use.

Slovenians are remarkably strong readers and are used to reading books not only in their native language but also in English and, to a lesser degree, in German. In larger bookstores, English titles—which represent an estimated 15 percent of the Slovenian market—are not in separate *foreign language* sections but are seamlessly intermingled with domestic titles. Public libraries with more than 12 loans annually per inhabitant add to the ample reading diet of Slovenians.

In 2013, two ebook distribution platforms, *Biblos* and *e-Emka*, appeared. Owned by fiction publisher Studentska založba, *Biblos* started as a library lending platform in cooperation with Slovene public libraries and quickly registered more than 7,000 ebook library users. In September 2013, *Biblos* started to offer users the opportunity to buy

ebooks from the library platform if no copies for lending were available. Mladinska knjiga started to run its ebook store in July 2013 with 200 titles, including a majority of its bestselling authors.

By the time this report was completed, it was clear that, in first nine months of 2013, sales of Slovene ebooks grew more than 300% in comparison to all of 2012 (when only Apple's iBookstore was open for business), and the number of available ebook titles in Slovene has doubled. Nevertheless, ebook sales still represented less than 1% of the overall market, and only Mladinska knjiga and Studentska založba are systematically publishing their new releases as ebooks, together with print.

The e-best-selling authors of 2012 and 2013 were Jonas Jonnason and Sylvia Day, and the Slovene publisher of E.L. James' *Fifty Shades of Grey* trilogy decided against an ebook version of this title. Two heavy bestsellers of 2013, Dan Brown's *Inferno* and Sylvia Day's *Entwined with You* were published simultaneously in ebook and print formats. It can be assumed that, concerning reading devices, tablets and smartphones prevail.

Ebooks are subject to the normal 22 percent VAT, while printed books benefit from a reduced rate of 8.5 percent. A legal deposit applies to all Slovene ebooks.

### Slovenia

Key Indicators	Values	Sources, comments
<b>Book market size (p+e, at consumer prices)</b>	€80 million in 2012	Estimates by Mladinska publishers
<b>Titles published per year (new and successive editions)</b>	5,621 (from 6,139 in 2010, of which around 3,500 are trade titles)	Estimates by Mladinska publishers
<b>eBook titles (available from publishers)</b>	1000	Estimates by Studentska založba and Mladinska publishers

## Lithuania

The Lithuanian book market was hit hard by the economic crisis in 2009 and 2010, with a significant recovery starting in 2011, as 3,280 new titles were published (up 22.3 percent from 2010), and 3,450 new titles were estimated for 2012.

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Some 1,000 commercial ebook titles had been released by mid-2013. eBooks are subject to the normal VAT of 21 percent (compared to a reduced rate of 9 percent for printed books). So far, a legal deposit is only partially applied to ebooks, and ebooks have not been dealt with in national copyright legislation.

Several publishers, including Alma littera, Obuolys, Šviesa, TEV, and Baltos lankos, have started to launch ebook editions of their titles alongside the print editions, with EPUB being the most popular format, and most ebooks are protected by hard DRM. Most ebooks are distributed by *Skaitykle*, a platform that also sells reading devices. Other ebook distributors include *Knygos* and *100knygu*. More recently, publishers have started to distribute their ebooks via global platforms, notably Apple, Amazon, and Kobo. PCs and laptop computers are frequently used for reading ebooks, as dedicated ereaders are costly for Lithuanian consumers.

It is estimated that sales of ebooks will reach 1% of the market by the end of 2013. The biggest e-bestseller of 2013 was the *Fifty Shades of Grey* trilogy. It is assumed that, among reading devices, tablets and smartphones prevail.

Piracy is an issue of increasing concern, with a number of websites dedicated to delivering Lithuanian books, often scanned from print, notably *El-knygos.eu*, *Elknygos.lt*, and *Nemokamospdfknygos* (Aida Dubkevičiute, director of the *Lithuanian Publishers Association*).

## Bulgaria

In 2012, the Bulgarian print book market grew by some 8 percent, with an annual inflation of 4 percent, so the recent net growth was 4 percent.

In Bulgaria, some 1,500 ebook titles are available, of which two-thirds are from Bulgarian authors and the rest from translations. The market share of ebooks is lower than 1%, maybe about 0.2%. English-language titles are mostly ordered by individuals from Amazon, but no detailed information is available.

The domestic market is largely dominated by local—as opposed to international—publishing houses, a majority of which have started to release ebook editions of new titles, notably *Ciela*, *Colibri*, *Trud*, *Hermes*, *Era*, *Enthusiast*, and *Gurme*.

The leading distributors are *Ciela*, *Vivabooks*, *Vivacom*, *Helikon*, *Bgkniga*, *Mtel*, *Biblio*, and *Ebooks*, all using *Adobe*

*Content Server DRM*, which is reportedly causing problems on certain smartphones. Preferred reading devices are dedicated ereaders, laptop computers, and tablets.

Piracy is a serious problem on the digital front, but not for printed books. Books are often scanned and illegally distributed via the Internet, with distribution sites generating income from advertisements. Blocking of websites is not allowed.

Source: Vesselin Todorov, *Ciela Norma*, Sofia, Bulgaria.

## Hungary

The Hungarian book market has been nominally flat over the past several years, but when including inflation, a decline of 5 to 6 percent per year is revealed.

Currently, some 5,000 to 6,000 titles are available as ebooks, representing a market share of around a percent overall and around 1 percent for fiction. The overall leading trade publishers, notably *Ulpius-ház*, *Magvető*, and *Kossuth*, have been most active in the digital segment, providing the Mobi, EPUB, and PDF formats, usually with social DRM. The strongest distributors and retailers for ebooks are *Ekonyv.hu*, *Multimediaplaza.com*, and *Polc.hu*, aside from direct purchases by consumers from the big global platforms (notably Amazon and Apple).

An estimated 30,000 to 40,000 pirated—that is, mostly illegally scanned—books are on offer, but stakeholders see their impact no longer increasing as legal versions become available.

The biggest e-bestseller in the first half of 2013 were the *Fifty Shades of Grey* trilogy and three books by Hungarian authors.

The VAT on ebooks is 27%, one of the highest across Europe, while the VAT on printed books is only 5%. The preferred protection is watermarking, and the preferred formats EPUB and Mobi.

Source: Geza Morcsanyi, *Magvető*, Budapest, Hungary, and Péter Inkei, *Budapest Observatory*.

## Romania

The Romanian book market saw a major downturn around 2008–2009, and since then, it has remained flat. Kiosk (or partwork) editions have also decreased in volume recently.

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An ebook segment only started to emerge in 2012, and for 2013, it is estimated that the market share will be above 1%. Approximately 65% of newly published fiction books are converted to eformat and put on sale as ebooks. According to industry estimates, only 10 to 12 trade publishing houses have started to release ebooks, including Polirom, Humanitas, and Litera. Currently, some 1,500 to 1,800 titles are available in digital format, mostly in EPUB. The leading ebook distributor is *Elefant*.

Besides local authors, Tracy Chevalier and Haruki Murakami were e-bestsellers in the first half of 2013. As in most of the other CEE countries, the VAT on ebooks is much higher than the VAT on printed books (24% vs. 9%).

No Kindle editions are produced, as Romanian is currently not among the officially supported languages.

Source: Siviu Lupescu, *Polirom*, Iasi, Romania.

## Serbia

The Serbian book market has an estimated retail value of €50 to €70 million (excluding textbooks).

No local distribution platform for ebooks exists so far, as the cost of development would exceed the possible income. For the Apple platform, some local subcontractors operate and normally add a markup of 30 percent on the retail price of a work, in addition to Apple's 40 percent fee, leaving a mere 30 percent for the originators of the work. Amazon's direct publishing services are not available in Serbia, and the Serbian alphabet (either in Cyrillic or in Latin) is not actively supported for the generation of ebooks.

Piracy is endemic, with illegal downloads of movies, music, and now ebooks being routine for many consumers. As a result, content owners (namely publishers but also authors and translators) are very reluctant to expose their content to piracy in digital formats.

Source: Aleksandar Drakulic, *Knjizara*, Belgrade.

### Conclusions on Central and Eastern Europe

In this current, early stage, small markets overall seem to lag behind in their domestic production of ebooks, as the

emerging new niche is challenged by a number of factors: required investments are difficult to earn back in small or at best flat local markets with small language communities. Some local languages have the additional disadvantage of so far not being supported by global ebook platforms for producing ebooks—though in some cases, popular Web browsers are available in local languages, which opens a cultural and practical gap between the usage of the local language against the globalization of English. The strongest—and often best educated and fairly affluent—readers are also those in a position to read in English and make direct purchases, particularly from the shops offered by Amazon and Apple, as well as Kobo and Google, allowing those global players to expand their market share without the cost of localizing their offerings, hence competing with the usually small locally emerging platforms.

In this context, a set of problems was exposed, the most obvious of them being the higher VAT on e-books and higher royalties on translations that more or less equalize the production costs of ebooks and printed books.

Piracy is often not so much direct competition for a commercial legal offer but instead compensates for a legal title list that is nonexistent or still highly limited in scope, while local users nevertheless become accustomed to finding books in digital formats on the Internet, again putting the local legal offerings at a disadvantage against the much broader and better-marketed as well as better-protected offerings in the English language.

The potential of digital technology to cater to niches and to audiences spread geographically at low cost and great convenience has so far not even started to become a competitive advantage for small markets and small local actors.

Google's library-scanning initiative, publicized and made accessible via the *Hathi Trust*, is currently the by far largest collection of digitized books from the many languages in the region, and it will be interesting to observe if, after the 2012 settlement with US publishers, that resource will play a role for starting to change this imbalance, at least in terms of expanding a digital catalog in many small or peripheral languages.



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# Advertorial Copyright Clearance Center

## New Licensing Solutions for a Changing Publishing Industry

By **Michael Healy**, Executive Director, International Relations **Copyright Clearance Center**

As digital technology continues its steady transformation of the book market, we have seen in recent years many new companies entering the industry to grasp the opportunities on offer, and many new alliances being formed between those new players and traditional publishers. One interesting consequence of these developments has been the recognition among established and experienced publishers that there are significant opportunities to license their content for republication. In turn, these new entrants have begun to learn—many for the first time—the challenges associated with securing permissions to use previously published content, whether it is text, illustrative content, or video. As the global e-book marketplace evolves, we are seeing a growing need among new content developers to obtain permissions to re-use content from established publishers, as well as directly from authors, and an expectation that the permissions process should be quick, automated and otherwise trouble-free.

As many publishers will readily admit, the task of securing or granting permissions has not always been a hassle-free experience. The process has often been slow, time-intensive, manual, costly and inefficient, and one important consequence of this has been to place significant pressure on tight production schedules and budgets. As new types of digital products have proliferated—especially in the field of education—the problems have intensified. It's fortunate in these circumstances that licensing,

like the publishing industry it serves, is also changing very quickly and that there are many new services in the market to help publishers—old and new—grant and secure permissions for republication more easily, more efficiently, and more cost-effectively. Such services are not only facilitating the many new types of permissions required by new forms of publishing. They are also helping to eliminate much of the difficulty traditionally associated with the permissions process, and making it simpler for content owners to exploit the licensing revenue opportunities that come with the availability of new types of products and new market channels. Everyone—those seeking permission to re-use content and those granting permission to use it—benefits when the process is simplified and when as much as possible of the inefficiency and delay is eliminated. Those looking to secure permission to re-use previously published content know exactly what they want. Some want to get permission for all the rights they need in a single, completely transparent online transaction and thereby avoid going through the labor-intensive and costly back-and-forth of rights negotiations.

Those selling rights also have clear requirements. Naturally they want to secure the highest possible revenue for their content, but they often want more than that. They want pricing control and flexibility. They want as much automation as possible and sometimes, when it's appropriate to do so, they want to outsource some or all of the work to a trusted and experienced partner in order to relieve some of the pressure on already over-burdened permissions staff.

*Copyright Clearance Center* has a direct interest in these issues. Since it was formed in 1978, it has had a very clear



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and consistent mission: to help rightsholders maximize the value of their content and to provide easy-to-use solutions for those wanting to get permission to re-use it. CCC has been serving rightsholders for more than thirty years, and has paid more than \$1.3 billion in royalties in the past ten years alone. In that time, the ways in which content is produced and distributed has been transformed by digital technology and the channels through which it is provided to users have multiplied. For academic, scientific, trade, educational, and professional publishers, that process of change has become very familiar.

For its part, CCC is responding to the new digital marketplace and the opportunities it offers to rights byers and sellers by developing new services that are directly applicable to the changing needs of all types of publishers. It recently launched, for example, its enhanced Republication Service, a solution that not only allows rightsholders of all kinds to offer buyers a broad bundle of rights in a

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single, simple transaction via [www.copyright.com](http://www.copyright.com), but also allows them to have the flexibility on rules and pricing that they demand in a marketplace that's changing so rapidly. Solutions such as this aim to modernize and streamline processes that are integral to the functioning of a market in which new products and channels are proliferating and in which new players are emerging and new alliances are being formed. For new entrants and established publishers, for content owners and new service developers, for rights sellers and rights buyers, the issues and interests are the same. What everyone wants is to see this new, exciting and increasingly digital industry abandoning as quickly and as completely as it can a permissions process that is outdated, often manual, and often paper-based. What everyone wants are efficient and automated solutions and streamlined services that reflect the dynamism and excitement of today's and tomorrow's products and marketplace.

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# Emerging Markets

## Russia

70% of Russian readers read ebooks, according to a survey in 2013, and the competition from online and digital is seen, by 65%, as the main reason for a decline in the circulation of printed books, followed by 28% who spend less time reading, and 27% who refer to the cost of books on paper. As 92% admit to getting ebooks from the Internet “for free”, the report also highlights the impact from endemic piracy on the (legal) Russian book market. (Data reported by [Russia beyond the Headlines](#), 28 June 2013)

Russia has a book market currently worth 60,000 million Rubles in sales (ca \$1,865 million, down from US \$2 billion in 2011), according to estimates from the largest retail chain and publisher, Ozon, quoted by the Russian Federal Agency for Press and Mass Media. If purchases by public institutions are included, for instance for school libraries, the total value is around 79,000 million Rubles, or \$ 2,456 million, according to the Russian Book Industry Magazine, in a briefing for this report).

Developments in Russia’s book market has been complex and unsteady in recent years. After significant growth in the early 2000s, when the value of the Russian book market had almost doubled from US \$1.6 billion in 2003 to US \$3.0 billion in 2008, the trend was reversed when the economic crisis hit, bringing the market down to about US \$2.3 billion in 2011 (US \$2.5 billion in 2010).

In 2012, the Russian book market continued to slide in volume, by 9 percent, although a rise in retail prices compensated for the loss, bringing it to a mere 4 percent in value (Olga Ro, [Russian Book Industry Magazine](#), in a communication for this report).

The year 2012 saw significant changes in the structure of the market, driven by both internal and international forces. The most spectacular domestic disruption resulted

from the country’s biggest publishing group, AST, collapsing under a burden of debt in early summer 2012. Its rival EKSMO, the second-largest publishing group, gained management control over AST, further strengthening its already substantial position in the market. By the end of 2012, EKSMO reported an increase of sales of between 5 and 6 percent.

Top [bestselling titles](#) at the end of 2012 included E.L. James’ *Shades of Grey* trilogy, occupying the first three positions in October and November, topped only in December by the Russian novelist Boris Akunin with *Black City*.

By genre, only children’s books saw a substantial rise at the end of the year (by 14 percent), largely because of their popularity as Christmas gifts. Fiction declined by 6 percent (Russian Book Industry Magazine).

The ongoing turbulence had strong repercussions on the retail and distribution side as well. In 2011, the largest book chain, Top Kniga, crashed. In April 2012, AST’s wholesale arm, Pyaty Okean, filed for bankruptcy. However, half of the market is in the hands of some 3,000 independent bookstores who reportedly performed slightly better than the largest chains, recording a loss of only 2 percent ([Russian Literature Online](#)).

Due to its immense territory—which covers nine time zones between its western and eastern borders, making distribution of physical books extremely complex and costly—with few consumers carrying credit cards and the severe effect of piracy, Russia is a particularly challenging environment for publishers and retailers, but there is also a thriving reading culture in which writers and intellectuals occupy a prominent role in the public sphere and in which books stand at the center of the country’s cultural ambitions.

## Russia

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	60,000 million Rubles	2012 (estimate by OZON and quoted by Federal Agency for Press and Mass Communication); 79,000 million Rubles incl. purchases by public institutions.
Titles published per year (new and successive editions)	116,888	Russian Book Chamber
New titles per 1 million inhabitants	623	
eBook titles (available from publishers)	80 - 100,000 (commercial and free by end of 2012)	LitRes
Market share of ebooks	>1%	
Key market parameters	A few committed and professional actors in both publishing and online retail; very high impact of piracy	

In June 2013, the Russian government pledged to invest \$100 million until 2018 to support the publishing industry and improve its infrastructure. ([Publishing Perspectives](#), 10 June 2013)

According to a report by the Russian edition of *Forbes* magazine, Amazon is preparing the launch for a dedicated Russian website and Kindle store for 2013. ([Forbes](#), 19 April 2013), and indeed the American platform has hired the head of publisher Azbuka–Atticus to run operations which are seen to “confirm that the digital book market in Russia is ready for growth and development.” (Mikhail Osin, an executive of the largest online bookshop Ozon, quoted in [Book Industry Magazine](#), 3 July 2013)

With 116,888 titles published in 2012 (down from 122,915 in 2011), educational works represented one-third (32.2 percent) of published titles, science and popular science 21.1 percent, fiction 14.9 percent, and children’s books 9 percent. Fifty-eight percent of all titles are published in Moscow and another 8 percent in Saint Petersburg; by print run, the Muscovite share is 85 percent. Book chains own 24 percent of the market, versus 45 percent for independent bookstores, and 7 percent was controlled by online stores (all data from the Federal Agency for Press and Mass Communication).

### The evolution of the Russian ebook market

As of 2012, “the ebook business has really taken off and is booming in Russia,” according to Olga Ro, of the Russian Book Industry Magazine (communication for this report, January 2013). And indeed, many industry voices, includ-

ing EKSMO’s CEO, Oleg Novikov, anticipated substantial growth for ebooks in 2013. This was ever more remarkable, as only one year earlier, critical expectations had been voiced at many professional debates about the rampant piracy threatening the emerging business to the point of making successful commercialization next to impossible.

And yet, 10,000 legal downloads have been recorded for *Shades of Grey* alone in 2012. The expectations have shifted, with industry leaders reporting on successful shifts toward legal downloads, notably by expanding the available catalog and by improving the convenience of commercial platforms (e.g., statement by Sergey Anuriev, CEO of [Litres](#), the largest ebook portal, owned by EKSMO, at the TOC Frankfurt conference in October 2012).

Overall, revenues from (legal) sales of ebooks have accounted for 260 million Rubles in 2012 (\$ 8 million, up from 135 million Rubles in 2011; *The Russian Book Market*, Federal Agency for Press and Mass Communication, 2013). The increase was also reflected by growth in ebook sales through mobile channels, including Apple’s iTunes and iBookstore, and Google Play.

In addition, the penetration of devices, both ereaders and tablets, seems to have soared in 2012 by around 200 percent, with domestic Russian products winning significant market share over imported gadgets. The initial dominance of Apple’s iPad has reportedly dropped from 90 percent in 2011 to about 40 percent in 2012, with Samsung’s Galaxy gaining ground (Olga Ro in a communication for this report).

In December 2012, the US and Russian governments **announced** a joint “Online Piracy Crackdown Agreement”

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(see details in “[eBook piracy in Europe: The example and debate in Germany, and related findings](#)”).

In June 2013, the Russian parliament Duma cleared anti-piracy legislation, which was debated controversially by freedom of speech activists, as it is expected to allow copyright holders to ask the authorities to block entire websites if they provide any allegedly pirated content. ([RiaNovosti](#), 14 June 2013)

A study in fall 2011 done by the Federal Agency for Press and Mass Communication <sup>1</sup> had found that 44 percent of readers of ebooks used “mobile devices,” versus 46 percent who read on a PC. Fifty-six percent of the devices other than PCs were dedicated ereaders, compared to 25 percent smartphones, 22 percent other mobile phones, and 13 percent tablets (e.g., iPad or other).

Among the 25 percent of participants who said that they read both printed and electronic books, the main attraction (for 58 percent of this group of participants) of ebooks was finding the desired book faster than the printed edition. However, one may assume that this convenience of accessibility is not limited to (or even primarily provided by) legal downloads but reflects the heavy impact of piracy when it comes to ebooks. Stakeholders queried for this report assumed that pirated ebooks represented an estimated 90 percent of the current ebook downloads in Russia.

In Russia, the most popular format for ebooks is FB (or FictionBook), an open XML-based standard with the file extension .fb2. The format is without DRM and describes the structure of a document, including the basic metadata such as the author’s name, the title, and the publisher of a book, allowing convenient conversion to other file formats as well as indexing and management of ebooks by the reader (more details in English are available [here](#)).

FBReader is open source reading software for GNU/Linux, Windows, and other platforms, originally released in January 2005 (more details in English are available [here](#)).

### Earlier developments

By the end of 2011, ebook releases of national bestsellers were considered to be the main driving force behind the recent expansion of the (legal) Russian ebook segment

(e.g., Viktor Pelevin’s postapocalyptic novel *S.N.U.F.F.*, Walter Isaacson’s biography of the late Apple founder Steve Jobs, or the *Millennium* trilogy by Swedish crime writer Stieg Larsson). A relevant ebook bestseller list is available at the ebook retail platform [LitRes](#).

With about 60,000 ebook titles available by the end of 2011, the two largest publishing groups, EKSMO and AST, were considered to be the market leaders in Russian ebooks.

In 2010, the legal Russian ebook market was worth US \$2 million (up from US \$1 million in 2009), with 600,000 ebook reading devices sold. For 2011, estimates expected another doubling of the ebook market in value versus 2010.

### Main actors in the (legal) Russian ebook market

In December 2012, Apple opened its iTunes store in Russia, followed within a week by Google with its Play store (read more [here](#)). Kobo has [announced](#) that it will roll out its services in Russia in 2013.

Several other players launched initiatives in the Russian market, including the British retail chain WHSmith and the German self-publishing portal [XinXii](#) (read more [here](#)).

In distribution, [LitRes](#) is the top-performing platform, followed by [Imobilco](#), the general online sales platform [Ozon](#), [Labirint](#), and [Bookland](#), plus a few specialized ventures developing innovative models adapted specifically to the Russian environment, notably [KnigaFund](#) (literally “book fund,” of the Digital Distribution Center, DDC Ltd.) and the online library [BookMate](#).

#### LitRes

LitRes, founded in 2007, is considered to be the leading ebook retail platform for legal titles in Russia, currently listing 200,000 ebook and audio titles for download and its own LitRes Touch device. As early as 2009, Alexander Roife, chief editor of LitRes, noted that titles which figured on the print bestselling charts had between 3,000 and 6,000 legal downloads on average as well (*Publishing Perspectives*, [October 2009](#)).

1. The survey was based on a sample of 1,008 interviews, conducted in the 12 largest cities of Russia: Moscow, St. Petersburg, Volgograd, Yekaterinburg, Kazan, N. Novgorod, Novosibirsk, Omsk, Rostovon-Don, Samara, Ufa, and Chelyabinsk (representing together about 19 percent of the Russian population). Only people ages 18 and higher who read books were interviewed. Nonreaders were not interviewed. “Readers” are considered to constitute about 55 percent of the Russian population over 18 years old.

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The LitRes website is compatible with the complete set of current state-of-the-art reader and community tools, including ratings and debates for popular titles and topics, and offers and supports a wide variety of standards and formats.

### Ozon

**Ozon** is a general retailer selling not only books and other media products but also house and garden appliances, beauty, gifts, shoes, antiques, jewelry, and fashion products. It is currently the second-largest online retailer in Russia (after Utkonos.ru, a platform specializing in food). Opened in 1998 as a “scalable business” (company statement), Ozon is a megastore market leader in B2C e-commerce in Russia, with revenues of US \$137 million in 2010, up 34 percent from 2009, 5.6 million registered users (as of March 2011) and 600,000 visitors daily.

Ozon has a catalog of about 600,000 printed book titles, of which 240,000 are in Russian, and about 10,000 ebook titles, equaling some 10 percent of value of hardcover sales (Elizabeth van Lehr, “A Russian Riddle,” *London Fair Dealer*, April 27, 2011). Ozon promotes its own ereading device, the Ozon Galaxy (not to be confused with the Samsung Galaxy).

In September 2011, Ozon raised US \$100 million in funding, the largest such investment ever for an Internet company in Russia, according to the company (*The Guardian*, September 8, 2011).

### KnigaFund

**KnigaFund** (BookFund) was launched by Digital Distribution Center Ltd. in September 2008 as a division of Prof-Media, one of Russia’s largest media and entertainment companies, to “develop and realize projects in legal digital content distribution. DDC Ltd. is the Russian supplier of specific educational information aimed to perfect, harmonize, and simplify the education process in graduate-level educational institutions (colleges and universities)” (company statement).

KnigaFund offers a full online library of copyrighted books in various digital formats with approval from the copyright holders. Its mission is to “assist in modernisation of the research process in graduate-level educational institutions (colleges and universities) by providing effective access to information through modern Internet technologies.

“Currently, 50,000 titles are listed, with 1,500 new titles added per month, including textbooks, educational ma-

terials, and scientific literature. Books are digitized in ways that reproduce exact page layouts in order to allow academic quotes and bibliographies. KnigaFund cooperates with major academic institutions in the Russian Federation, including Piter Publishing House, AST, Drofa, INFRA-M, Europe, Ekonomika, East-West, Logos, and Tri Quadrata, as well as several international publishers, notably John Wiley & Sons. The digitized titles allow margin notes and footnotes, as well as the creation of personal bookshelves, comments, and interactive features within the user’s personal workspace. The catalog of titles is organized by topics, similar to a physical library.

### BookMate

**BookMate** is a book club in which registered users pay 99 rubles a month to read from a current selection of 40,000 titles, either on a computer or mobile devices (with the Android, Apple iOS, and Symbian operating systems supported). BookMate cooperates with authors and publishers, allowing them to upload their own titles on a revenue-sharing basis. Books, available in the Russian FB2 and EPUB formats, are copy protected and cannot be downloaded. About 5,000 titles of classic—that is, out of copyright—literature can be accessed and read free of charge and without registration.

Only 20 percent of Bookmate’s readers are in metropolitan Moscow (company website and Hannah Johnson and Edward Nawotka, “Russian Publishing Is No ‘Depressing’ Siberia; E-book Innovation from Bookmate.ru,” *Publishing Perspective*, April 12, 2011).

**iMobilco** is another, competing online bookclub, whose offer also includes movies to rent.

**Librusek**, launched in 2007, is an online library, for which readers can purchase a monthly subscription.

## Brazil

### Update fall 2013

In early December 2012, *Amazon*, *Google*, and *Kobo* launched localized online platforms in Brazil within hours of each other, kicking off a new round in the ebook race for Latin America’s largest economy. However, half a year later, reports indicate that it was not one of these companies but *Apple*, through its *iBookstore*, that was ahead in terms of ebook sales.

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The first research comparing the performance of the different e-retailers appeared in *Folha de S. Paulo* by the end of 2012. According to it, Apple's lead was followed by Google and then by the local platform *Saraiva*, Amazon, and Kobo (which is partnering with the local *Livraria Cultura*). However, expectations were that the order could shift quickly in the months and years ahead (Carlo Carrenho in *Publishing Perspectives*, [January 2, 2013](#)).

In fact, by March 2012, Amazon had already leaped positions according to some data sales from digital distributor *Distribuidora de Livros Digitais* (DLD), (see *PublishNews* [April 1, 2011](#)), which were disclosed at the *Digital Minds Conference* in London. DLD's market share is roughly one-third of the market, so its sales are largely representative of the market. In March 2012, 28.5 percent of all e-book units sold by DLD were sold by Apple. Amazon followed with 22 percent, Google was third with 17.5 percent; local *Saraiva* came in fourth place with 15 percent, followed by Kobo, which accounted for 11.8 percent of the sales. Considering that DLD's catalog is focused more on publishers' frontlist titles and that Amazon is selling more backlist and self-published titles than the competition, it is safe to assume that Amazon is even closer to Apple if we consider the whole market.

In an early summary after the holidays and year-end 2012, the dynamics of the Brazilian ebook market turned out to be spectacular. In December 2012, sales had grown tenfold year on year, increasing by 110 percent from November to December 2012 alone. This is a huge growth for a tiny market. In 2012, DLD sold around 110,000 units. Based on that, we can forecast the 2012 trade market to be around 330,000 units.

Another important source of book statistics is the yearly survey conducted by the Brazilian Book Chamber (BBC) and the Economics Research Institute, Fipe. The 2012 numbers, disclosed in July 2013, show that the book market in Brazil accounted for U.S. \$2,439 million in wholesale value —i.e., publishers' net revenues. However, this figure combines \$1,795 million (or 73.6 percent) from the private sector with \$644 million (or 26.4 percent) from the public sector, the latter coming mostly from federal program purchases of educational materials. Because the government does not cover educational expenses for students in private schools, another \$635 million (or 24.6 percent of the total market) comes from private households buying K–12 materials. Altogether, more than half of publishers' revenues derive from education.

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While overall statistics on Brazil's book market (which is by far Latin America's largest) are considered dependable, the emerging digital segment still lacks sufficient scrutiny. The good news is that 2012 was the first year that the Brazilian Book Chamber did more extensive research on e-books. Among a sample of publishers that accounts for 54 percent of the market, according to the survey's methodology, 227,292 ebook units were sold in 2012, which gave the publishers only US \$1.7 million in revenues. The ebook sales were divided into subsectors: trade publishers sold 130,119 units; *Science, Technical and Medical* publishing (STM) publishers sold 49,256; religious publishers sold 29,072, and educational/K12 publishers sold 18,845. If we combine trade and STM (there is a huge overlap in those sectors in Brazil) and extrapolate to find the sales of the whole market, we will get 332,000 units sold, very close to our first estimate based on DLD's numbers, and this number would account for only 0.23 percent of all trade and STM book units sold in Brazil in 2012.

In a detailed projection for 2013, trade and STM ebook sales are expected to account for 2.6 percent of the market share by the end of December (Carlo Carrenho, "E-books Responderão por 2,63% do Mercado em 2013," [16 January 2013](#); reviewed in "Estimada em 0.23% a Participação de E-books no Mercado Brasileiro em 2012," [August 1, 2013](#)).

The Brazilian ebook catalog is still growing steadily. In May 2013, after analyzing the titles on the e-shelves of the major retailers in Brazil, the website *Revolução eBook* disclosed numbers for the overall Brazilian Portuguese ebook catalog. According to the research, about 25,000 Portuguese ebooks were available. This includes both commercial and free titles. This represents huge growth in the months since February 2011, when the website estimated 11,000 titles. Apple had the largest catalog with 18,000 ebooks available, followed by Amazon with 15,800 titles.

On the mergers and acquisition front, the Brazilian digital aggregator *Xeriph* was partially acquired by media giant *Abril* in May 2012. *Abril* now holds 70 percent equity in *Xeriph*.

For a broader overview on local and international actors who are particularly active on the Brazilian ebook market, see below at "[Distributors and aggregators](#)" on [page 62](#)



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## Brazil

Key Indicators	Values	Sources, Comments
Book market size (p+e, at consumer prices)	US \$3,716 million (publishers' revenues)	<i>PublishNews</i>
Titles published per year (new and successive editions)	57,473	<i>PublishNews</i>
New titles per 1 million inhabitants	109	
eBook titles (available from publishers)	25,000	Revolução eBook (commercial & free, May 2013)
Key market parameters	Books are tax-free; government sales account for 26.4% of publishers' revenues	

### The good problem of Brazilian taxes

Amazon, Kobo, Apple, and Google have all complained and keep complaining about the Brazilian tax system, and that was the excuse for delays in launching locally. The tax problem, however, is essentially a good one: books are tax-free in Brazil. That is, the only taxes a publisher pays are on earnings and personnel taxes—there are no VAT or sales taxes. This is true for printed books, but when it comes to ereaders and ebooks, everything becomes complicated if a company wants—and it should—to keep its tax-free status.

So far, everyone is treating ebooks as tax-free products, just like their printed counterparts. Despite there being no written law guaranteeing that this will continue, everyone is trusting in the spirit of the law. When it comes to ereaders, though, no one expects to sell or import them tax-free unless the National Book Law is amended to include dedicated readers.

The Brazilian senate is still discussing a bill that would officially make both ebooks and dedicated E-Ink readers tax-free. If the bill passes, the prices of E-Ink Kindles, Kobo devices, and Nooks would have to come down steadily. Importation taxes on dedicated e-readers could be as high as 60 percent depending on how the ereader is categorized within the broader field of electronics.

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What really complicates taxes in Brazil relates more closely to ebook distribution models. Although books are tax-free, services are not. If one buys and sells books, no tax is involved, but if one classifies the distribution work as a service, one may pay up to a 14.25% tax on revenues. This is known as ISS and PIS/Cofins. Of course, this challenges the agency model. Understandably, Brazilian publishers want to control retail prices of ebooks to avoid deep discounting, and to avoid deep discounts, the agency model would be perfect, especially if we assume only a standard 30% U.S.-style discount, which is much lower than the typical 50 or 55% that big Brazilian retailers demand from publishers. This is what everyone thought at the beginning of ebook trade until an accountant told everyone that taxes should be paid using the agency model. As if that were not enough, the market is still discussing whether the agency model is even legal in Brazil, and no one has emerged with a definitive answer.

So far, the contracts signed by the large Brazilian publishers tend to follow the wholesale model, with the exception of Apple, which is technically selling Portuguese books from abroad, making it easier to use the agency model. When negotiating with Amazon, the big publishers were able to include a discount limitation on the contracts, creating consumer price control in a wholesale deal.

Because books are not technically tax-free yet, big Brazilian publishers are avoiding exporting to them. That is why a great part of the Brazilian ebooks available at the Amazon local store, for instance, is not available for American and European customers. Exports will require significant additional tax control and paperwork, so the publishers have declined to take further risks for the small revenues that they can expect.

### eGovernment

If tax issues were not a good enough reason for digital publishing and bookselling executives to visit Brazil regularly, the power of federal government book purchasing is.

As we saw above, the public sector generated over 26.4% of publishers' revenue in 2012, and the truth is that the ebook revolution will only get major traction in Brazil when the government decides to go digital. However, that may happen faster and more easily than many may anticipate.

First, one must remember that the Brazilian government is strongly emphasizing its digital agenda. Elections are digitally controlled nationwide, and winners are announced a few hours after any ballot. The Brazilian Internal

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Revenue Service has been receiving income tax declarations electronically for years. The inflationary 1980s and 1990s forced not only the banks but the whole financial system to develop online services long before the Internet was a reality, and that included the government. That being said, the Brazilian government will undoubtedly embrace ebooks as soon as the savings to be expected from such an innovative move are clear.

Actually, digitized government book purchasing in Brazil has already begun. In November 2011, the federal government included digital content in the 2014 edition of its *Programa Nacional do Livro Didático* (PNLD), which acquires all educational books used in public schools. Initially, the plan only proposed buying DVDs. However, for the 2015 edition, the government asked specifically for ebooks, and educational publishers are delivering digital content for evaluation in the second half of 2013. Since the PNLD alone purchased U.S. \$537 million worth of books in 2012 (again, more than 22% of publishers' revenues), the potential here is great.

However, the PNLD is not the only potential bulk purchaser. In 2012, the Ministry of Education bought 600,000 tablets for public schoolteachers. In the beginning, no attention was given to the content that such devices would carry, and the tablets have not been distributed yet. More recently, the federal government started a bidding process to choose the reading platform to be used in these devices. Amazon and Saraiva are already approved, but the process has not ended yet. It is hoped that the tablets will reach the teachers' hands before they become obsolete.

Another area of Brazilian government participation in digital publishing that cannot be neglected is the purchase of academic content, either via licensing or ebooks. These purchases are made by *CAPES*, a federal organization linked to the *Ministry of Education* that supports nationwide graduate courses and initiatives. The *CAPES Periodicals Portal* offers Brazilian graduate students free access to about 31,000 journals and 150,000 ebooks. In 2011 alone, for instance, *CAPES* spent US \$71 million on digital periodical licenses and ebooks for its library. No wonder Wiley has just opened an office in Brazil, and Springer is also moving in that direction. Brasilia is definitely becoming an important city in the digital publishing geography.

## Distributors and aggregators

While the digital retail front in Brazil is dominated by global actors, the distribution and aggregation services have not involved foreign companies so far. Furthermore, Brazil

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lacks a good general independent ebook distributor with state-of-the-art technology. There are four ebook distributors of note in Brazil:

**Xeriph**, recently acquired by media giant *Abril*, controls the largest ebook catalog in the country. It distributes 240 Brazilian publishers and has commercial deals with telecom companies to provide content to their cloud-based ebook platforms. The company was a pioneer and has been creative in developing its distribution models, from selling games to aggregating content for telecoms, universities, and libraries. It has 14,000 titles in its catalog.

**DLD** was launched in April 2011 after months of preparation by six of the largest Brazilian publishers: *Record*, *Sextante*, *Planeta*, *L&PM*, *Rocco*, and *Objetiva*. In August 2012, *NovoConceito*, the house of Nicholas Sparks in Brazil, joined the sextet. Originally, DLD was a defensive movement, a print publishers' club to keep out digital interlopers. After a while, though, the club members realized that ebooks were an opportunity, not a threat. By the time they all reached that conclusion, they already had a functioning platform and signed deals. DLD offers 3,000 titles in their catalog. This number might be misleading, however. A glance at the *PublishNews* bestsellers list, which provides the most reliable ranking in Brazil, shows that DLD publishers are responsible for a third of the print bestsellers on the list. Their technological platform has been recognized as a very good and reliable one by most retailers.

**Acaiaca** is one of the largest national book distributors in Brazil. It is privately owned and has recently launched their *Acaiaca Digital* venture. They are set to become another digital aggregator and already have some publishing houses to distribute. They also have a deal with *Clube de Autores*, the largest self-publishing company in Brazil, to distribute digitally their more than 25,000 authors that are only available in print today.

**Minha Biblioteca** is a consortium of the largest Brazilian textbook publishers — *Saraiva*, *Atlas*, *Grupo Gen*, and *Grupo A* — with the goal to distribute their digital content. They use *Ingram's Vital Source* platform to offer cloud-based e-textbook licenses to universities but also work on a traditional wholesale model if that is the client's desire. They offer over 3,500 titles and have already signed 26 universities.

## eRetailers

The ebook retailers' scenario in Brazil replicates the American one. Amazon, Google, Apple, and Kobo are present.

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*Barnes & Noble* is not around, but the local bookstore chain Saraiva fills the gap in a very similar way. In addition, there are some minor companies trying to find their spaces among the big guys.

**Amazon** While Kobo is often portrayed as the nice guy in the Brazilian market, *Amazon* has faced some resistance when negotiating with local publishers. It took several months of back-and-forth contract negotiations for the Seattle giant finally to put together a catalog and launch their store in December 2012, and to reach a final deal with the big Brazilian publishers, Amazon had to accept discount limitations in their wholesale agreements even though no agency model was used. Currently, Amazon sells only ebooks in Brazil, and even to distribute its Kindle devices (Touch and Paperwhite), it depends on local partnerships with the retailer Ponto Frio and independent bookstore chain Livraria da Vila. Actually, this is the largest challenge that Amazon faces in Brazil, i.e. the fact it does not have any physical logistics and almost all book and electronics retailers refuse to carry Kindles due to competitive issues. Even Ponto Frio refuses to sell the devices in its brick-and-mortar stores. This situation made Amazon get creative, and in a partnership with a local company, Kindle kiosks were opened in the main malls of São Paulo and Rio de Janeiro to sell Kindles to Brazilians physically. This bottleneck sales problem might end soon, however. Amazon is starting to sign contracts for physical distribution in Brazil, which means that they will solve the logistical issues in the next months, and when they are able to ship books, they will be able to ship Kindles—or anything—and play ball in a much more aggressive way. Amazon also has a strong local team in Brazil.

**Apple** Apple opened its *iBookstore* for business in Brazil in October 2012. Even better, it started to sell Brazilian ebooks on that day, since technically a de facto Brazilian store was never opened. When Apple realized it would be a nightmare to use its agency-based business model in a place where books are tax-free but book-related services are not and no lawyer can ultimately guarantee that agency or even retail price controls are actually legal, it decided to use the American *iBookstore* to sell in the Brazilian market in American dollars. The result, therefore, is not a traditional Brazilian *iBookstore* but a window of access to Brazilian content available in the American store. This solution, however, also brought some problems. First, Brazilians pay a 6.38% IOF tax when using their credit cards abroad. Second, purchases must be carried out with international credit cards, and only 15% of the Brazilian population possesses them. Finally, the currency conversion

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only takes place when the credit card invoice is closed and the customer will only know the final price in Reals (R\$) when they pay their credit card bills. However, despite all the odds, Apple succeeded in becoming the #1 ebookstore in Brazil during the first half of 2012. Similar to Google, the reason for that is the huge base of existing iPhones and iPads in Brazil, plus the easy shopping experience that is simple and familiar to an audience that already consumes music and apps. Apple's main challenge in the short term is to launch a real Brazilian store selling locally in the local currency.

**Gato Sabido** *Gato Sabido* was the first Brazilian ebookstore, launched in December 2009. Their startup owners then decided to launch the digital aggregator Xeriph and focus on the new venture. Now, that the Abril group has acquired Xeriph, the future of *Gato Sabido* is uncertain since Abril already has its own ebookstore IBA. *Gato Sabido* today offers no ereaders and uses Adobe Rights Management.

**Google** *Google Play*'s bookstore section arrived in Brazil on the same day as Kobo and Amazon, in October 2012. Their contract negotiations were lighter and more discreet. They have been quite successful in selling ebooks thanks to the huge base of Android smartphones and tablets in Brazil. For instance, almost 6 million tablets are expected to be sold in Brazil in 2013, according to IDC, and considering the most recent reports on iOS/Android tablet market share, at least 80% of those will be Android. Brazil also has the fourth largest installed base of smartphones in the world, and according to Nielsen, over 90% of the smartphones sold at retail in the first half of 2013 were Androids. It is fair to say that many of those initial Google sales are people experimenting with ebooks and testing the store. Google actually has a very low customer return rate, and most purchases up to now have been made by first-time customers. While Amazon sells more backlist titles than any other retailer in Brazil, *Google Play*'s front store accounts for around 80% of the sales, making it a very bestseller-focused ebookstore.

**IBA** *IBA* was launched in March 2012 by Grupo Abril, one of the largest media companies in Brazil, with a huge presence in magazine publishing, K–12 book publishing, and cable TV. It presents a very solid platform, with a proprietary DRM control, so the readers do not need an Adobe ID. The purchases are made on the website, and the reading is done in apps for iOS, Android, and PC. It is greatly focused on magazines and newspapers, perhaps even more than

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on ebooks. It has not gained much traction in the ebook market so far.

**Kobo** Following its strategy tested in Europe, **Kobo's** business model for Brazil was to partner with a strong local retailer, and they found one in Livraria Cultura, one of the most important Brazilian booksellers, with 16 stores around the country. **Livraria Cultura** also has a very strong ecommerce background since it pioneered selling books online in Brazil during the late 1990s. Kobo took advantage of the existing Livraria Cultura ebookstore—that they merged into their platform—allowing them to save several months in contract negotiations and to launch in December 2012. Kobo offers Touch, Mini, Glo, and Aura devices in the Brazilian market, so far always sold through Livraria Cultura. The level of exclusivity in the partnership deal has not been disclosed, but Kobo has been making an effort to have all contracts now signed directly with publishers and distributors. Kobo keeps a local team in Brazil.

**Saraiva** **Livrarias Saraiva** is the largest Brazilian bookstore chain, with over 100 stores around the country. Along with the publishing and educational divisions, they are part of a larger public company that ranks among the top three publishing groups in Brazil. They also have a strong online presence in the book market with a well-known ecommerce platform that also sells electronics, computers, and telecom products. Their ebookstore was launched in early 2010. Their platform is non-proprietary, based on BlueFire technology and on Adobe's DRM. They do not offer a device but have iOS, Android, and PC apps. The main challenges that Saraiva faces today are global competitors and the need to find a way to better use its brick-and-mortar presence and brand to increase their ebook sales.

**Submarino** **Submarino** could be called the Brazilian Amazon. It is a large Brazilian e-retailer that sells everything from books to wine, cosmetics, and perfumes. They started an ebookstore in a partnership with Gato Sabido, but in September 2011, they canceled the deal and invested in a new partnership with New-York-based **The Copia**. They have not, however, shown any relevant traction in the market until now.

#### **Brazil: Conclusion**

There are other digital initiatives in Brazil. In higher education, for instance, Estácio de Sá, a private university of 260,000 students, is already offering digital textbooks to its students. Telecom companies such as Vivo, Claro, and

Oi, too, are starting to offer ebooks for weekly fees to their mobile clients, and several magazines are going digital.

The growth of tablet sales in Brazil is probably going to be a key element for the development of the ebook market in the country. According to IDC, 5.9 million tablets will be sold in Brazil in 2013, and Nielsen has reported that retail sales of tablets increased 400% in the first semester of 2013 compared to the same period in 2012. Even more impressive is the fact that 94.9% of the tablets sold in at retail in the first semester of 2013 were Androids. On the smartphone front, Brazil is also a huge market. According to a study by Morgan Stanley, released on May 12, Brazil had 70 million smartphones, making it the fourth country in the world in the number of such devices. IDC expects 28 million smartphones to be sold in Brazil in 2013.

The tipping point for the ebook market was December 5, 2012, when Amazon, Google and Kobo arrived. This was a game-changer, and according to market trends, 2013 will be the first year of digital growth in Brazil—just in time for Brazil to host soccer's *FIFA World Cup* in 2014, when the digital market will tend to grow even more, helped by the booming market for tablets and smartphones.

## China

### Update fall 2013

In 2013, several initiatives occurred that together will probably reshape the scope and impact of ebooks - and more broadly, of the digital dissemination of copyrighted content - in China, as the world's most populous country has "overtaken America to become the world's biggest e-commerce market, in terms of sales." (*The Economist*, 21 September 2013). In 2012, the Chinese mobile Internet reportedly accounted for RMB 159 billion of sales (ca. \$26 Billion, according to **China Internet Watch**; the report includes an overview of the most popular ereading devices and apps, and their estimated market share.)

With a mobile phone user base of 1.1 billion by mid 2013 (**BGR blog**, 26 June 2013), and a strong increase in the penetration of smart phones, mobile platforms are the key for the dissemination of copyrighted content, including ebooks, as its "reading population is gradually shifting online." (Quoted from a strategy paper issued by the technology company **Huawei**, "Mobile reading as a strategic focus")



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Accordingly, many observers see mobile phone operators, led by the giant *China Mobile* in a unique position to develop platforms that bring notably young users in China's huge urban agglomerations the content they are looking for, and ebooks are an integral part of it. Respective plans go back to 2010, when China Mobile already had announced plans to "build China's biggest ebookstore". (*Publishing Perspectives*, 16 May 2012), but it took until 2013, and a broader upswing for mobile commerce to pick up speed. The stakes are high, given the strong competition from domestic giants in e-commerce, so that "even a company valued at \$126 billion can't mess with Jack Ma's homegrown powerhouse *Alibaba Group Holding*, which owns *Taobao Marketplace* and *Tmall*", as Bloomberg summarized the situation at Amazon's launch. By mid-2013, the most popular platforms for ebook downloads are estimated to be China Mobile and Cina Unicom, followed by Amazon and 360. (Cheng Sanguo, *BookDao*, for this report)

In June 2013, *Amazon* has entered the Chinese market in a "long-overdue release of the *Kindle*" (*Bloomberg*, 10 June 2013) by launching a dedicated Chinese platform, and promoting notably its tablet, the *Fire*, among Chinese readers. The *Kindle Paperwhite* was prized at \$138, the *Fire HD* starting at \$244.

In order to strengthen its on position with regard to ebooks, the leading domestic Chinese online platform for books, Dangdang, has started a campaign in spring 2013, offering their entire digital catalogue for free. (*The Digital Reader*, 22 April 2013)

Also in 2013, and after a several years long struggle of over licensing details, Apple's iPhone was cleared to run on China Mobile's networks. (*WSJ* 11 September 2013)

But also in less grandiose dimensions, China is building an infrastructure to be a part, and a competitor, in the global exchange of digital content, including books and journals. For the latter, the import and export arm of China Publishing Group, CNIEPC, has launched a new platform for accessing the international e-journal segment at the Beijing International Book Fair in August 2013. (*Teleread*, 30 August 2013)

In the meantime, another strong and innovative player in China's efforts to bringing books and reading online, *Clou-dary* - formerly branded as *Shanda* - seems to have cut down on its plans for international expansion, by closing the respective departments altogether. (Information received for this report) *Shanda Clou-dary* has also withdrawn

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its initial plan for an IPO in 2013, pending since 2012, yet closed a round of direct funding. (*Technode*, 15 July 2013)

**By Veronika Licher**

## The ambitious plan ahead—combining content and capital (2012)

The "12th Five-Year Development Plan for the Press and Publication Industry" that China released in 2011 approved, among other things, 23 projects in support of digital publishing or technological innovation. The creation of five new "national digital publishing bases" in 2011 made for a total of nine such enterprises, with a combined revenue of ¥42 billion, or 30.5 percent of total Chinese/global revenue for digital publishing in 2011. Even at the September 2012 exchange rate of about ¥6.28 to the US dollar, this is a considerable amount (Liu Binjie at Beijing International Publishing Forum [BIPF], August 28, 2012).

As Liu Binjie, minister of the General Administration of Press and Publication (GAPP) and of the National Copyright Administration, pointed out at the Beijing International Publishing Forum held on August 28, 2012, the government shows great interest in encouraging (and guiding) the development of digital publishing in China. Four administrative decisions support the effort. First, the government will give a significant percentage of special funding for cultural development to digital publishing projects. Second, strategic investors and financial capital will be encouraged to focus on cultural industry. GAPP has signed strategic cooperation agreements with several important Chinese banks to provide loans (up to several hundred billion yuan, according to Liu) to enterprises in digital publication. Also, technology and publishing operations will be urged to forge closer ties. Thus, GAPP has signed agreements with several companies in the communications sector, including China Mobile, China Unicom, and China Telecom. To hasten the growth of industrial and digital publishing initiatives, the telecom organizations will help propel the digitization process of traditional publishing as well.

## Status of the ebook sector

In 2011, China's e-publishing market (or digital publishing operating income, which includes not only books but all digital content industries) grew by 31 percent to total revenues of ¥137.8 billion (*China Daily*, August 29, 2012; GAPP's "2011 Nationwide News and Publication Industry Analysis Report," July 7, 2012).



## China

Key Indicators	Values	Sources, comments
Book market size (p+e, at consumer prices)	€14.2 billion	¥118,000 million (General Administration for Press and Publications, GAPP, 2012)
Titles published per year (new and successive editions)	414,000	GAPP
New titles per 1 million inhabitants		
Electronic publications	11,154	GAPP, 2011.; Figures do not include “online literature” titles, which are not comparable, e.g., 6 million (2012, Lisa Zhang, interviewCloudary, for this report).
Key market parameters	CEB	China Ebook Format, a domestic ebook format, notably promoted by Apabi (of Founders company); fixed prices for ebooks

According to the GAPP report for 2011, all national publishing, printing, and distribution services combined achieved an operating income of ¥1.46 trillion, a 17.7 percent increase of 219.3 billion over 2010. There was an added value of ¥402.2 billion, a 14.8 percent increase of ¥51.83 billion.

A July 2012 press release for the Beijing International Book Fair (BIBF) asserts that China is the second-largest publishing market in the world. Yet a comparison of the publishing market in China to those of North America and Europe must take into account not only great disparities of income levels and standards of living, but also significant differences in the structure of the market and consumption patterns.

### The book publishing environment

Over the last decade, China has made considerable efforts to grow and professionalize its (printed book) publishing sector. Although all of China’s approximately 580 publishing houses are under direct state ownership and control by GAPP, during the last 10 years some 10,000 “cultural studios” have been created, of which many act as publishing units but with cooperative contracts with the state-owned houses for ISBN assignment. By acquiring the foreign rights of more than 10,000 titles per year (2011: 14,708 titles, an increase of 7 percent over 2010; Lei Ren citing BIBF in her article in *Publishing Perspectives*, September 6, 2012), Chinese publishers aggressively broadened their lists with internationally competitive works.

The government has played an active role in encouraging the best-performing groups to form larger entities and compete internationally under the guideline of its “going out” policy. By November 2010, 435 of 528 officially listed state-owned publishing houses had undergone restructuring. The goals of this effort are to create more compet-

itive companies and to identify those that should prepare to develop international strategies as well as to go public (notably on the Shanghai stock exchange).

In this way, in late 2010, a new entity branded the “China Education Publishing and Media Group” was launched, with a projected turnover of ¥6 billion—combining the former Higher Education Press, the People’s Education Press, plus several smaller entities—to successfully confront the challenges of the digital transformation and to reach out to international partners. Several of those groups are preparing for going public.

For **Jiangsu Phoenix Publishing & Media Group Co., Ltd.** (PPMG) in Nanjing (the Chinese partner for the French Hachette group) as well as **Hunan Publishing Investment Holding Group Co., Ltd.** in Changsha for example, the main business revenue and total assets exceeded ¥10 billion as reported by GAPP (China Market Insight, BIBF 2012; GAPP 2011).

Both houses, as is typical for Chinese publishing houses, cover a wide range of topics in their publications, from philosophy, management, youth, and children to general trade books.

“Zhong Nan,” short for **China South Publishing & Media Group Co., Ltd.**, in Changsha, founded in 2008, has recently become number two in the list of China’s top publishing ventures on a GAPP ranking that combines several indexes. This development has been driven by Chairman Gong Shugang, who is known for his aggressive stock market strategies (interview by Veronika Licher with Publishing Consultant Cheng Sanguo, Beijing, September 2012).

China Education Publishing & Media Holdings Co. Ltd., in Beijing, chaired by Li Pengyi, is listed as number three on this ranking. As a state-owned enterprise, the group spe-

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cializes in publishing and distributing textbooks, periodicals, digital publications, and educational equipment.

For some companies, finding the right time to announce their IPO is a tough choice, given the current worldwide financial climate, but also with regard to domestic political developments in China. Many strategic decisions are currently on hold, in anticipation of a changing of the guard at the 2012 National People's Congress in October 2012. In the meantime, industry leaders are reportedly focusing on acquiring more knowledge about the financial sector, to better prepare for the coming expansions of their international and domestic markets. Change management, handling transitory processes, and developing human resources are among the top priorities for Chinese publishers, as they welcome their international counterparts at BIBF 2012, including Youngsuk Chi, the chairman of Elsevier; John Makinson, member of the Pearson Board and Chief Executive of Penguin Group; and Ronald G. Dunn, President and Chief Executive Officer at Cengage.

As a result of the "going out" policy, the development of international ambitions has been energetically encouraged by GAPP, and some 459 Chinese press and publishing organizations have recently opened overseas branches, 28 of which include book publishing activities (*China Daily*, August 28, 2012, quoting GAPP statistics). This development started as recently as 2007, when China Youth Publishing House (CYPI) became the first Chinese publisher to start an office in London, now celebrating its fifth anniversary during London Book Fair 2012.

Beijing-based medical publisher People's Medical Publishing House (PMPH) was founded in Beijing in 1953, and today is the leading publisher of medical texts and medical education in China. In 2008, it opened a wholly owned subsidiary in the US after having launched its first English-language title list in 2006 (press release of PMPH, January 24, 2008).

## Online literature

There are at least three specifics that shape the Chinese environment in digital publishing and reading: hugely popular online reading platforms, with 100 million Chinese Internet users who have opened accounts; the prevalence of mobile devices for on-screen reading; and a high percentage of mobile Internet users reading "literary works through apps". And the market for online literature is still growing rapidly, as shown by a report from iResearch, with revenue going from ¥150 million in 2010 to

¥600 million in 2011 ("China Market Insight," BIBF 2012, by Lisa Zhang).

On the content side, by far the most influential individual player, according to all accounts, is Shanda Literature, or, as it was rebranded in 2011, Cloudary Corporation. According to reports from iResearch and iRead, Cloudary is said to control 72.1 percent of the revenue of this market segment (interview with Lisa Zhang for this report) of the booming online literature market in China. According to a Reuters report, Cloudary is preparing a \$200 million IPO at the New York Stock Exchange (Reuters, [May 24, 2011](#)). Cloudary is a branch of Shanda Interactive Entertainment Ltd. (NASDAQ: SNDA), operating six websites for user-generated online literature, notably [www.qidian.com](#) and three offline publishing companies, as well as digital magazines and an audio book platform. Among the top ten literary websites, five websites are from Cloudary (interview with Lisa Zhang).

The vast majority of Cloudary's content—very often serialized works—is therefore generated by amateur writers who use the platform to build a community of readers; even for some particularly successful authors, it is common to turn one's works that were initially published online into printed books under a revenue-sharing agreement with Cloudary.

As of March 2012, Cloudary claimed to have published on its websites nearly 6 million titles from more than 1.6 million authors (the equivalent of 10 percent of the population of Beijing), at a rate of 80 million characters being written and published online every day. By March 2012, the accumulated number of users/readers was said to be 123 million (interview with Lisa Zhang).

Cloudary had over 950,000 paying users in the fourth quarter of 2010, and 50 percent of the net online revenue was derived from online user subscription payments, adding up to ¥103 million (up from ¥37.4 million in 2008): 29 percent from wireless services (growing from ¥1.4 million in 2008 to ¥60 million in 2010) and 10.2% from online advertising (up from ¥3 million in 2008 to ¥21 million in 2010). Cloudary was the largest paid content provider for China Mobile's central reading station in 2010.

In October 2010, Cloudary/Shanda Literature launched its ebook platform [Yun Zhong Shu Cheng](#), meaning "Library in the Clouds" ([source](#)).

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## Key players in the digital environment

Over the last decade, China saw the rise of many major online platforms for all domains of Internet-based communication and e-commerce, including online search ([www.Baidu.com](http://www.Baidu.com)); the trading platform Alibaba, which includes an online payment system (Alipay); and Yahoo! China (acquired in 2005); as well as—in the case of books—online retailers DangDang, Amazon, and Jingdong ([www.360buy.com](http://www.360buy.com)) (interview with Cheng Sanguo for this report).

In recent years, all these platforms have—each in their respective field of action—engaged in aggressive price wars motivated by very price-sensitive consumers; plus, they had to agree to the terms of the Chinese government’s strict policy of control over any content, both domestic and from abroad, on sensitive political and social issues, banning unwanted websites, and very effectively discouraging domestic content providers of any kind from referring to topics considered to be controversial (for a detailed account, see [this study](#) by Octavio Kulesz for the International Alliance of Independent Publishers titled “Digital Publishing in Developing Countries”).

As for publishing, a premier role is being played by China Mobile, by far the country’s largest communications provider and a Fortune Global 500 company (ranked number 87 in 2011), with 610 million subscribers as of June 2011 and with 300 million mobile Internet users in 2012, a number that is expected to more than double by 2013. China Unicom and China Telecom range second and third. In October 2011, China Mobile started a new business model called Yi Book Store. Customers can order books via mobile phone and—as an innovative approach to services—pay cash on delivery. The [China Mobile Portable Reading Platform](#) holds a book collection of 300,000 titles (as of February 2012). The accumulated amount of customer visits since 2010 is said to be 300 million, reading 400 million pages per day (information provided by China Mobile, at BIBF 2012).

Although the ambitions of China Mobile to shape the entire digital sector are huge, it has yet to be seen which sector, after the current transition period, will have the upper hand in defining the digital future. At this point, three angles can be identified in this strategic competition: the (mobile) network providers, led by China Mobile; the manufacturers of hardware devices, notably Hanvon, but also most recently Huawei; and the content providers, which include publishers as well as various online platforms.

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By summer 2011, it became clear that hardware manufacturers in particular were facing an increasingly tough economic environment. eReader manufacturer Hanvon reported significant losses, and both Founder and Aigo announced plans to stop production of ereaders altogether. The new competitive situation was brought about by price wars for reading devices, especially since the spring of 2011, as well as new platform competition from tablets— notably Apple’s iPad—and the major companies have re-oriented their strategy by launching content-based ventures ([source](#)).

Hanvon, founded in 1998, is thought to control an estimated two-thirds of the markets for E Ink–based reading devices, claiming over 1 million units sold. In its own [ebook shop](#), Hanvon claimed in March 2011 to have 130,000 ebook titles available for download and to soon be expanding that number to 200,000 titles (<http://bit.ly/xWRyHn>). In June 2011, Hanvon signed an agreement with Shanda to gain access to Shanda’s ample list of online titles on its “Cloudy Bookstore.” Shanda’s own device, the Bambook, introduced in 2010, is assumed to come in second, at a low double-digit market share (<http://bit.ly/zoCfes>).

Doukan (“All to see”), a proprietary reader sold by DangDang, has gained a reputation of poor usability, resulting in growing popularity of the Kindle among Chinese consumers (interview with Cheng Sanguo).

As Jon P. Fine declared on his second visit to China during the Beijing International Publishing Forum on August 28, he soon hopes to officially import Kindle devices to China.

## eBook distribution

eBook distribution platforms of relevant size have also been introduced by a number of publishing companies, such as [www.Dajianet.com](http://www.Dajianet.com), launched by China Publishing Group Corporation, one of the largest players in the Chinese publishing industry.

Reading as well as writing platforms, bundled with ebook distribution to large user communities, have been introduced by several more popular portals, such as [Sina.com](http://Sina.com), China’s huge infotainment portal and microblogging website (<http://book.sina.com.cn>).

Domestic ebooks are most commonly published in CEB, or China Ebook Format, promoted in particular by [Apabi](#) (founded in 2006), the former digital content division of Founder Group, a major Chinese technology conglomerate. The CEB format has also been used by European and

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American publishers for introducing their ebooks to the Chinese market (such as by Penguin, when converting more than 2,000 titles into CEB in 2009 and distributing them via Founder Apabi; <http://pear.sn/wlckJO>).

## International cooperative ventures

Over the last ten years, at an accelerating pace, most major international publishing brands have looked at establishing cooperative ventures with Chinese counterparts, a movement that was actively welcomed by Chinese authorities. This list includes, to name just a few examples, companies such as Penguin, which opened a Beijing office in 2005; Hachette, which announced its joint venture with Guangdong-based Phoenix Publishing & Media Group in 2009; Cambridge University Press; and Amazon.com, which acquired the domestic online retailer Joyo.com in 2004 and since then has operated the localized version of its store, branded since 2007 as [www.amazon.cn](http://www.amazon.cn). In 2012, Hachette also opened an office in Hongkong.

## India: Taking rapid strides

By Vinutha Mallia

### Overview of book publishing in India

The overall book market in India is at the cusp of major changes, but in the direction of growth. Fuelled by a growing economy, a burgeoning middle-class, and higher literacy levels, the expanding book market is preparing itself for the next big curve—ebooks. With more capital being invested in the book and education industries, the Indian book sector is a ground for experimentation and innovation.

The book market in India is estimated to be in the range of \$2 billion in value, according to industry sources. About 18,000 to 19,000 publishers publish a volume of nearly 80,000 to 90,000 books a year. After the US and UK, India ranks third in the world in English-language publishing. More than half of all print books published are in Hindi (26%) and English (24%), and the rest are books published in 22 other official languages of India.

According to the **Federation of Indian Chambers of Commerce and Industry** (FICCI), the publishing industry is growing at a rate of 30% compound annual growth rate (CAGR)—a trend aided by the opening up of foreign direct investment (FDI) in the publishing industry, up to 100%, in the year 2000. Almost all the multinational publishing

companies have a presence in India now, but the bulk of Indian publishers are made of family-owned, small-scale businesses.

While the boom in publishing augurs well for the growing print book industry, the ebook market in India is currently expected to be less than 1% of the total book market. A market intelligence study by **Netscribes** predicted that the Indian ebook market will grow by 20–25% in the next 2–3 years. The education sector (K–12, higher education, academic) has been the early adopter of elearning and econtent in the last decade. Although over the last 5–6 years ebooks have made a presence in the academic books segment, most of them do not originate in India. Almost all of the online educational content and digital book publishing available is currently in English.

According to *Nielsen Bookscan* data, which tracks 40% sales of trade books in India, sales of 15.5 million units valuing Rs 425 crore (\$70.8 million - with one crore being a unit in the South Asian numbering system equal to ten million) were recorded in 2012. Of this, the break-up was, for fiction: 24%; non-fiction: 44%; and children's books: 20%. Nielsen estimates that at retail price, the value of total sales of trade books in English language (including imports) is at Rs 1065 crore (\$177.5 m).

Trade publishers have been exploring e-publishing and several have released ebooks since 2012, but their impact is yet to be measured. The available evidence suggests that popularity of ebooks is rising. Issues of piracy, plagiarism, and a lack of awareness about copyright continue to be a concern here, but policies and legal frameworks have been put in place to address them, such as the revised *Copyright Act* (in 2012) and the strengthening of the *Indian Reprographics Rights Organization* (IRRO). Print book penetration has been long-challenged by a fragmented value chain (especially at distribution level), poor infrastructure, and the lack of access to and affordability of books. India is one of the lowest priced book markets in the world, yet book publishers lose 20% of sales due to pirated printed copies.

Although the literacy levels in India increased by 9% in the decade of 2001–2011 since the last decade (literacy rate is 74.04% for 1.2 billion population in 2011), there are acute fissures in access to digital opportunities. Of all the literate people in India, those that are literate in the primary language of digital information, i.e. English, make up 6% of the total population.

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The Government of India is leading several initiatives to promote digital literacy and provide access to digital content at school and college levels. National level missions such as the Rs 4612 crore (\$768.7 million) *National Mission on Education* through ICT (NME-ICT) have been introduced. The NME-ICT is working in collaboration with other related missions and schemes—*National Knowledge Network*, *Scheme of ICT in Schools*, *National Translation Mission*, and the *Vocational Education Mission*.

The country's well-established IT software industry has made India a sought-after destination for outsourced services. Nearly 60% of global publishing industry's outsourcing of business processes comes to India. Conversion and digitization of backlist and archives tops the list of services sourced, according to the analytics agency, *ValueNotes*. India leads ahead of US, UK, Philippines, and Europe in the publishing industry's *business process outsourcing* (BPO) segment because of its price advantage.

The proliferation of personal devices for accessing content is expected to create the demand for book content on digital platforms. E-ink devices for ereading were picking up sales in 2011 and early 2012 in India. The sale of home-grown versions—*Wink Reader* (now discontinued) and *Infibeam's Pi*—and later, of Kindle, created an entry-point for ebook reading. Now there are more than 70 reader devices available in the market.

However, by late 2012 the surge in tablet sales suggested that India would opt to migrate directly to tablets than use a single-purpose device like an ereader. The evidence in 2013 shows that smartphones and phablets might outsell tablets, and become the preferred devices for consuming a range of digital content including books. So far, most ereading devices and book-related apps have piggy-backed on the bulk of freely available out-of-copyright digitized books, classics from around the world, and have been able to attract consumers to access books on a digital device. In India, because it is a low-priced editions market, especially in trade segment, ebooks don't yet compete with print books since price is not yet a major differentiator. But publishers are experimenting and there is no pricing norm in place yet.

## Readers' demographics

India's large youth population (13–35 years) is a sizeable market potential for publishers. Estimated to be 459 million in 2009, youth constitute 38% of India's total population. Of these, 73% youth are literate, with a majority residing in rural areas.

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According to the *National Youth Readership Survey 2009*, [N1] half of the readers surveyed gave "knowledge enhancement" as the first reason for reading leisure books. The survey also revealed that more literate youth in urban areas were readers.

Soon after *Independence* in 1947, when literacy and education levels were dismal, school textbooks and examination-based reading were given priority by policy-makers—trends that remain strong to this day. This is seen in the ebooks segment too: several institutions, through their libraries, have been making ebooks available, primarily of science, technical and mediacl (STM) subjects, for students since the last 5–6 years.

The current demand for ebooks is coming from the six metropolitan (Tier I) cities—Bangalore, Chennai, Delhi, Hyderabad, Kolkata and Mumbai. The *Global E-Book Monitor* of the market research firm *Bowker*, a 10-country **sample survey** conducted in early 2012, estimated that 2% of the Indian population has purchased an ebook during the period of study. The study also revealed that the typical ebook buyer in India is a college graduate, more likely to be male in the 25–34 years age group, working fulltime and living in a city. The perhaps explains another finding by the survey, that the majority of books downloaded were either from professional/business category or academic books /textbooks.

An annual sample survey by *Tata Consultancy Services* (TCS) among youth in the metro cities shows that smart devices and access are making youth "instant connectors"; and transforming the way that they are conducting not just their social lives, but also their academic lives.

According to estimates, India has about 200 million children under the age of 18, and 69 million of them reside in urban areas. Mobile devices have become an important utility for young urban parents to entertain their children with. A growing number of parents are exposing children to apps at an early age. In a survey of *Generation Z* by *Ericsson ConsumerLab* in 2012, 26% of survey participants from India were downloading a phone app for their kids at least weekly.

The latest *New Generation Study* by *Cartoon Network*, released in December 2012, revealed that one in 10 kids in the age group of 7–14 surveyed by the study owned a mobile phone. About 58% of the kids used computers but only 19% owned a computer. Nearly 87% used the internet at least once a week and 10% used it every day. Playing games, surfing for information and social networking are



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some of the preferred activities on the internet, the study reveals. The survey comprised of 3,100 children in 7–14 years' age group, from 26 cities.

The *The Indian Readership Survey*, which studies mass-media consumption data, indicates a 27.5% increase in internet-based readership between beginning of 2012 and third quarter of 2013. In the same period, only a slight growth was observed in printed newspaper readership (0.7%).

An important result thrown up by Bowker's study is that *free* content is a driver for ebook adoption in India. Over half the respondents to that survey had downloaded a free ebook in the six months prior to taking the survey.

India is now the world's third -largest internet user, after the US and China, according to a *Comscore* report released in August 2013. Of the internet users, 75% are below the age of 35. But the report observes that women in the age group of 35–44 years are among the heaviest users in the Indian market.

Currently, much of econtent available in the country is in English, a factor that restricts a large section of people from using the internet. Internet users in rural India show a greater preference for localized content. At least 64% of internet users in rural India use the internet in local languages. [N2] Email is the most popular service, while online news and online banking in local languages are also becoming popular. Great expectations anticipate that in the coming years this pattern of consumption will give way to user-generated content in local languages.

In the absence of more reliable data on ebook readership in India, the patterns seen in consumption of eservices and ecommerce give some clues for future opportunities.

## Technological infrastructure

The ratio of computer literates in India was estimated to be 6.15% (224 million) of the population, last year. The digital divide in India is a result of several divides combined, namely a lack of access and affordability, poor infrastructure, and social inequalities.

Internet penetration in India was at 12.6% in 2012. According to the *The Indian Telecom Services Performance Indicators* report released by the *Telecom Regulatory Authority of India* in August 2013, the number of internet subscribers in India was 164.81 million by March 2013 (it was 150 million in December 2012). Of the total internet subscribers, 15.05 million were broadband connections; 6.56

million were narrowband connections; and a whopping 143.20 million accessed the internet through mobile phones. (These numbers are based on connections registered, but are not indicative of active users.) When it comes to mobile telephony, the penetration level is greater in urban India. In March 2013, of the total 867.80 million wireless telephone subscribers, 525.30 million were in urban centres.

While email is the most used service, 28% read news online and 25% users accessed apps. Online games were accessed by nearly 50% of mobile internet users. [N3] But social media is steadily outstripping all other uses in urban centres, as observed by the *Comscore* study cited above.

India registered 73.5 million mobile handset sales for the period January–April 2013, registering a growth of 11.1% year-on-year, according to *CyberMedia Research*. During the same period, 9.4 million smartphones were shipped in the country, showing a growth of 167.3% on an annual basis.

The sale of tablet computers is rising, strengthening the demand for variety of content. An estimated 3 million were sold in 2012, from 0.5 million in 2011, according to the research agency, which had predicted that 6 million would sell in 2013. The growth in shipments of tablets in India registered a 107.4 % year-on-year growth in the second quarter of 2013. About 1.15 million tablets were sold in just the second quarter of 2013 by as many as 70 domestic and international vendors, according to the research agency. Almost 80% of the tablet device models launched during this period were with both of 3G and Wi-Fi connectivity, leading to a growth of 103% in shipments of 3G tablets. Local brands are fiercely competing with global manufacturers for a share in the tablet market. The Indian consumer has no bias against local brands, perhaps because of the price-sensitivity of the Indian market.

It was only with the launch of *Amazon's Kindle India Store* in August 2012 that a *Kindle* device (*Kindle Wi-Fi 6"*) was available at an introductory price in India when the US company tied-up with the local *Croma* retail chain. Until then, *Kindle* devices, and perhaps a few *Sony eReaders*, were imported. *Kobo* will launch in India soon, and the company already identified a retail partner. [N4] *Kobo's* entry is likely to create robust competition to the ereader devices segment.

India's preference for multi-feature devices that offer more value—over and above read-only devices like an ereader—is perhaps the reason for proliferation of low-cost and

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Android-based devices in the country. It is not surprising that 63.5% of tablets sold in the period between July–September 2012 were those priced below Rs 10,000 (\$167).

Although the sales of smartphones and tablets are growing strongly, and tablets have outstripped netbook sales too, most e-reading continues to take place on personal computers and laptops.

### Government interventions in e-reading technology

The launch of the “cheapest tablet computer in the world” – *Aakash* – brought attention to the potential that low-cost technologies have to revolutionise internet access among a mass population. Fashioned as a public-private partnership project, the Android-based *Aakash* was to be subsidized by *Government of India* for students. The device was to be procured by the *Ministry of Human Resource*.

Developed for Rs 2,263 (\$38) by manufacturer *Datawind Limited*, it was to be made available to college and university students at Rs 1,130 (\$19). Specifications for the third edition of *Aakash* were announced in early January 2013. But by end of January, the MHRD announced that it was thinking of shelving the project due to a *supply gap* coupled by the availability of other low-cost devices in the market. The future of the project remains uncertain.

In the meantime *Aakash* has reached the US, where pilots aimed at helping schoolchildren learn maths and other subjects have been underway, in North Carolina and San Francisco. The company supplied 100 devices at \$45. Following the pilot, about 2000 units have been shipped.

In August 2013, it was reported that the government was exploring plans to develop and sell smartphones costing less than \$100 to Indians, to drive the country’s broadband push. More recently, it was reported that the government was setting aside Rs 10,000 crore (\$1,666.67 m) to give away 2.5 crore (25 million) mobile phones at subsidized rates in rural areas and 90 lakh (9 million) tablets free of cost to students of classes 9 and 10 studying in government areas.

## Elearning content

At least 60% of all printed books sold in India are educational books. The emphasis on education has enabled early adoption of digital content in Indian universities, for almost a decade now. In the higher education and academic category, especially in STM segment, e-journals have been available to institutions and libraries. Journals published by publishers like *Springer*, *Taylor & Francis*, *Elsevier*, and

*Wiley* were among the first. Much of the content available for the STM category originates outside the country. But in *Social Sciences* and the *Humanities*, a modest list of journals are being published in India, chiefly by *Sage India*, which publishes 50 journals in Humanities and Social Sciences. One of the largest distributors of e-resources to institutions and libraries in India, *Balani Infotech*, part of *iGroup (Asia Pacific Limited)*, distributes a wide variety of electronic content—ebooks, PDF documents, audio-books, e-journal issues, classic literature for K–12, and more—produced by over 200,000 publishers from around the world.

Under the Government of India’s *National Library and Information Services Infrastructure for Scholarly Content (N-LIST)* of *\_INFLIBNET\_*—the online digital library linking universities and colleges—nearly 80,000 e-books and thousands of high quality paid e-journals have been made available to research institutions, universities, and colleges across the country. Almost 90% of the ebooks in this network are sourced from the US-based Ebrary platform.

The Indian Government has been investing in electronic content creation too. Elearning courses from the national premier technology institutions, the seven *Indian Institutes of Technology (IITs)* and the Bangalore-based *Indian Institution of Science (IISc)* are being offered as part of the *National Programme on Technology Enhanced Learning (NPTEL)*. The *Ministry of Human Resource Development*, Government of India, funds the NPTEL. The aim of the project is to enhance engineering education in the country. About 260 courseware modules were available in phase 1 in January 2013, from a total of 1216 proposed courses.

The government’s *One-Stop Education Portal, Sakshat*, launched in 2006, is to become a repository of educational resources for teachers and learners—from kindergarten onwards. The portal houses virtual classrooms and self-learning materials. A work-in-progress, the portal aims to synergise the work by national-level educational bodies like UGC, AICTE, IGNOU, IISc, IIT, NCERT etc.

India’s online education market size is valued at \$20 billion and set to grow to \$40 billion, according to an industry estimate. The current market size for digitized school products in private schools alone is around \$500 million. Privately run schools account for 20% of all schools in India. The current market size for ICT in government schools is valued at \$750 million, according to market research firm **Technopak Advisors**.

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The increasing use of computers in classrooms in the course of the last decade has enabled the private education sector (in K–12, higher education, academic) to develop and adopt elearning content. In the K–12 segment, publishers like *Pearson* and *S. Chand/Harcourt* have a strong presence in producing elearning materials and teaching aids, alongside educational companies like *Educomp Solutions*, *iDiscoveri*, *Everonn*, *CORE*, and *IL&FS* etc. Software service providers like *Tata Interactive Systems* and *HCL Infosystems* have also entered the school elearning space through partnerships with content providers.

The bundling of educational content with tablets is a growing trend. *Micromax Funbook* tablet has partnerships with publishers like *McGraw Hill* and *Pearson*, and with educational companies like *Everonn Education* and *Vriti Education*.

On the other hand, publishers are also launching tablets with content bundling. *Pearson Education India* recently launched *MX Touch*, a tablet-based education solution for Indian schools, in November 2012. Available in three variants, the *MX Touch* tablets host interactive activities and worksheets compliant with the school syllabi for grades 3–8. One of India's largest educational publishers, the *S. Chand Group*, has launched *Intellitab*, a tablet that works on Android 4.0, which packs in curriculum-based content for each grade. The content is based on *S. Chand/Harcourt's Destination Success* curriculum-based interactive product portfolio. Over 500 schools, according to a company release, are using the *Destination Success* software suite.

The entry of *MOOCs* (massive online open course) is creating access to other forms of elearning content. The not-for-profit *EdX*, a *MOOC* platform founded by *Massachusetts Institute of Technology* and *Harvard University*, says that it gets a large fraction of traffic from India. In a recent interview, its CEO *Anant Agarwal* said that India consistently represents the second highest enrolments in *EdX* courses, after the US. The platform has partnered with *Indian Institute of Technology, Bombay* to make the latter's courses available to a global audience.

## Ebook publishing

### E-textbooks

The government in India dominates the K–10 textbook segment by publishing textbooks for schools. The *National Council of Educational Resources and Training (NCERT)*, provides its entire textbook range for download, as PDF files online.

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Over 90% of all e-textbooks available for higher education in the country originate outside India, and are in the English language. [N5] *Springer* leads the list of ebook providers, with nearly 74,000 titles in the catalogue. Publishers listed once above, *Taylor & Francis*, *Elsevier*, *Wiley*, *Sage*, as well as *Tata McGraw-Hill*, *Pearson*, *Cambridge University Press* and *Oxford University Press* are selling ebooks in India now. Not just for *STM*, but ebooks on subjects like *Law*, *Management*, *Social Sciences* and the *Humanities* are being produced in digital formats, and being made available through the publishers' websites. However, individual sales are very few, and most e-textbooks sell through library suppliers. Many publishers offer ebooks at discounted rates from their international prices, up to 50% in some cases, for bulk purchase by Indian institutional libraries.

Some online stores like *Attano* and *SkoolShop* are retailing a sizeable list of educational ebooks by Indian publishers, showcasing the early phase of indigenous ebook production in the education space. *Attano* hosts about 1500 books and 7500 educational videos for K–12, along with exam preparation materials, question banks and materials for college test preparation. It launched a new service called *ChapterBuy* in June 2013, to sell individual chapters from reference books for higher education in an ebook format. *Attano* will make available over 10,000 chapters, priced Rs 3 (\$0.05) onwards, for engineering, management and commerce students. The company has partnered with Mumbai-based *Sheth Publishers* and *Pearson* for this initiative. Exam preparation materials, especially for entrance exams are also available through *Vriti* and *The Digital Library*.

*Bharti Airtel*, India's largest mobile network operator, introduced test preparations and English-learning modules on mobile through its *mEducation* platform, which it launched in early January 2013. The service enables *Airtel* mobile customers to access courses for language skills, entrance exam preparation and career counseling for as little as Rs 2 (\$0.02) per day.

More and more Indian publishers of educational books are digitizing their backlists and creating digital products from their frontlist. *PHI Learning's* list of ebooks (about 700 digitised titles) is available directly from their website. *Medical books publisher, Jaypee Brothers* have published nearly 1215 ebooks, as well as produced 2250 videos on surgical procedures, available through their websites. *Anmol Publications*, a publisher of pure sciences, humanities and social sciences books is digitizing 6000 and more titles and offering those as ebooks. *Publisher of Physical Sciences*

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and Mathematics books, *Hindustan Book Agency*, is also in the process of publishing ebooks.

In the school-books segment, which is controlled upto 75–80% by the government bodies, private publishers have to operate in the remaining space. Yet, demand for books is increasing. Publishers like S. Chand, *Ratna Sagar*, *Orient Blackswan* are investing in creating digital products, both ebooks and online learning aids, although they feel that it will take another five years for students to start reading digitally in a big way. Orient Blackswan's educational ebook sales are less than 0.02% of the company's total sales, said a company representative. [N6]

Student attitudes towards e-textbooks, and other aspects such as quality of electronic versions of books, enhancements, and their integration with classroom pedagogy are yet to be examined and reviewed. There is no indication of e-textbooks being core textbooks for students yet. Anecdotal evidence suggests that there is a long way to go, for students to get seamless access to the electronic books both on and off campus.

### Trade ebooks

There is a lot of activity in the trade ebook segment. Almost all major trade publishers (English-language publishers) have released ebooks. In July 2012, Penguin Books India's was the first major e list, of nearly 240 titles, that was released in the market. Before *Penguin*, *Hachette India* had released a batch of ebooks in late 2011 and early 2012. *Random House India* too had released some titles as ebooks in 2011, and the ebook catalogue has now grown. *HarperCollins India* started releasing ebooks since September 2012, and although globally ebooks form 20% of HarperCollins' revenues, in India it is less than 1% in sales. [N7] This is the figure given by almost all trade publishers for ebooks sales.

According to *Kapish Mehra*, managing director of *Rupa Publications*, the company's entire active backlist, of over 1500 titles, is digitized and available. [N8] *Gautam Padmanabhan*, CEO of *Westland*, says that the company's entire frontlist is digitized and 80% of backlist is available as ebooks. [N9]

While some publishers are adopting the approach of simultaneous release of both print and ebook editions, publishers like Rupa and its sister company Aleph, will release e-editions after 6 months of the release of printed books.

The new trend in the ebook space in India is e-singles of short-fiction. In July 2013, Penguin Books India announced

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the launch of its *e-singles* list of short, digital-only reads—“byte-sized stories which can be easily completed in the course of a daily commute or in a lunch-hour.” The list launched with 47 titles, available via Flipkart and Google Books, at Rs 25 (\$0.42) per story.

On 21 September 2013, HarperCollins India launched its *Harper21* ebook imprint, with 21 e-singles from 21 authors, priced at Rs 21 (\$0.35) per story. The company says that the stories can be read in 21 minutes! A concept that has been tried by HarperCollins in other countries.

Recently launched *Bloomsbury India* has also indicated that it will be publishing e-book versions simultaneously with printed ones. Many medium and small publishers are also venturing into publishing e-books. For example, the Delhi-based *Sterling Publishers*, who publish general interest and children's books, began to offer a wide collection of ebooks in epub format (digitized by *QBend*) through its website, and it had 177 ebooks listed on *Apple iBookstore* and Amazon Kindle store by May 2013. *Roli Books*, which publishes illustrated and coffee-table books and also literature, has launched about 40 titles as ebooks.

In children's fiction and comics segment, *ACK Media*, had launched 350 ebooks, and apps and games last year. The famous *Amar Chitra Katha* comic list is available through Amazon Kindle store, Apple App store, *Nokia Ovi* store and Android market. The company's digital division has also developed over 15 games based on characters from the ACK and Tinkle comics, in collaboration with a partner. The company is planning to roll out a complete digital infrastructure system in 2013, which will both create content as well as repurpose existing content for digital media, along with the ACK App store.

*Scholastic India* is in the process of converting its backlist into e-enabled books, compatible with the Kindle platform. At present, some of its fiction and general interest titles have been made available in EPUB format.

*Diamond Comics*, another popular comics books publisher in Hindi and English and other languages, has also digitized its formidable list and made it available for web, and for iPad and Android, in partnership with the Readwhere newsstand platform.

The multilingual children's picture book publishers like *Tulika Publishers* and *Pratham Books* were among the first to experiment with book apps, with multilingual content in the case of Pratham, on the Apple App Store, in partnership with application platforms like *Fliplog Reader* and *Mango Reader*. Pratham makes its books available on open



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platforms as well as on the entire range of reader applications, including The Wink Store, *Google Play*, *Rockstand*, etc. Popular children's picture-book publishers Karadi Tales who are known for audio books, flash videobooks, DVDs and CD-ROMs, recently launched some of their books on the App Store. At the **New Delhi World Book Fair 2013**, another children's books publisher, *Katha*, announced the launch of its ebooks list, developed in partnership with *Impelsys*.

Publishers in Indian languages are also launching ebook catalogues, by digitizing their backlist. Among them the notable ones are from publishers like Rajkamal Prakashan [Rajkamal Prakashan] (in Hindi); **Mehta Publishing House** (250 titles in Marathi launched in last week of September 2013); and **Sapna Book House**.

**DC Books**, the popular *Malayalam* publishing house, was one of the first among Indian languages' publishers to launch ebooks. Most of their titles are available as ebooks, which are selling just under 10% of their sales, according to its CEO, *Ravi Deecce*.

The **Wink Store**, which was launched in late 2010, was unique because it was able to sign up several trade publishers producing Indian-language books, giving the language segment its first entry-point into ebook publishing. While many of the publishers who signed up, started with PDFs, it was their first effort at testing the waters. The Store, which is an associate of DC Books, offers ebooks and e-magazines. In 2010, it had launched and marketed the Wink eReader, an e-ink device, which has now been discontinued. But the ebooks and the apps are available for readers to read on other devices.

Another initiative, **Bookganga**, based in the US, with its technology centre in Pune, retails more than 75,000 ebooks in *Marathi*, *Gujarati*, *Hindi* and *Sanskrit* languages, which can be read through their own app.

For many reasons, including difficulties of font support on e-reading devices, and also the investments that they need to make, to adopt a digital workflow, the publishers in Indian languages are held back from launching their electronic publishing programmes.

The many digital service providers that have been servicing foreign publishers so far, are now aggressively seeking domestic business from Indian publishers. The boom in tablet market is also helping the start-up software ventures in India to court publishers for potential content partnerships. But the collaborations have been few.

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### **Delivery platforms: Amazon, Flipkart, Kobo**

There are interesting developments taking place in retail of trade ebooks. Ebook retail is taking off from the online retail of physical books, which is continuing to grow too, with almost 25–35% of printed books sales coming from online retail for many publishers.

Amazon's homegrown competition in India, **Flipkart**, which started as an online retailer of books, and later introduced other categories of products, had forayed into retailing ebooks in September 2012 through its Flyte digital store (which started with selling music). **Flyte** was shut down in May 2013. By August 2013, Flipkart launched the Flipkart ebook app for Android, iOS and Windows platforms, as well as a web reader. The company has tied up with several Indian publishers, including publishers of Indian languages, beginning with Hindi, to sell their ebooks.

Flipkart has said that according to Nielsen BookScan Retail Panel data, Flipkart holds 80% market share for online book sales in India, and holds 40–45% market share for all trade book sales across brick and mortar and online. In August 2013, Flipkart inked a deal with self-publishing platform **Smashwords**, to distribute its titles in India.

Amazon's Kindle, which has brand recognition in India, made it easier for Indian customers to buy books, with the launch of the Kindle India Store in August 2012, which enabled transactions in Indian Rupees (INR). Amazon had tied-up with *Croma* retail chain to sell its basic e-reader, the Kindle Wi-fi 6" E Ink Display device.

When Amazon launched **Amazon.in**, its marketplace platform in India, in August 2013, it integrated the Kindle India store under that domain. The Kindle range of e-reader devices was also made available through Amazon.in shortly afterwards.

The ebook space in India is about to get more exciting, with the coming of **Kobo**, which will soon launch here. In an interview to the author of this report, *Malcolm Neill*, Kobo's Director Content Acquisition and Publisher Relations APAC, said that Kobo's entry will drive competition. It has also identified a retail partner, and has been building relationships with publishers for over a year now.

Before Flipkart and Kindle India Store set up, ebooks were available from locally established online retailers, like Ahmedabad-based Infibeam and The Wink Store, which is based in *Kottayam*, Kerala. Infibeam's ebook store with over 900,000 ebooks, complements the Pi e-ink reader.



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When it first launched, most ebooks available through In-Beam were those published by global STM publishers.

Google extended its ebook section on Google Play marketplace in India, in February 2013. With Android devices having greater penetration, Google Play is an important platform for content, where ebooks are priced in Indian rupees.

### Offline retailers

Offline retailers are also making a foray into ebook retail segment. In September 2012, Landmark retail chain's online store announced an ebooks section, and an Android-based e-reader app. Landmark's catalogue seems to be made of foreign ebooks, aggregated from an international distribution service.

The other leading book retail chain, **Crossword**, is poised to launch its ebooks retail channel by October 2013 or so, according to Kinjal Shah, the company's COO. [N10] Crossword's plan to launch ebook retailing space has been on the anvil since September 2012.

### Telecom companies join in

The telecom operator **Aircel** has launched **Aircel Book-Mate**, an ebook store for its subscribers, in mid-September 2013. The store will allow its subscribers to browse, download and read books, magazines, and comics on their smartphone, tablets and PCs, through a monthly subscription or one-time purchase. But one needs to have an Aircel number to register. The Aircel BookMate app for Android smartphone can be downloaded from the Google Play Store, while the iPad and iPhone app appears to be in development.

In early September 2013, *Vodafone* tied up with *Rockstand*, the ereading app, to provide Vodafone subscribers to buy digital content available on the app through their mobile bills or balance. Vodafone users are now able to purchase books and magazines at Rs 7 (\$0.12) per day, cheaper than the current prices of ebook and emagazines offered on the app.

(Telecom operator *\_Bharti Airtel\_'s mEducation initiative in the educational content space has been mentioned above.)*

By all indications, most publishers of ebooks realize the value of releasing books across all platforms, and they are experimenting with creating their own reader apps. With the Android platform being the most popular operating system in India, the Android-based apps would be the first

choice. *Cloud* computing is offering a solution to create reader applications for different operating systems, which allows readers to migrate between devices and platforms with greater ease, while being locked down to the distribution platform.

Ebook publishers are faced with the problems of book discovery, and many are investing in strengthening their marketing efforts online, especially through social media. Except in the case of Penguin and Sterling, the publishers do not give information about the availability of their e-editions on their own website as yet. Many publishers are yet to adopt an integrated workflow, from manuscript creation to output, and also in following global standards for metadata.

### Formats and pricing

Publishers in India are exploring with all formats and platforms. While most started with releasing PDFs, awareness about other formats is growing now. Open formats like EPUB and MOBI are becoming popular. DRM is seen to be a solution for digital piracy, so publishers are becoming familiar with DRM.

Publishers are experimenting with pricing too. Ebooks are available from as less as Rs 40 (\$0.66) going up to Rs 350 (\$6), for trade books originating in India. Ebooks sourced from foreign publishers are priced higher. Since India has been a market for low-priced editions, especially in trade publishing, price was not thought to be a differentiator when it came to ebooks. But that is could change soon. There is a lot of experimentation going on with pricing norms.

Earlier this year, most ebook publishers began by pricing printed books and ebooks almost at par; or pricing the ebooks, just less than the print version. With more ebook platforms coming up, there seems to be a shift.

Penguin's title *Can Love Happen Twice* by *Ravinder Singh*, from its popular *MetroReads* imprint, is priced at Rs 125 (\$2.08) in print and sells at Rs 65 (\$1.08) on the Kindle store and Flipkart. Similarly, the paperback of *Immortals of Meluha* by *Amish Tripathi* (Westland) is priced at Rs 225 (\$3.75), but both, the Kindle and Flipkart editions, are priced at Rs 72 (\$1.2). The nearly 50% difference in price in two editions, among the popular, commercial fiction titles are not seen in the literary fiction titles. For instance, HarperCollins' *India: A Traveller's Literary Companion* by *Chandras Choudhury* is priced at Rs 399 (\$6.7; hardback) and its Kindle ed-

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ition is priced at Rs 314 (\$5.2), whereas the Flipkart edition is priced at Rs 359 (\$6).

Similarly, in literary non-fiction too the difference is not 50%. Hachette India's newly revised title, 24 Akbar Road by Rasheed Kidwai, an account of the Congress Party's hold on the Centre, is priced at Rs 375 (\$6.25) in paperback, and Rs 295.45 (\$5) in Kindle edition.

## Self publishing

Many Indian authors are taking advantage of self-publishing services, for example those offered by *CinnamonTeal Print & Publishing Service* and *Pothi*. Amazon's Kindle Direct Programme became a greater attraction in August 2012, when the company allowed authors and publishers to set Indian rupee prices on the Kindle Store. For many of these new authors, ebook-first is a safe bet, requiring minimal investment. With Smashwords' books now available on Flipkart in India, this platform is also likely to gain interest among authors looking to self-publish.

Well-known author *Ashok Banker*, best known for the best-selling *Ramayana* series (Penguin Books India), set up his own ebook store, *AKB eBooks.Com* in 2011. For Banker, the attraction towards ebook publishing was not about the cost of production, but instead, it was the ease and the low cost of distribution and purchase.

The success of self-published author *Amish Tripathi*, whose mythological fiction series, *Shiva Trilogy*, earned him a \$ 90,000 advance from publishers Westland recently, has given hope to aspiring writers. Tripathi's *Immortals of Meluha*, the first of the Trilogy, was first published by him in February 2010. The book was re-printed thrice within the following week, and by the end of July it had sold around 45,000 copies across India. After the book's initial success, Westland picked up the series for publication. The Trilogy has sold more than 1.7 million copies in print within a two-and-half year period, with retail sales of over Rs 43 crore (\$7.17 m). It has been hailed as "the fastest selling book series in the history of Indian publishing."

Having foreseen an opportunity, Penguin Books India along with Author Solutions, launched a self-publishing imprint, Partridge India, in early 2013. Every Partridge India title is released in digital format as an e-book, and print format is offered as an option.

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## Localisation efforts

The fact that English enjoys a privileged status in India and is also the language of instruction for almost all higher education courses in the country, chiefly for STM subjects and professional courses. Publishers of Indian-language content have a few hurdles to surmount before e-publishing in these languages can catch up with the pace of change taking place in English publishing. The most important obstacle is that computing with Indic scripts has been a struggle due to the presence of multiple standards in text encoding and keyboard layouts, as well as because of poor Indic-script support on reading devices. Often fonts need to be bundled with the content files. Readers require plugins to be able to read such files on their devices. Although agencies of the government, not-for-profit organisations, and also technologists' groups and industry bodies are making efforts, especially for adoption of *UNICODE* standards, there is still a distance to cover in this regard.

(Some of the publishers in Indian languages who have launched their ebook lists, and the platforms which support them are mentioned in the trade e-books section above.)

A Tamil e-reader application, *NHM Reader*, was recently launched by the Chennai-based publishing company, *New Horizon Media*. The cloud-based ereader application, inspired by the Kindle app and its features, is currently available for iOS. The app will allow readers to adjust font sizes and background colours. New Horizon Media is developing the *NHM Reader* for Android devices too. The company, which has been involved in developing a series of Indian-language software applications, also runs an online retail store.

**Notes** 1. Indian Youth: Demographics and Readership – Results from the National Youth Readership Survey 2009, National Book Trust, India in association with National Council of Applied Economic Research, New Delhi: 2010. See the table of contents and an executive summary here.

1. Source: Vernacular Report 2012. Report by Internet and Mobile Association of India (IAMAI) in association with IMRB International, Mumbai: January 2013.
2. Source: Mobile Internet in India – December 2012. Report by Internet and Mobile Association of India (IAMAI) in association with IMRB International, Mumbai: January 2013.

3. Source: Personal interview with Malcolm Neill, Director Content Acquisition and Publisher Relations APAC for Kobo. 22 September 2013.
4. Source: Personal communication with Kailash Balani, Managing Director, Balani Infotech, a library and information services company, which supplies ebooks to universities and libraries.
5. Source: R. Krishna Mohan, Manager (production) – Higher Academics at Orient Blackswan. Interview published in Book Special, PrintWeek India special issue, September 2013.
6. Source: PM Sukumar, CEO, HarperCollins Publishers India. Interview published in Book Special, PrintWeek India special issue, September 2013.
7. Source: Kapish Mehra, Managing Director, Rupa Publications. Interview published in Book Special, PrintWeek India special issue, September 2013.
8. Source: Gautam Padmanabhan, CEO, Westland Limited. Interview published in Book Special, PrintWeek India special issue, September 2013.
9. Source: Kinjal Shah, COO, Crossword Bookstores. Spoken on the panel discussion “The Evolution of Book Retail in India”, at Publishing Next, 2013, on 21 September 2013.

## Arab eBook Market

eBooks and the digital distribution of written content have the potential of becoming a game changer in the Arab world, by opening access to knowledge, learning, and also pleasure reading in a region that traditionally was known for high rates of illiteracy and ailing distribution channels for books. Digital distribution can perhaps overcome some of these hurdles and bring books within reach of a young population that is quickly moving online with the help of hugely popular electronic devices. With 64 percent of adults owning a smartphone in the United Arab Emirates, digital access is, in principal, within reach of many today.

<sup>2</sup>

At a first glance, the status quo is complex, if not bleak. Despite a population of 280 million native Arab speakers spread between Morocco and the Gulf, an Arab book market hardly exists. Information on new title releases is hard to come by. Trading books across borders is limited and often cumbersome. Surveys on reading behavior portray a region where reading books (if they are not about religion) is a pastime for only a small fraction of even the educated strata of the population. Political as well as economic uncertainty add heavily to this poor accounting. And yet, at least in some areas, notably in the Gulf but also in Saudi Arabia, the situation improves dramatically. For instance, in the United Arab Emirates, illiteracy has fallen from 75 percent only four decades ago to 7.5 percent today (Jen Thomas: “UAE cruises from illiterate to well-read in 40 years.” *The National*, August 27, 2012).

Some 500,000 printed book titles are available in Arabic, with about 15,000 new titles and 10,000 re-editions per year, according to estimates.<sup>3</sup> These are modest numbers compared to the 90,000 new titles and re-editions in Germany alone, with a population of about 82 million. The foundations of the Arab book market are ever more strained, as small- and medium-sized publishing houses prevail, with strictly limited access to capital, as well as a high cost for a largely unreliable distribution system in most Arab countries, and a very serious impact from piracy on sales in most markets. Any successful new book is pirated, on paper or digitally, within days of its release. Among the well educated, Arabic books are furthermore in direct competition with content in the English language—books, but also all other media and formats—so that reading and learning in English (or in French for the Maghreb) has become a central feature.

In 1999, **Neel WaFurat** was established as the first platform for purchasing Arabic books online. Based in Lebanon, it serves the domestic market as well as customers in neighboring countries, plus Egypt, the Gulf, and Saudi Arabia (which, with a population of 28 million, is the largest single Arab market). Recently, Neel WaFurat added a dedicated site for digital books, **iKitab**, distributing some 3,000 Arabic-language titles as ebooks in EPUB format; Neel WaFurat also added a site for digital magazines, **iMaghaleh**, hosting about 100 magazines from all over the Arab world.

2. See the survey carried out by the telecom equipment vendor Ericsson, polling 47,500 Internet users aged 16 to 60 years in 58 countries and regions in the first quarter of 2012, reported by various services, and the Wireless Federation on June 20, 2012.

3. Data in this chapter are, if not indicated otherwise, taken from the study “Publishing in the United Arab Emirates,” by Rüdiger Wischenbart and Nasser Jarrous, released in September 2012.

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These platforms are available for Apple's iPad as well as for the Android platform. An iKitab Cloud service was launched in beta version in the first half of 2012.

Other online stores for books in Arabic include **Mizado**, one of the leading web stores in the Middle East, covering a wide range of products, including electronics, furniture, and home appliances, as well as books, for delivery to the customer's home. The catalog of Arabic books is limited to about 250 titles. **Aido** is an online store, founded in 2008, specializing in various media and gifts, with a limited offering in books, most of which are in English. **DoBazar** is a recently launched online store with a Bangladeshi background, specializing in gifts, but aiming to add books, including titles in Hindi, to their product list.

The move from using the Internet for the distribution of physical goods to distributing digital material on mobile devices is confronting a number of challenges that are specific to the Arab context.

First of all, digitizing Arabic writing is a challenge, as representing Arabic typography properly on reading devices comes with substantial technical difficulties—a problem of both practical and symbolic impact in a cultural context that esteems calligraphy as being a particularly important aspect in books. As a result, Arabic is currently not supported for ebooks on several of the internationally leading platforms, like the Apple iBookstore.

This makes it not only difficult to produce and distribute Arabic ebooks—It tends to discriminate books against all other media and content that are available to consumers on their mobile devices instantly, over popular services such as the iTunes store.

The most ambitious initiative aiming at digital content is probably **Rufoof**. Founded in 2010, Rufoof is a Dubai-based ebook portal offering publishers a complete line of services from digital conversion to distribution. It currently serves as a distributor for 20 publishers and has service agreements with another 30, with 5,000 titles, mostly in

Arabic, currently in its inventory. In a strategic move, Rufoof is preparing to build an overarching directory for the Arab book industry, aiming at including title-based information as well as information on publishers and the availability of any listed title at as many bookstores and on as many sales platforms as possible. Rufoof focuses primarily on mobile devices, and its application is available from Apple's App Store (for which Rufoof could gain the status of an "approved supplier"). Additional apps for Android and Windows are forthcoming. According to its business model, Rufoof does not charge for digital conversion services, but splits revenues with publishers 50/50, after suggesting a retail price for ebooks at a discount of 30 to 50 percent off a print title's cover price. In upcoming developments, Rufoof aims to branch out into educational publishing as well, taking advantage of recent public announcements with regard to the UAE government's promotion and support of elearning (see, for instance, Sheik Mohammed's e-learning initiative of April 2012, details at [www.sheikmohammed.ae](http://www.sheikmohammed.ae), direct link [here](#)).

**Qordoba**, a Canadian and Lebanese company with its legal headquarters in Dubai, was launched in 2011 as an initiative specializing in digitally publishing Arab writers. By spring 2012, Qordoba had acquired the rights to 400 Arabic titles, of which 250 were ready to be released as ebooks. In addition, Qordoba aims at translating relevant titles as ebooks into Arabic, mostly from English. The first English title released in Arabic was Machiavelli's *The Prince*. Ultimately, Qordoba wants to cover all subjects, from literature to sciences, politics, and religion, and distribute them on its own platform. Titles will be made available in EPUB, across all major platforms, including Apple, Android, Windows, websites, and Samsung's SmartTV. Forty percent of sales revenues go to the publishers, with retail prices being suggested at a discount of 30 percent off the print price. eBooks carry DRM protection and can be read only through the Qordoba App. For payments, a system of prepaid vouchers is available.

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# The Expansion of Global Platforms

**P**ublishing groups with international reach are certainly not a new feature of the industry, as the strong presence of British houses in all of the former Commonwealth and in the US well illustrate. With the acquisition of the world's largest trade publisher, Random House, by the German media conglomerate Bertelsmann in 1998, the subsequent reaching out of Hachette in the US and the UK, and the more recent international aspirations of regional groups such as Spanish Planeta or Swedish Bonnier, international expansion has become common. And their parent companies all control various media and related activities, with book publishing in most cases not being the groups' largest division. (Pearson, the world's largest publishing group being one exception to this pattern.)

Today, opening offices in the Gulf (like Bloomsbury in Qatar), or even holding corporate management conferences in Beijing (as Penguin did a few years ago) has shown that book publishing is in no way any longer limited by national or linguistic borders.

The recent expansion of distribution platforms and channels, both in reach and in the scope of their offer of products and services, has brought the globalization of publishing, books and reading to an entirely new dimension.

## Amazon

When Amazon released data on its 2012 financial performance at the end of January 2013, Jeff Bezos, the company's founder and CEO, concluded: "We're now seeing the transition we've been expecting. After 5 years, e-books is a multi-billion-dollar category for us and growing fast—

up approximately 70% last year" ("Amazon reports record sales growth," *The Bookseller*, January 30, 2013). That is certainly true. But Amazon may no longer be in the privileged role of ruling the game almost all alone, as least in the US, due to the introduction of the Kindle in 2007.

Sales from Kindle and tablet devices alone are estimated at \$4.5 billion, up 26% from 2012, according to Morgan Stanley, yet with annual growth expected to slow down in the years ahead. For 2014, sales of digital media content is expected to surpass revenues from devices. Overall, the "Kindle ecosystem" is expected to account for 11 percent of the company's total revenue this year, but 23 percent of its operating profit. (Quoted by Allthings, 12 August 2013).

A major expansion in the ecosystem that Amazon offers to its customers was in spring 2013 the acquisition of the reading platform Goodreads, which had grown, by summer 2013, to a community of 20 million.

## Amazon's International Growth

For the first time ever, the annual report 2012 gave some insight into the stupendous international expansion of the world market leader in online bookselling (*Annual Report* for fiscal year, ended December 31, 2012, US SEC).

While overall sales of Amazon in North America always exceed revenues from its international business, at least since 2010, international changes in the media sector are clearly ahead of domestic North America ("media" includes, in addition to ebooks, all other digital content: music, movies, and games, but not "electronics and other general merchandise"). Even more remarkably, at least in 2010 and 2011, "international media" showed stronger



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growth, year on year, than domestic developments. For 2012, international media growth dropped sharply, from 23 percent for 2011 to 9 percent in 2012 (against continuous growth of 15 percent for domestic media sales—with no further explanation given).

The lion's share of Amazon's international revenue came from only three markets, Germany, Japan, and the UK, adding up to \$23 billion of the total \$26.3 billion for 2012. All other markets combined accounted for just another \$3.3 billion, or less than 13 percent of international. This refers to the total turnover, not just media. For Germany, an independent estimate is available that has Amazon's media revenue at \$3.5 billion, and its book division is thought to represent some 20 percent of the German book retail market, most likely making it the number one channel, head on head with Weltbild/DBH ("Amazon kontrolliert rund 20% des Buchmarktes," *buchreport*, February 2013).

However, recent growth beyond those three core markets, hence on the really global end of the scale, was even more remarkable, with 69 percent year on year for 2011, and 50 percent for 2012.

Since June 2013, Amazon has started to sell its devices in mainland China, with the Kindle Paperwhite 849 yuan (US \$134) and tablet computer Kindle Fire HD with 16-gigabyte memory for 1,499 yuan. (*Sina*, 8 June 2013)

Also in 2013, Amazon has started selling Kindle devices in India, after its launch of a Kindle shop in 2012, and it has enhanced its presence in India by unveiling its Amazon Associates program. (Shelf Awareness, 14 June 2013 and 9 July 2013)

In addition, Amazon reportedly has started preparation for entering the Russian market with a dedicated website, after hiring Arkady Vitruk, formerly the general director of one of Russia's leading publishing houses, Azbuka –Atticus. (*Russian Book Industry Magazine*, 4 July 2013)

Amazon's own publishing arm had started its international expansion already in late 2012 to Germany and Europe. (Amazon-Verlage nehmen Kurs auf Deutschland, *buchreport* November 29, 2012) In France, it launched an imprint, Jet City, specializing in graphic novels. (*Livres Hebdo*, 10 July 2013)

Interestingly, all Amazon figures breaking down international sales reported by Amazon hint at a significant slowdown in its growth for 2012. Growth in overall international media sales dropped from 23 percent year on year for 2011

to 9 percent in 2012. The by-country rates fell on average by more than a third, for Germany, Japan, and the UK. For the rest of the world, the expansion slowed down from a mesmerizing 69 percent in 2011, to a still strong 50 percent in 2012. In the second quarter of 2013 though, international sales have grown by just 13% (after beeing up by 15.9% in the first quarter of 2013).

With no details indicated in the filings of the company, and with no global economic factors providing a plausible explanation for the pattern, it must be assumed that competition is the most reasonable explanation. With more and more hounds chasing the global leader of the segment, on both local as well as global grounds, with Apple, Google, and Kobo, as well as scores of homegrown competitors stepping into the arena, Amazon should probably get ready to meet a bunch of serious challengers in the months and years ahead.

#### **Amazon in the crossfire of international controversies on its tax paying**

Founded as an online bookseller in 1995 in Seattle, Washington, Amazon.com, Inc. (NASDAQ: AMZN) *portrays itself* not as a specialist in books, but as "Earth's most customer-centric company," catering to "four primary customer sets: consumers, sellers, enterprises, and content creators." Even in the short version, the company statement hints at the ambition of Amazon to assume, as a vertically integrated service provider, a broad number of business roles that traditionally had been the domain of a wide array of separate businesses, notably bookseller/retailer, used bookstore, library, publisher, service provider to authors, as well as publisher (including print on demand), ecommerce platform, and marketplace—to name just a few.

The integration of many roles under one roof has, on one hand, opened unique ways of expanding Amazon's business but has on the other hand drawn critical reactions from many of the traditional players of the book business and resulted in recent controversies.

In 2012, Amazon found itself center stage in a number of controversial debates, notably in Europe. Portraying itself as a *global, "pan-European" company*, the firm was criticized in Great Britain and subsequently in France for minimizing their tax payments in countries of operation. (For the global debate, see "*Forces Shaping the eBook Markets: Key Drivers and Debates*"). Aside from such general criticism of its business practises, a specific issue with the taxation of ebooks has also provoked controversy across Europe. In the majority of countries of the European Union,

## Amazon's performance in 2012

	2012				2011				2010			
	Absolute (\$bn)	Growth yr-on-yr	Media (\$bn)	Growth Media	Absolute (\$bn)	Growth yr-on-yr	Media (\$bn)	Growth Media	Absolute (\$bn)	Growth yr-on-yr	Media (\$bn)	Growth Media
North America	\$34.8	30%	\$9.2	15%	\$26.7	43%	\$8	16%	\$18.7	46%	\$6.9	15%
International	\$26.3	23%	\$10.7	9%	\$21.4	38%	\$9.8	23%	\$15.5	33%	\$8	18%
Consolidated	\$61.1	27%	\$19.9	12%	\$48.1	41%	\$17.8	19%	\$34.2	40%	\$14.9	17%
DE	\$8.7	21%	\$3.4*		\$7.2	36%			\$5.3			
JP	\$7.8	18%			\$6.6	32%			\$5			
UK	\$6.5	20%			\$5.4	38%			\$3.9			
DE+JP+UK	\$23	20%			\$19.2	35%			\$14.2			
Rest Int	\$3.3	50%			\$2.2	69%			\$1.3			

Source: SEC filings. \*€2.6 billion. Estimate buchreport.

printed books benefit from a reduced VAT, while ebooks tend to be subject to the full tax (which makes a difference between zero for print, and 20 percent in the UK, for instance, or 7 percent versus 19 percent in Germany). In fact, Amazon charges its British customers a VAT of the full 20 percent. Yet by having set up European headquarters in Luxembourg, which collects a VAT of only 3 percent for an ebook, Amazon can up its margin by the difference, as it forwards only those 3 percent to tax authorities in Luxembourg. Competitors obviously consider this as a huge challenge, given Amazon's dominance on ebooks. (Amazon makes UK publishers pay 20 percent VAT on ebook sales, *The Guardian*, [October 21, 2012](#)).

In Germany, the debate on tax has echoed at first less strongly than its expansion in both market share and scope of services. But the perspectives have largely changed in the first half of 2013, in the light of successful "Buy local" marketing campaigns launched by independent local booksellers, a rising critical debate in the media on Amazon's very modest tax paying (German overall turnover of \$8.7 billion contrasted with a mere 118 million of profits for all its European holding in Luxembourg), together with a stand off with unions, and several strikes at its German warehouses. (*Frankfurter Allgemeine Zeitung*, 12 July 2013)

### Earlier developments: 2012 and before

Today's ebook environment can reasonably be described as having been triggered, directly or indirectly, by the launch of Amazon's Kindle reading device in 2007. The device was the part visible to consumers, in a much more

complex and proprietary, highly integrated system that consisted of Amazon's leading online platform for selling (printed) books in the US and most major European markets, plus China; a phone hookup allowed the direct ordering and downloading of digital books, and the agreement with publishers—at first the Big Six in the US—to make available a wide catalog of attractive titles under this system.

By mid 2012, the Kindle and its successor devices, notably the color Kindle Fire, were seen as the most popular reading platforms for ebooks internationally, and Amazon set up localized Kindle shops via its website for not just the US but also the UK, France, Germany, Italy, and Spain.

In Japan, Amazon entered into an agreement with 40 publishers, including Gakken and Kadokawa, on the distribution of their ebooks for the Kindle in Japanese (*Asahi Shinbun*, [May 7, 2012](#)).

In August 2012, the Kindle was also launched in India with a catalog of over 1 million titles priced in rupees, making it the biggest ebookstore on the subcontinent.

Amazon, the Kindle, and the related offers—from author services to lending books as a prime customer (available so far only in the US)—form an increasingly integrated sphere, of which significant parts are not available via other platforms. This connection is demonstrated by Amazon's claim that 180,000 Kindle-exclusive titles are now available on that lending library, and altogether Kindle-exclusive titles have seen over 100 million downloads by late August 2012 ([press release](#), August 28, 2012).

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On the other hand, the Kindle device was originally sold only via Amazon's website, but as of September 2011, it was also made available in other retail channels, such as the Staples office supply stores and the German Karstadt department stores. In May 2012, another—much debated—partnership was announced with the British book chain Waterstones (*buchreport*, December 22, 2011, "Amazon verkauft Kindle-Geräte über Karstadt und Staples").

The first Kindle device was the game-changer for the emergence of today's ebook market, but various surveys indicate a clear migration of customers from specialized ereading devices to tablet computers. Between August 2011 and May 2012, the preference for the Kindle as the device of choice for reading dropped among US consumers from 48 percent to 35 percent; Amazon's tablet, the Kindle Fire, seems to have topped Apple's iPad tablet among ebook users ("Consumer Attitudes Toward E-Book Reading," BISG study quoted in *buchreport*, August 2, 2012).

The total revenue from digital content downloads of Amazon was estimated at \$1.85 billion in 2011, placing the platform at a rank of 21 among all global ecommerce vendors ("The world's most successful digital media companies," *paidcontent.org* 50, July 31, 2012).

In the UK, Amazon accounts for 21 percent of the entertainment market (according to Kantar Worldpanel, as quoted in *The Bookseller*, July 24, 2012). In Germany, a study by the University of Hamburg on a panel of 2,000 consumers estimated that 57 percent of German ebook buyers acquired at least some of their digital reading at Amazon in 2011 (Michel Clement and Felix Eggers, "E-Books und E-Reader, Kauf und Nutzung," Universität Hamburg, January 2012).

For 2011, in the UK, Amazon announced a five-fold increase in Kindle ebook sales over 2010.

## Apple

Assessing the market share and impact of Inc. (NASDAQ: AAPL) in the international ebook markets has always been a difficult exercise due to the lack of public statistics. In the first half of 2013 though, some light had been shed on the arguably second largest platform for the distribution of ebook content.

Apple executive Keith Moerer put Apple's market share at around 20% for 2011, when the iBookstore was launched, as well as for later periods, when books from Random

House had been added to the catalogue, after they had been missing at first. Moerer's statement occurred at the hearings at court in summer 2013 over allegations of fixing of ebook prices between Apple and major US publishers. (*Publishers Weekly*, 12 June 2013)

Earlier estimates had seen Apple's share closer to 10%, yet growing, notably at the expense of Barnes & Noble's Nook. (*Digital Book World blog*, 28 february 2013) Industry analyst Horace Dediu put the figure meanwhile at around 24%, arguing that overall, between the launch of the iBookstore in June 2011, and October 2012, Apple may have sold some 270 million ebooks, "Apple's iBooks generated about \$1.3 billion in payments and grossed about \$1.8 billion", equalling some 8% of the entire "iTunes universe". (Horace Dediu: *Measuring the iBook market*) 28 february 2012.

Yet it has been questioned by some if "Apple even cares that much about ebooks". (Joe Wikert, quoted in *Paidcontent*, 11 September 2012)

The more important part of Apple's role with regard to ebooks might be, in the long run at least, to have integrated books so deeply and seamlessly, in the iTunes ecosystem, with music, movies and all other formats of digital entertainment, thereby spearheading a future in which books and reading simply lose their traditionally privileged cultural position. This perspective is particularly relevant in a global perspective, as in many emerging markets, only poor distribution networks for printed books exist, while the Apple brand, and the download of various content via iTunes has become mainstream, even long before a significant ebook market has evolved in these countries.

In the US in 2013, Apple had gained unwillingly a very prominent position with regard to ebooks in a court battle over ebook pricing strategies, and was found guilty in July of a "violation of Section 1 of the Sherman Act" by conspiring with major publishing houses "to work together to eliminate retail price competition and raise e-book prices". (Judge Cole in his decision, quoted in *Publishers Weekly*, 10 July 2013) The implied publishing houses, Simons & Schuster, Hachette, HarperCollins, Penguin and Macmillan had settled the case with the US Department of Justice earlier on. (For a short summary, see *The Telegraph*, 8 February 2013)

In a similar ruling as of December 2012, the European Commission had adopted "adopted a decision that renders legally binding commitments offered by Apple and four international publishers", to stop any "collusion to re-

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strict or eliminate competition” as being “simply unacceptable.” (Press release by the European Commission, 13 December 2012)

The ruling on Apple is ending what has been called the “agency model” of publishers setting a fixed retail price for their ebooks. The controversy broke out at first when Amazon had started to discount ebooks below the publishers’ wholesale price, yet backed down in a short and hard standoff in February 2010 with Macmillan’s CEO John Sargent. (The Bookseller, 8 February 2010)

## The international expansion of Apple’s iTunes and iBookstore

By December 2012, the iTunes Store had been made available in 119 countries, with high markets such as India and Indonesia, Russia, Saudi Arabia and Turkey being able to access an online market place for music and various other digital content. (Apple press release, 4 December 2012)

However, the iTunes universe is not exactly the same in all these markets. On the one hand, pricing can vary significantly, as music is available in India for instance for only 7-15 rupees (then \$0.11 to \$0.24), much less than in markets in North America or Western Europe. (TheNextWeb, 4 December 2012) Also, not all channels are open in all markets, with notably books having a much more limited reach. In Japan, Apple had reached enough agreements with major local publishers for opening an iBookstore only in early 2013. In most of Latin America, the iBookstore is open since summer 2012, with observers seeing it as the leading distributor notably in Brazil, with a market share of 28.5% in March 2013. (PublishNews Brazil, 2 May 2013)

By summer 2013, iBooks are available in over 50 countries. (<http://en.wikipedia.org/wiki/IBooks>)

### The iBook universe

iBooks is an application that has come bundled with iPads since the device was first introduced by Apple in January 2010. The app allows readers to download digital books in EPUB format from the iBookstore, and it is integrated with Apple’s iTunes platform for the exchange and usage of other file formats, such as PDF.

The iBooks app comes in over 30 language versions, including English, Arabic, Chinese, Korean, and Ukrainian. However, this does not mean that all these languages are also supported for publishing a book to the iBookstore (e.g., Arabic, along with other languages that are written from right to left, are at this point not supported; by the

end of 2012, 18 languages were supported, including simplified Chinese). For more information, see the [guide](#))

iBook Author is a free of charge authoring solution, which is also notably promoted for the creation of educational content, witnessing the witnessing[download of 350,000 textbooks] in just three days in early 2012. (For more details on iBooks Author and textbook creation, see below.)

### Earlier developments, 2012 and before

In the ranking of paidContent of the world’s top 50 digital media companies, for which only revenue from digital content sales have been included, Apple has been ranked at number 5, with digital revenue (not including hardware sales) of \$5.4 billion (<http://bit.ly/T1EUu7>).

With regard to reading devices, evidence grew in 2012 that tablet computers had gained in popularity versus E Ink-based dedicated readers—to the advantage of Apple’s iPad, which was reported to have been a favorite gift in year-end holidays 2011 not just in the US and UK but also in many other markets (as an example, in France, see *Livres Hebdo*, February 6, 2012). However, by late summer 2012, with the rollout of the next generation of low-cost ereaders as well as tablets, notably by Amazon, Barnes & Noble, and Kobo, a fierce struggle for market share ensued.

New reading devices will also deeply influence the development of digital publishing. One segment of publishing where this will be leveraged is certainly textbook publishing, a sector famously singled out by Apple’s founder Steve Jobs as being “ripe for digital destruction.” The launch of iBooks Author, together with the iBooks 2 format, which is designed to allow authors to publish stories and notably more complex and multimedia content directly to the iBookstore—is a toolset that the *Economist* labeled a “breakthrough in transforming how textbooks are created and distributed” (*The Economist*, January 20, 2012). Apple’s initiative was not directed only at eventual authors—in any field requiring “media-enriched” publications—but also included from the beginning the adaptation of existing textbooks from major educational publishers, notably Pearson, Houghton Mifflin Harcourt, and McGraw-Hill, making all these materials directly accessible and purchasable through the iBookstore.

## Barnes & Noble

The announcement of [senior leadership changes](#) in early July 2013 highlighted the complex challenges that Barnes & Noble is currently confronting. The resignation of CEO

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William Lynch, and Michael P. Huseby taking over as CEO of Nook Media and President of Barnes & Noble, Inc., occurred in the context of declining sales and profits at Nook Media.

For the first quarter of fiscal 2014, Barnes & Noble reported a decline in revenues of 8.5% , and a loss of \$8.9 million (EBITDA), with the Nook division (which includes the devices, digital content and accessories), announcing \$153 million in sales for the fiscal 2014 first quarter, a decline of 20.2% from the \$192 million in revenue reported for the same period in fiscal 2013. (B&N [press release](#), 20 August 2013)

With the earnings report, B&N announced also to continue support and develop its own line of tablet devices (contrary to earlier announcements - see at [CNet](#)) and to roll out at least one new reading device for the 2013 holiday season.

In spring 2013, has re-launched its self-publishing platform Piblt under the new brand of [Nook Press](#).

#### Earlier developments

Barnes & Noble, Inc. (NYSE: BKS) describes itself as “a Fortune 500 company, is the world’s largest bookseller and the nation’s highest-rated bookselling brand” (Statement on the company website <http://www.barnesandnobleinc.com>). The company’s businesses include the operation of approximately 700 specialty retail stores and more than 600 college bookstores in all 50 states in the US; online retailing through its flagship website BN.com; and a marketplace leader in the digital industry through its exploding NOOK brand of eReaders, reader’s tablets, and digital content.

In 2012, Barnes & Noble and Microsoft announced the completion of their previously announced strategic partnership in NOOK Media LLC, with an investment of \$300 million by Microsoft in NOOK Media LLC at a post-money valuation of \$1.7 billion in exchange for an approximately 17.6% equity stake, with Barnes & Noble owning the remaining shares. At the end of 2012, Pearson bought a 5% stake in Nook Media by investing \$89.5m in cash. ([The Bookseller](#), 2 January 2013)

Barnes & Noble had received a \$204 million investment from Liberty Media in August 2011.

In fall 2012, Barnes & Noble had brought its NOOK and digital bookstore to the UK through a new [www.nook.co.uk](http://www.nook.co.uk) online storefront. This marked the first

time the company was expanding its business internationally.

Barnes & Noble has thereupon formed partnerships with several British retailers, including John Lewis, Dixons, Sainsbury’s, Waitrose, Blackwell’s, Foyles and Argos, to sell NOOK HD, NOOK HD+, and E Ink devices. The company has also opened its European headquarters in Luxembourg.

In October 2009, B&N had introduced its eReading device branded as NOOK, the first Android-based eReader. One year later, Barnes & Noble launched NOOK Color, the first full-color touch Reader’s Tablet. In 2011, Barnes & Noble introduced NOOK Simple Touch, a full touchscreen device, followed by NOOK Tablet. This spring, Barnes & Noble introduced NOOK Simple Touch with GlowLight, the world’s first E Ink Reader that enables reading in the dark. And in September, Barnes & Noble launched NOOK HD, the lightest and highest-resolution 7-inch tablet, and NOOK HD+, the lightest full HD tablet. The company also announced the premiere this fall of NOOK Video. Barnes & Noble has an estimated 27% market share of the U.S. ebook market and a catalog of more than 3 million titles in its NOOK Bookstore.

## Google

In 2004, Google Inc. (NASDAQ: GOOG) introduced book searches of full text and, in order to increase the amount of digitized books available for such a search, an initiative to digitize significant numbers of printed books from public and university libraries. Initially named Google Book Search, Google Print, and Google Library Project, all of these activities are today combined under the label of Google Books. As of March 2012, over 20 million books have been scanned, Google reports.

As early as 2005, a controversy emerged between Google and authors’ as well as publishers’ associations and individual publishers in the US and overseas over the inclusion of “snippets” of copyrighted works. After seven years of litigation and an initial settlement rejected in 2011 by a New York court, an agreement has been reached between Google and the American Association of Publishers as of October 4, 2012. The agreement offers US publishers the option to either withdraw titles under copyright and scanned by Google in libraries, or to keep them in Google’s program and receive in return a digital copy and permission to commercially use the scan. Furthermore, users can view up to 20 percent of a title and, provided the publisher consents, purchase it through the Google Play shop. The



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settlement is expected to make available several million titles scanned by Google (*Publishers Weekly*, **October 4, 2012**). Related litigation between Google and several French publishers, including Hachette, Albin Michel, Flammarion Gallimard, and La Martiniere, has been settled in out-of-court agreements (*Livres Hebdo*, September 7, 2011).

With this settlement, the road might open up for the largest library of digitized works to be broadly and globally disseminated, including massive numbers of titles under copyright, as procedures for their legal distribution, including commercial downloads through Google, emerge. At this point, those 20 million books are maintained by the library of the **Hathi Trust**, a “partnership of major research institutions,” funded notably by Google. Only half of the digitized works are in English. The other half, consisting of over half a million books in German, 434,000 in French, and over 10,000 in Ukrainian, Bulgarian, or Serbian, turn this into the largest and most linguistically diverse repository of ebooks (for a detailed discussion, see “Global ebook distribution complexities,” **November 28, 2012**).

While Google’s ambition with regard to books started at searching and cataloging them based on a full-text search and earning revenues from customized advertising in the search results, books have started to be included in its digital multimedia distribution service, branded Google Play, which includes options for purchases via Google (or, in the case of books, various other online shops) as digital downloads as well as through third-party online platforms for ordering printed books. Google claims to have 3 million ebook titles available on Google Play, mostly free of charge, with hundreds of thousands available for purchase (<http://bit.ly/T1FrMx>).

Similar to the iTunes Store, however, the Google Play Store is currently available only in a limited number of countries, including Australia, Canada, Spain, Germany, Italy, South Korea, the UK, and the US. So far, Google’s policy has been to roll out book services one country at a time, often with a long interval in between (UK in September 2011, Italy in May 2012, Germany and Spain in June 2012, France in July 2012) and delays attributed to long and tedious negotiations with publishers over rights (for the example of France, see *Livres Hebdo*, **July 18, 2012**.)

In 2012, Google started to venture into the device market in cooperation with selected hardware manufacturers (in this case, Asus) by launching a tablet computer with an Android operating system, branded the Nexus 7.

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In the second half of 2012, Google, together with Amazon, was challenged in a widely publicized debate, notably in the UK, over its practice of minimizing local tax payments through a complex fiscal scheme across Europe (for details, see “Google, Amazon, Starbucks are *immoral* and *ridiculous* over UK tax,” **November 13, 2012**).

In the US, Google had a long partnership program with the Association of American Booksellers (ABA), which it cancelled in April 2012, to expire by January 31, 2013. In the meantime, Kobo stepped in to replace Google in this regard.

## Kobo

“Kobo’s greatest asset? It’s not Amazon”, wrote the British Observer in spring 2013. (*The Observer*, 28 April 2013.) It is true that next to paramount players who either represent the entirety, or significant portions, of the world wide web, there must be a niche open for a contender that is different, and Kobo is busy to fill out this space.

Kobo was launched in 2009 by the Canadian bookstore chain Indigo Books & Music Inc. (TSX: IDG), which was founded in 1996 by Heather Reisman and her husband and majority owner Gerry Schwartz. **Kobo** was at first a business division, meant to cater to the emerging ebook market, then spun off as a separate business entity, and ultimately sold to Rakuten (JASDAQ: 4755), the largest e-commerce company in Japan. Rakuten has recently seen aggressive and forceful global growth by acquiring multiple related online marketplaces, notably Buy.com (US), Priceminister (France), Ikeda (now Rakuten Brasil), Tradoria (now Rakuten Germany), and Play.com (UK), as well as an investment in the leading Russian online bookshop Ozon.ru. Rakuten has reported revenues of \$4.7 billion for 2011. In 2012, and after the acquisition of Kobo, Rakuten’s head, Hiroshi Mikitani, has announced plans to confront Amazon in a competition on global e-commerce (quoted in *Handelsblatt*, **January 22, 2012**).

Kobo claims to be “**one of the world’s fastest-growing ereading services.**”

By late summer 2013, claims to have sold ebooks from its catalogue of 3.5 million books and magazines into 190 countries, with its devices supporting 68 languages. As of September 2013, Kobo has expanded beyond Canada, where in 2012 it controlled a market share of 46%, according to **Ipsos**, by establishing localized platforms in Brazil, France, Germany, Indonesia, Japan, the Netherlands, Por-

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tugal, South Africa, Thailand, Taiwan, UK, and the US. Rakuten's CEO Hiroshi Mikitani has been quoted that Kobo was the market leader for ebooks in France. (*Forbes*, 6 September 2012)

By January 2013, Kobo claimed to own 20 percent of the global ereader device market (*Press release*, January 13, 2013). 2013 has since seen two launches of new devices, in spring and in summer, which included both ereaders and tablets. (*Publishers Weekly*, 28 August 2013)

Other than several of its competitors, Kobo has engaged in several strategic partnerships, including with Hongkong based Cheung Kong Holdings, W H Smith in Great Britain, Whitcoulls in New Zealand, FNAC in France, and Livraria

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Cultura in Brazil. In many markets, Kobo is partnering with local retailers, aside from those mentioned, with Libris BLZ in the Netherlands, Libreka in Germany, and Mondadori in Italy. In Japan, it started to develop an ebook userbase ahead of Amazon, in summer 2012 (*The Bookseller*, August 16, 2012).

For the US, and later on also in other markets, Kobo positioned itself as an ebook partner for independent bookstores, signing respective agreements with associations (ABA in the US, and the British AB), and replacing Google in that position.

In summer 2012, Kobo also kickstarted a self-publishing portal, branded as "*Kobo Writing Life*."

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# Forces Shaping the eBook Markets: Key Drivers and Debates

**T**he evolution of ebook markets is shaped by complex forces, some local, some global, as shown in the introduction (see [Part II](#)).

In addition, publishers -but also authors, as well as the reading public, the consumers- shape the ebook markets through various choices and strategies. Several key drivers, and debates governing these choices are framing what, in fact, works and what doesn't.

- Ebook bestsellers are not necessarily the same as in print but allow a better understanding of the dynamics of ebooks as a new market segment, and not just as an additional format that complements printed editions.
- Pricing strategies differ significantly between countries and highlight how publishers assess the market potential of ebooks - and how their new competitors challenge their mostly conservative practices.
- Many authors opt to self-publish their books as an alternative to the traditional value chain, and find such services offered by a rapidly expanding field of local and global self-publishing platforms and communities, some even -again- proposed by publishing companies.
- Readers do not always choose to download their ebooks from legal sources, so piracy must be understood, aside from the involved legal issues, as a reflection of the shifting behaviors of consumers.

- In addition, in more and more countries, reading markets develop a bilingual segment, as growing numbers of readers read both in their mothertongue and in English, which introduces both new opportunities and real challenges to local publishers and retailers.
- Regulatory frameworks, including the debate on adaptations of copyright law, define an important context for ebooks.

Each of these sets of parameters and combinations thereof will not only affect each market's ebook evolution but also frame the interplay of domestic and global factors as they encourage either globalizing or more differentiating forces.

The aim of this chapter, though, is not to portray each of these factors in every detail for every single market but, rather, to develop an analytical framework to understand the driving forces, the resulting patterns, and the resulting impact of these forces as they are currently reshaping the business of publishing and the culture of authorship and reading.

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## Ebook Bestsellers and Ebook Pricing Strategies in Europe

### Contradictory strategies

By the end of 2012, with ebooks having become a normal part of the larger European book markets, a number of obvious questions are emerging. These questions must be answered to identify and assess the driving forces and consumer habits behind the evolution of the book markets and to compare the patterns of print and digital editions.

In the second half of 2012 and in early 2013, both e-readers and tablets gained popularity everywhere at a fast pace, resulting in an expected increase in book downloads.

A few spectacular blockbuster titles, notably the erotic trilogy *Fifty Shades of Grey* by E.L. James, received such widespread media coverage that they must also have been downloaded in great numbers. By January 2013, *The New York Times* reported 40,000 digital units sold in France alone — a number that must be compared to 900,000 printed volumes (*The New York Times*, [January 16, 2013](#)). This would give ebooks a share of 4.4% over print sales, which is clearly higher than the estimated 1 to 1.5% of the market share that ebooks were expected to account for in the overall book market in France by late 2012. However, the comparison also hints at the fact that, so far, ebooks are almost all fiction — and in some significant cases self-help and how-to books — with the strongest bestsellers accounting for the lion's share.

The French translation of *Fifty Shades of Grey* cost a substantial €11.99, compared to £3.46 in the UK and \$8.77 in the US. The German *Kindle* edition was sold at €9.99, the Italian at €6.99, and the Spanish at €9.49. In Sweden, readers paid a mark-up as if the book were strong liquor, given the hefty price tag of 137 kronor, or €15.80.

Going further into the details reveals rather more confusion and less clarity about the driving forces and policies behind such differences. Worse, any attempt to understand how ebooks sell across various European markets and editions is hindered by several obstacles, each highlighting diverse features of how these markets are shaped by different forces and contexts. Hence, the goal of this comparative analysis cannot be to bridge those differences and complexities but instead to identify some characteristics and to map certain patterns while being clear about all the remaining uncertainties.

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First, aside from the UK and, to a certain degree in Germany, no authoritative ebook charts have been established at this point. Instead, we had to work with lists proposed by various leading online platforms and juxtapose overlaps as well as differences among them.

The simple question of asking what a bestseller is in ebooks and what it costs is leading to a set of complexities.

Across markets, two basic approaches take shape. One is promoted by *Amazon* on its localized sites for Germany, France, Italy, and Spain that provides the sales rank for ebooks by units sold, regardless of the retail price, as long as the book is not offered for free. Long novels at €14.99 and digital shorts at €0.89 live side by side. Self-published books, often priced aggressively at €0.99 or €2.99, occupy a significant number of top positions.

By contrast, in Germany, *Börsenverein* publishes monthly bestseller charts, and the top 10 fiction titles sell at an average price of €10.94, with no discounting being allowed, as the concept of fixed retail prices applies to ebooks, too (list for July 2013, the most recent available as of September 2013, compiled by *Media Control* on behalf of *Börsenblatt*.) At the German *Amazon* site, in September 2013, the average price for the 10 bestselling ebooks was €7.14, with six of the 10 ebooks priced at less than €4.00 and *Amazon* allows both self-published titles as well as digital books from traditional publishers' releases. The top 10 fiction ebooks at *Weltbild*, the second most popular online site for books in Germany, average €13.19, due to the presence of high-priced titles by Dan Brown (*Inferno* at €19.99) and John Grisham (*The Racketeer* at €18.99), as similar to *Börsenblatt's* list, self-published books are excluded, but a few ebooks from *Weltbild's* own exclusive catalogue are included (e.g. Brenda Joyce books at €4.99). The gap in the average retail prices for ebooks widens considerably when the sample is extended. For ranks 11 to 20, at *Amazon*, the average price falls to €3.99, as the share of self-published books increases, while at *Weltbild*, with an average of €9.64, the drop in prices is less dramatic.

A strong competitive pressure builds, as *Amazon* in particular is seamlessly including low-priced ebooks with titles from publishers whose outspoken policy it is in markets such as Germany to keep prices for ebooks close to the level of printed editions. It is foreseeable, that over time, even in markets where book prices are fixed by law, as is the case in Germany and in France, publishers will see their pricing strategies seriously challenged by *Amazon's* policy.

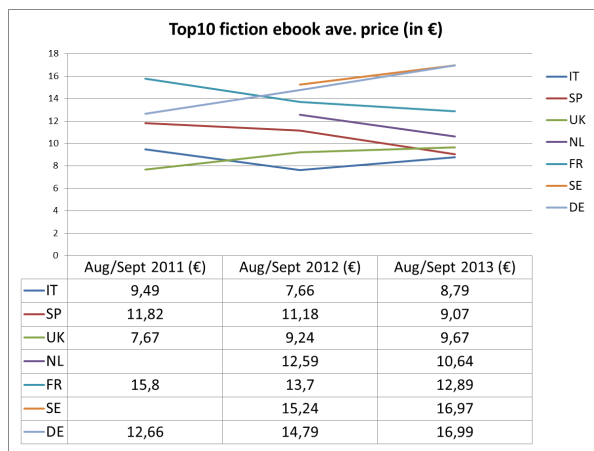
## Average top 10 ebook prices in selected EU markets (ave. price in €)

### Country Top 10 Amazon Kindle Top10 leading domestic platform

Germany	7.14	13.99
France	5.08	9.79
Spain	6.88	6.74
Italy	6.99	6.19
UK	3.15 (£ 2.65)	not collected

The disparity in average price levels between Amazon and their competitors among local online platforms shows considerable variations between markets and seems to highlight, for each country, how strongly local publishers currently seem to fight to keep ebook prices up.

This can be illustrated even more clearly in a comparison between the prices of current bestsellers in print, and their respective digital editions and the evolution of those price levels over the past two years.

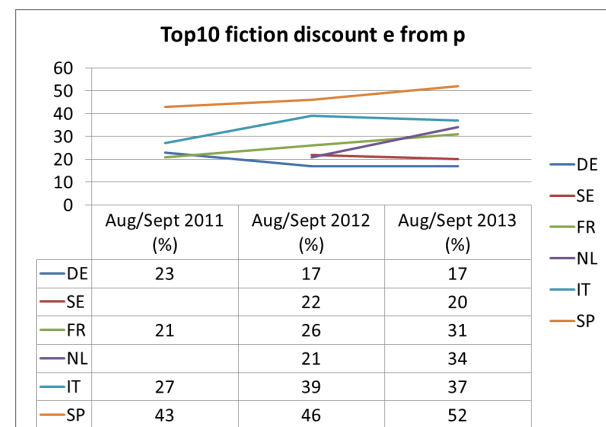


In Germany, for instance, efforts by publishers to keep ebook prices close to those of print editions seem to be successful thus far. The average price difference between print and digital edition between late summer 2011 and 2013 reflects the customers' readiness to buy expensive ebooks in Germany and in Sweden, where the average price of the top 10 in fiction reaching the staggering level of just under €17.00, while the respective print editions are priced at €20.52 in Germany and €21.34 in Sweden. Obviously such a strategy comes at a risk, as average prices for ebooks continue to slide in all markets, including in Germany (in 2012 at €8.61, according to Media Control), and

in France, where 54% of all ebook titles are sold at €10 or less. (*Livres Hebdo*, 23 August 2013)

By contrast, ebooks in heavily discounting UK bookshops and in crisis-stricken Italy and Spain cost only half of German or Swedish bestseller prices. The fact that Spain has a fixed book price system, the UK stiff competition over pricing, and Italy's position somewhere in the middle do not seem to play a major role in differentiating these markets.

Similarly, discounts for ebook versions of titles that are the top sellers in print show remarkable variations. A reader in Germany can only save some 17%, on average, in the top segment, while his Spanish peer pays only half by choosing an ebook over print -which may contribute to the strong recent dynamics in the Spanish ebook sector. France is positioned between these extremes.



These differences not only highlight the very broad range of prices and discounts among ebook frontlist titles but also emphasize that ebooks, even in the early stages of their emergence, as in Germany, have a strong tendency



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to dissolve the notion of books as one integrated, homogeneous market segment.

By looking at top-selling titles around Christmas 2012, we can observe that print and ebook charts are drifting apart, as if they reflect two different continents of reading preferences.

Aside from current erotica, in a mix of *Fifty Shades of Grey*, Silvia Day's *Crossfire* series, and scores of subsequently self-published titles, only a few books from January's print bestseller lists tended to figure on the ebook charts, notably Ken Follett's *Century*, J.K. Rowling's *Casual Vacancy*, *Life of Pi* by Yann Martel, which hit European movie theaters around Christmas, and some top-of-the-line Nordic crime novels by Danish Jussi Adler-Olsen and Jo Nesbø. The strongest print books per country, such as Jonas Jonassen's *Hundred Year Old Man* in Germany and the UK, the works of local crime writer Andrea Camilleri in Italy, and María Dueñas' with *Misión Olvido* in Spain (priced at €12.34!) are sure to be found side by side with ebook editions in the top ranks.

By late summer of 2013, the rift seems to have widened. Only a very few authors have managed to be represented in both the top 10 for printed fiction in the analyzed major European book markets and the respective Amazon chart, or at least in those of domestic platforms such as Weltbild in Germany (two women crime authors, German Rita Falk and British Jojo Moyes) or *Casa del libro* in Spain.

## The biggest publishers are getting bigger in ebooks

A rather complex picture evolves when looking at the publishing houses behind the top-selling titles. Ebooks are currently seen by many, especially in the largest publishing houses, as an additional channel to push top-selling titles into the market. It is no surprise to see these globally acting groups, such as *Random House* or *Hachette* (coincidentally the publishers of *Fifty Shades of Grey* in English, German, and French) having a strong presence in the charts.

Data for the top 20 ebook bestsellers in 2012 from nine European countries and the US (provided by *Kobo* for this report's February 2013 update), may not be representative of all these markets, given the online retailer's different market share for each market. However, it provides a valuable basis for some informative observations and comparisons (the data cover Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, the UK, and the US).

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Across these 200 ebook title entries in ten markets of different sizes and primary languages, 57 can be attributed to various imprints of *Random House*, of which 35 are editions of E.L. James' *Fifty Shades of Grey* trilogy, in their US, UK, and German editions.

*Scholastic* comes in second, with 20 entries, all but two of which are variants of the US edition of Suzanne Collins' *Hunger Games* trilogy, which the New York-based house successfully sold, in English, across the Scandinavian markets of Denmark, Sweden, and Norway.

George R.R. Martin comes in third with *A Dance with Dragons*, again part of a series, which sold well across all European markets in print but was represented in the *Kobo* ebook charts only in the English-language edition across Scandinavia as well as in Spain. The book is followed by Ken Follett's *Giants*, with 10 entries, in English, German, and Italian translations.

Examining some of these ebook markets more closely, it turns out that, in Germany, France, and Italy, the respective market leaders in print book publishing can greatly expand their impact on the ebook charts. In Germany, seven of the top 20 hits for 2012 came from *Random House* (notably *Fifty Shades of Grey*, but also books from domestic authors, such as young adult writer Charlotte Link). In the French top segment, *Hachette* holds 9 out of 20 positions, while *Mondadori* holds 12 out of the 20 top ebook titles.

Remarkably, in each market, there is also a strong number two, with *Luebbe* in Germany (an independent publisher that aggressively and successfully positioned its ebooks in the emerging market) matching *Random House* with 7 of the 20 top ebooks in 2012. In France, the gap is much wider, as *Editis* (owned by the Spanish *Planeta*) and the independent *Actes Sud* (the publisher of Stieg Larsson) each has three titles in the highest ranks.

The outcome for Spain, with regard to *Kobo's* charts, is more difficult to assess. Twelve of the top 20 positions are held by ebooks in the English language, with the authors including James Patterson, Karin Slaughter, Ken Follett, and Sylvia Day, aside from the expected E.L. James and Suzanne Collins. Perhaps, a certain bias comes into play, as the localized Spanish platform of *Amazon* might cater more broadly to the Spanish audience.

In all of Scandinavia, *Kobo's* 20 bestselling ebooks are in the English language, while in the Netherlands, domestic writers prevail. It must be assumed that these sales patterns reflect the size of the available catalog in each of these languages.

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As for the UK, *The Bookseller* compiled and compared print and ebook charts by volume for 2012, resulting in a detailed overview of the top 50 titles. For the first ten months of the year, ebooks accounted for some 13% to 14% of all book sales in terms of units, but given their significantly lower retail prices, they accounted for a more modest 6% to 7% of revenues. The really interesting findings from the chart come not from the very top segment, which is, as expected, dominated by the *Fifty Shades of Grey* (with ebook volumes between 1.6 and 1 million units) and *Hunger Games* (between 300,000 and 400,000 units), but from the following ranks. J.K. Rowling sold a comparatively low 59,413 digital copies (and slightly fewer than 400,000 in print) in the 52 weeks to 29 December. How much ebook sales differ by genre and by reader age is well illustrated by romantic fiction author Jojo Moyes, whose new book, *Me Before You* (ranked 22 in print), sold 279,349 copies in print against a stunning 207,000 in digital. By contrast, 266,177 print copies of the autobiography of rock legend Rod Stewart, ranked 23 in print, were shipped to fans, compared to 19,057 in digital (“Bestselling books of 2012,” *The Bookseller*, January 11, 2013).

Still, with all the possible oddities caused by the limited data pool behind this analysis, it becomes clear that, at least in the early stages of an emerging ebook market, a small number of smash hits can exert incredible control.

However, the exceptions to this rule should not escape the observer.

In Germany, for instance, self-published author Jonas Winner managed to get two of his *Berlin Gothic* titles in the top 20 and in several markets, a few companies (some repositioned old houses and some newly created specifically for the digital challenges ahead) are succeeding in the tough game.

Some medium-sized houses opted early to have a role in digital publishing, such as *Gallimard* in France, *Oetinger* in Germany and *Gruppo editoriale Mauri Spagnol* (GeMS) in Italy. In the Netherlands, *De Arbeiderspers* | *A.W. Bruna Uitgevers* developed a relevant (and in various regards innovative) role in the ebook sector for its old brand.

2012 has also seen the ascent of several new brands or old houses with a new, decidedly innovative emphasis on digital publishing, which is again reflected by the presence of their titles in the top segment. Examples include **Bastei Lübbe** in Germany, a publishing company founded in 1949, mostly known for their pulp literature in the sub-genres of romance, crime, and the Wild West but recently

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transformed into one of the leading digital houses for various kinds of popular literature in digital formats—a conversion comparable to that of Canadian *Harlequin*.

In Spain, the literary press *Ediciones B* of Barcelona **opted to create a new company** in 2011, **B de Books**, a digital-only publisher that releases 300 ebooks (of which 250 are new releases) plus four apps per year, aggressively priced between €1.99 and a maximum of €9.99, without DRM.

The rejection of DRM aligns B de Books with the French **Numeriklivre**, another 100 percent digital publisher, specializing in romance, science fiction, fantasy, young adult literature, and essays.

For nonfiction, the French **Marabout**, founded in 1949 and a leader in gardening, practical advice, and self-help books, is committed greatly to extending its reach into digital markets.

All three companies have found a way to compete directly and successfully with the big houses for the nascent e-reading audiences in languages other than English, and it will be of high interest to follow the market presence of these and similar innovative ventures in the near future.

## Self-publishing

As recently as the summer of 2011, a headline such as the following could still appear: “German Self-Publishing, Where Innovation Meets Angst,” pointing to the country’s aversion to risk (Amanda DeMarco, *Publishing Perspectives*, **August 4, 2011**). A year later, an initially self-published title, *Fifty Shades of Grey* by E. L. James (albeit now in an edition published by *Random House*) was by far the defining book event of 2012 in Germany just as almost anywhere else, and a German self-published author made the headlines with *Liebe, Sex und andere Katastrophen—Meine abenteuerliche Suche nach dem Mann fürs Leben* (*Love, Sex and Other Catastrophes—My Adventurous Quest for the Man of My Life*), a book that blends well in the current flood of romance fiction. A mere 20,000 ebook copies sold at €3.49 were enough to generate broad media coverage exploring the new model for success. “Never had it been easier to publish a book” was the new gospel sung by mainstream media such as *Der Spiegel* (*Mein Verlag und ich* **July 17, 2012**).

The *Angst* article and the bestselling *Love, Sex, and Other Catastrophes* book originated at **epubli**, the print-on-demand and self-publishing platform of the *Holtzbrinck group*, Germany’s second-largest publishing venture, but

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not the market leader. This position is held by **BoD** (or Books on Demand), the service arm of **Libri**, Germany's largest wholesaler by far, which has explored customized solutions to production for 10 years, claiming a market share of 80 percent in the print-on-demand segment with a backlist of 420,000 titles and some (10,000 new releases per year).

By early 2011, author Amanda Hocking had sold one and a half million copies of the self-published version of her debut work *My Blood Approves*, which was then picked up by traditional publishers for global sales (*Livres Hebdo*, April 25, 2012). In the summer of 2012, four self-published titles were on the *New York Times* bestseller list (*The Guardian*, August 3, 2012).

However, self-published ebooks quickly came to prove how powerful the new concept of publishing was not just within the huge English language arena but allowing even authors from other countries and linguistic backgrounds to develop an international audience.

German Jonas Winner, an author for television, holding a PhD in game theory, and a talented promoter of his work, decided to release his 1200 novel *Berlin Gothic* as a series of seven ebooks through Amazon's self-publishing platform, **Kindle Direct Publishing** and the attached service arm **Amazon CreateSpace**. Between September 2011 and February 2012, he sold 55,000 copies of the books or, on average, 1,000 every day, earning for each one 30 cents out of the retail price of €0.89.

Another line of service, **Amazon Crossing**, is technically not a platform for self-publishing, but the US giant's own publishing division, though it offers another channel for authors to jumpstart their international career while bypassing the traditional gatekeepers of literary agencies. For German writer Oliver Plötzsch and his novel *The Hangman's Daughter*, which was published by *Ullstein*, a conventional publisher in the German original, going through Amazon Crossing for the English edition meant all the difference from having a midlist title to having sold over one million copies in the US by the summer of 2013. (*buchreport*, 18 June 2013)

In 2009, *BiblioBazaar*, a US-based company in the new self-publishing segment, was already producing 272,930 titles (according to *Bowker*, quoted in *Publishers Weekly*, April 15, 2010). In 2011, *BiblioBazaar* alone (processed 773,857 ISBNs).

In 2012, Kelly Gallagher of *Bowker Market Research* proclaimed the "golden age of self-publishing," with 211,269

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titles published in 2011 (up from 133,036 in 2010), and by the summer of 2013, *Bowker* reported that 12% of the total ebook market and 20% of the genre segment, comprising science fiction, romance and humor, were self-published titles in 2012 (quoted in *The Guardian*, 11 June 2013).

However, self-publishing, notably with regard to ebooks, reaches far beyond the fulfillment of production services for individual authors. It has grown into a significant segment of the publishing industry altogether. Since 2010, global leaders from both the distribution and the publishing side of the business have launched or acquired major operations targeted at the quickly expanding segment.

By mid-2012, Amazon's *CreateSpace* was seen as the segment's market leader, publishing 57,602 titles, followed by **AuthorSolutions** with 41,605 (*Publishers Weekly*, June 4, 2012). Of these titles, 45% are fiction and 41% are also released as ebooks (*Bowker*, June 5, 2012).

*Apple* through its platform **iBooks Author** focuses primarily on illustrated works, enriched by embedded multimedia, as in the case of educational materials or cookbooks.

*Kobo* expanded its branded self-publishing service **WritingLife**, as did *Barnes & Noble* by rebranding its *PubIt* service as **NookPress**, and all these efforts seem to be rewarding for the platform operators, as reportedly, 25% of all *Nook* sales are self-published ebooks.

The market research firm *Bowker* has launched a dedicated resource for self-published authors, which includes "tools, advice, and resources for navigating the publishing process, serving a burgeoning market of authors who are bypassing the traditional publishing route to take total control of their book projects." (*Bowker* press release, May 20, 2013)

Authors are, however, not targeted only by online book retail and distribution platforms. In addition, leading international publishing groups have stepped up their efforts to offer alternative propositions to their authors to their conventional title selection and editorial and marketing services.

The afore mentioned *AuthorSolutions* was acquired by *Penguin* in the summer of 2012 for \$116 million (*Publishers Lunch*, July 19, 2012). With **BookCountry**, *Penguin* also runs a community platform for exchange between authors.

In addition to such platforms from the largest international actors and other US-based companies that broke the ground for digital self-publishing -such as **Lulu**- scores of more local and more specialized authoring and book cre-

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ation solutions have recently emerged, and many combine the operation of book production and distribution, with the creation of book and reading communities.

US based **Smashwords**, claiming to be “the largest, global, indie, self-publishing digital outlet”, has announced plans to expand into other territories and languages. (*Publishing Perspectives*, April 10, 2013)

In Germany, the range of platforms and community in the self-publishing segment has formed a thriving sector so fast that it requires its own specialized portal for guidance, the **Selfpublisher Bible**. In a first survey, the bible’s **Matthias Matting** found in June 2013 that one out of four self-published German authors had so far published only one title, 30% had released between 3 and 5 books, and 91% publish ebooks, of which 60% use the services of a specialized distributor to bring their titles to the market, as almost half became involved in authoring their own books to earn money.

**BOD** -or books on demand-, founded over 10 years ago by wholesaler *Libri*, has grown into a complete service for self-published authors, as has *ePubli*, a platform operated by the *Holtzbrinck group*, which also combines print as well as ebook creation. *ePubli* has recently announced plans to expand internationally, with a first branch set up in the UK.

Germany-based **Xinxii** claims to be Europe’s leading distribution platform for self-published books, and operates services in Dutch, English, French, German, Italian, Portuguese, Spanish and, since early 2013, Russian.

In the Netherlands, the leading local online retailer, **BOL.com** is involved in the launch of **Bravenewbooks.nl**, together with the self-publishing portal **Mijnbestseller**.

In France, **Mon Best Seller** is a service offered to authors to publish their books free of charge, and readers can read these books free of charge online. Additional services for promotion and on-demand printing must be paid for. A similar model, characterized as “free publishing”, is provided by **TheBookEdition**.

In Spain, **Roca Editores**, one of the founding partners of ebook distributor *Libranda*, has launched a complete service for the self-publishing and distribution of ebooks.

With **Bookworks**, an organization specializing in self-help for self-published authors, has been set up at first in the US, yet with a global vocation.

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## Regulatory frameworks

The litigation and subsequent ruling in mid-2013 involving *Apple* and five of the six largest US publishing houses was certainly the most widely publicized and debated legal case relevant to ebooks. In July 2013, a US federal judge found that *Apple* violated antitrust law in helping raise the retail price of ebooks, saying that the company “played a central role in facilitating and executing” a conspiracy with five big publishers over the “agency model”, which had ensured that publishers, not retailers, were setting retail prices for ebooks. (For excerpts of the ruling, see *The New York Times*, 10 July 2013, the full ruling is documented by **Publishers Weekly**). A similar investigation involving European publishers has been launched by the *European Commission*, yet with no ruling so far. For more details on the debate, see the chapter on “United States” on page 17.

In several European countries, book prices are regulated and subject to a reduced value added tax (VAT), yet these regulations do not automatically apply to ebooks. In France, legislation to apply fixed prices to ebooks as well was introduced in 2011. In Spain, the existing Book Law is understood to cover ebooks as well as printed books. In Germany, *Börsenverein* —the professional association for publishers and booksellers— is lobbying the federal government for an extension of the law of fixed prices for books to ebooks.

The problem with the VAT is that, according to the European Commission, books are considered products, but in the case of ebooks, the consumer is acquiring a license. This difference results in significant surcharges for ebooks and discrimination of ebooks versus printed books. A complex discussion is currently taking place among both national trade associations as well as the *Federation of European Publishers* (FEP), with publishers arguing in favor of extending reduced VAT rates to ebooks, notably to “ensure that professional published content, regardless of its format or method of access, receives a fiscal treatment that recognizes its contribution to a wide range of goals in social, cultural, and economic terms” (reply by FEP to a Green Paper of the European Commission on VAT, May 2011).

In France, legislation was introduced, effective January 1, 2012, to both include ebooks under the fixed price regulation and to apply reduced VAT rates to ebooks, with the latter application resulting in an instant reaction from the European Commission, which investigates whether such legislation is compliant with European law. But the French government insisted on maintaining their position.



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(ZDnet, [ZDnet](#) February 22, 2013; for further details, see the earlier discussion on [“France” on page 30.](#))

Especially in France and Germany, publishers’ associations (*SNE* and *Börsenverein*), authors’ representatives, and individual publishers (*Hachette*, *Gallimard*, *La Martinière*, and others) have actively participated in legal actions in New York against *Google’s* digitization of copyrighted books and the proposed “Google settlement,” which captured the attention of both the media and the interested (professional) audience as well as politicians, to the point of the conflict of the “book professionals” versus *Google* being broadly identified with the broader topic of emerging ebooks. Most of these legal battles have since been settled.

The next frontier in the battle over change is pricing, as well as amendments to copyright legislation.

## Copyright legislation

A policy debate that lasted several years over exceptions to copyright law has come to a consensus in the form of the *Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled*, concluded and signed in June 2013. (See the full [text](#) at the *World Intellectual Property Organisation*, *WIPO*) The preceding discussion had opposed, in a nutshell, developing countries arguing for the benefits of certain exceptions, notably to allowing visually impaired people to more easily access books, and publishers lobbying to limit such exceptions to a strict minimum. (See [here](#) the position of the *International Publishers Association*, *IPA*)

The debate on copyright has become a mainstream controversy in Europe, and most strongly so in Germany, in the first half of 2012. While the German trade association *Börsenverein* declared in June 2012 that copyright legislation needs to be adapted to requirements of the digital age, other professional organizations of the industry, notably in France, strictly oppose such action, in the expectation of amendments watering down current policies and legislation.

The complex debate revolves around a number of cases and issues, including the right of producing a copy of a copyrighted work for private usage (*Privatkopie*) in Germany, to introducing US concepts such as *fair use* to European law, or pursuing consumers infringing copyright by banning them from using the Internet (according to *Hadopi* law in France).

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Also, the huge discrepancy of VAT applied on printed or digital books (in the extreme case of the UK being 0% on print against 20% on digital) is a terrain of harsh controversy. While some articulate the concern that too much lobbying for lowering VAT on ebooks to print levels may blow up preferential rates for books altogether, others argue in favor of extending the preferential regime to a reduced VAT rate on all cultural spending.

The approach by the *European Commission* is far from univocal at this point. On the one hand, the Commission has started an investigation, notably with French publishers, on pricing agreements that may infringe competition terms—echoing the actions by the *US Department of Justice* (DoJ).

On the other hand, in early summer 2012, the European Commissioner for digital, Neelie Kroes, called on decision makers in the publishing industry to help her on Europe’s *Digital Agenda* to bring down trade barriers for a seamless exchange of digital content such as books, arguing for adjusting the VAT hurdles, and talking publishers into embracing digital strategies much more boldly ([Digital Agenda for Europe](#)).

## Receptiveness for foreign (English) reading

It has been argued that ebooks will give a big push to English reading around the globe, for the simple reason that ebooks travel at low cost over long distances, crossing borders seamlessly, once globally acting companies have set up the required infrastructures and made the required legal arrangements per each target market, and also because early adopters of ebooks are the strongest readers and the most worldly, the most frequent travelers, and the most linguistically competent consumers. Although at this stage no data are available as evidence for this assumption, some indicators can nevertheless be identified.

In countries such as the Netherlands or Sweden, English-language print books have become increasingly popular with readers; such is also the case in several Central and Southeast European countries, including Slovenia, to the point that translation of English-language fiction into local languages has been reported to be challenged by imports of the original editions. For details on English reading in that region, see at [“The accelerating impact of English reading” on page 49](#)



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In Germany, the by far the largest wholesaler, *Libri*, had successfully started to expand its foreign-language packages to retailers almost a decade ago, as could be seen in the ever-growing foreign-language selections in the largest chain stores, notably *Thalia*. Although these foreign-language shelves used to be occupied predominantly by literary classics, it is now the latest releases of bestselling fiction from the US and, to a lesser degree, the UK that constitute this segment's profile.

More recently, an increasing number of online shops have added dedicated English catalogs with an increasing number of titles, even in countries like France, Italy, or Spain, which were traditionally more difficult to access for foreign-language reading.

Amazon, which expanded its presence with localized online stores in Italy and Spain in 2011, is strongly promoting its English catalog as well as increasingly broad offerings in other languages, both in print and for the *Kindle*.

But the strongest force in the emergence of an international web of English reading is probably *Amazon's* integration of its ebook catalog, with the *Kindle* reading platform and an increasingly uniform pricing policy ready to flatten the differences in what an ebook costs a consumer across markets.

## eBook piracy in Europe: The example and debate in Germany, and related findings

### Methodological issues with regard to the research on piracy

Throughout media history, the emergence and penetration of markets by new media have been intimately intertwined with the advent of piracy and challenges to the current business practices of those in control of the respective *old media*. Providing an example from the early days of the movie industry, a recent, highly authoritative study says bluntly, "Piracy was, we have seen, absolutely central to the birth of the film industry." (Peter Decherney: *Hollywood's Copyright Wars: From Edison to the Internet*. Columbia University Press 2012) In fact, piracy and the subsequent legal battles were instrumental in the formation of the movie industry. The studios that dominated the new-born industry for decades after the outcome of those legal battles owed their strong position in large part to those early innovators and explorers of the new technol-

ogy of film who, in the end, had been labeled as *pirates*. In practical terms—which are not necessarily identical to legal considerations—the label *piracy* can refer to different issues under different circumstances.

In the context of fragile, emergent, under-regulated, and under-controlled markets such as those in large parts of the Arab world or, similarly, in Russia, piracy can be a direct threat to the precarious infrastructure of the book business. A good example of this is Lebanon's (and the Arab world's) first online book shop *Nil WaFurat*. Its founder, Saleh Chebaro, explained in 2012 during an interview for this report how the upswing in the consumption of digital media content paradoxically turned out to be essential to the further development of this platform. With the advent of smartphones and tablet computers and with the spread of mobile access to the Internet, a rapidly increasing number of consumers in Arab countries gained daily access to music, movies, social media, and text on their devices. Most of this content has become an integrated digital stream of digital media—with the exception of books. Because ebook publishing in the Arab language is still in such an early stage, digital books are accessible only as pirated copies. As soon as a book shows initial success with readers, pirated versions appear within days, both digital (in PDF format) and printed. To make the situation worse, many of the most popular platforms for the distribution of various digital content, such as *Apple's iTunes* and equivalent local channels, will not carry many Arab language books alongside their extensive selections of music and movies. As a result, a relatively well-established platform for the distribution of books online, such as *Nil WaFurat*, suffers not in spite of but because of the expansion of digital media consumption.

However, the Arab world is not a homogeneous market, even with regard to piracy. In the United Arab Emirates (UAE), the local production of pirated ebooks is not considered an imminent threat to innovative businesses. The government of the UAE would like the entire country to become a regional leader in the development of a "knowledge society." This ambition is reflected in the recent emergence of several ventures—such as *Rufoof* and *Qordoba*—as well as the funding that such initiatives can raise from both local and international sources (an option hardly practical for a company headquartered in Lebanon, such as *Nil WaFurat*), disregarding the Levantine's old tradition as a hub for books and publishing throughout the Arab world.

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In addition, the authoritative practices and strategies with regard to piracy—or, more broadly, with regard to creating the legal framework to cope with the challenges from digital media—is not well defined in any of the emerging markets.

While several pieces of international legislation relevant to piracy have been abandoned (the *Stop Online Piracy Act* (SOPA) and the *PROTECT IP Act* (PIPA) in the US and the *Counterfeiting Trade Agreement* (ACTA) de facto at the European level), a wave of studies and practical initiatives have hit the media over the past 12 months or so, with little consensus on the parameters, drivers, or concrete goals of these activities.

The issue was at the top of the agenda for industry organizations across the US, Europe, and the rest of the world (see the AAP at PW, [March 15, 2012](#)). New legislation has been introduced at the national level in a number of countries, including Spain (under the acronym of SINDE, for a law on the “durable economy, aiming at reforming copyright Spanish law altogether”; *Livres Hebdo*, [March 1, 2012](#)). At the same time, courts at the European level have limited the direct responsibility and liability of provider platforms for hosting illegal content on their servers.<sup>1</sup>

One challenge for the book industry is that the broader debate on copyright and infringements is predominantly driven by the movie and music industry, thereby sidelining issues specific to books and reading. In many statistical overviews, ebooks are treated as a niche domain, without the acknowledgment of the factors specifically affecting this segment. For instance, due to the small file sizes of ebooks in comparison to audio MP3 files or digital video, peer-to-peer (or *torrent*) sites play an insignificant role in the distribution of illegal ebooks, compared to file sharing and one-click-hosting (OCH) sites.

In addition, the measurement of the number of downloaded items must be handled differently for ebooks, as the consumption of an ebook is much more time-consuming than that of a piece of music. In return, for some markets with particularly high penetration rates of piracy, such as in the Arab world, huge catalogues of illegal digital copies of ebooks, together with links to filehosting sites, are available on legal platforms such as Facebook, providing an

arguably better consumer experience than any of the legal sites in the region.

However, even for well-documented markets such as Germany or France, for a number of reasons, no widely accepted consensus has emerged as to the scope and impact of piracy with regard to the emerging ebook market, or for the best practices to act against offerings of illegally digitized content.

### Controversial debates, legal initiatives, and contradictory practices in Europe

Germany, one of the leading content markets outside the English realm, was rattled throughout the first half of 2012 by controversies related to copyright and to practices considered controversial with regard to current law on several levels. A seemingly technical niche debate about the international *Anti-Counterfeiting Trade Agreement* (ACTA) did not become a front page topic until it was given up, at least in its current form, by both the *German government* and the European authorities. It split society into two sides, with *Börsenverein* lobbying for the agreement and a growing political majority considering it a threat to civil rights. The very term *pirate* experienced an about-face, as a new political party even ran in the parliamentary elections in fall 2013 under the name of the *Pirate Party*. After initially broad media attention, the campaign had little success, but illustrated well a widening gap in the public comprehension of what is right and what is wrong with regard to copyright.

Such oddities have led law professors to acknowledge that copyright has become a battleground in fundamental regards: “In legal terms, rights owners, and notably those belonging to the copyright industry, have many rights, while users have very few,” argued German law professor *Karl-Nikolaus Peifer*. “Yet users have in fact all practical possibilities to access the content [that they long for]” (quote from an interview with Peifer, “Das digitale Urheberrecht steht am Abgrund” [*Digital Copyright Is at the Brink*], *brandeins*, [December, 2011](#)). Experts such as Peifer argue that the law in its current form cannot resolve the resulting conflict.

With regard to digital content available on the Internet, many recent studies suggest that piracy “is common”

1. The European Court ruled against the German collecting society (GEMA) on the installation of automated filters to prevent access to illegal content on platforms such as YouTube, as such practices would impede freedom of information as well as the individual privacy rights of users. (*Die Zeit*, [February 2, 2012](#))

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(SSRC, the American Assembly, Columbia University, read more [here](#)). Piracy is clearly ubiquitous in the developing world ([The Media Piracy Report: Media Piracy in Emerging Economies](#)), yet only imprecise data on its scope and the effective economic damage are available. In the case of ebooks, a detailed assessment is even more difficult, as the ebook market has a history of only a few years in the US and the UK and is only just emerging in most European countries. Both data and methodologies for analysis are currently limited.

In [Digital Opportunity: A Review of Intellectual Property and Growth](#), released in May 2011, Ian Hargreaves summarized his findings (page 10):

No one doubts that a great deal of copyright piracy is taking place, but reliable data about scale and trends is surprisingly scarce. Estimates of the scale of illegal digital downloads in the UK ranges between 13 percent and 65 percent in two studies published last year. A detailed survey of UK and international data finds that very little of it is supported by transparent research criteria. Meanwhile sales and profitability levels in most creative business sectors appear to be holding up reasonably well. We conclude that many creative businesses are experiencing turbulence from digital copyright infringement, but that at the level of the whole economy, measurable impacts are not as stark as is sometimes suggested.

As early as 2009, Brian O’Leary highlighted the need for more data to differentiate clearly between the fact (or “instance”) of pirated content available on the Internet and its impact on publishing and readers, proposing a differentiated model for the understanding of piracy in a wider context of freely available content:

The potential loss of sales suffered by the most popular authors is more than offset by increased visibility (and presumably sales) afforded less well-known authors when their content is made available digitally ([Impact of P2P and Free Distribution on Book Sales: Tools of Change for Publishing Research Report](#), 2009, page 23).

This model aims to replace the popular binary understanding (*good vs. bad*) with a more nuanced approach, differentiating between a *white market*, in which content is created, marketed, and sold; a *gray market* for the promotion of a title and author, carrying a risk of pirated content “but accompanied by a quantifiably better result”; and an (illegal) *back channel*, “in which content is traded and

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consumed without fair compensation for its authors or publishers (resulting in lost revenue)” (O’Leary, 2009, page 25).

The claim that piracy is not automatically synonymous with pirated content being a *substitute for purchase* has also been discussed widely with regard to other digital content, notably music, and these arguments are often relevant to the current debate on ebooks and piracy (see [The Lefsetzletter](#)).

Regrettably, the limited available research on ebooks and piracy in continental Europe —notably Germany and France— so far focuses primarily on the simpler model of a black-and-white juxtaposition of legal and illegal downloads without fostering a more complex analysis of driving forces and the resulting effects on the emerging ebook environment. This study can only summarize the initial research and related critical debate.

## Coordinated efforts for tracking and takedown campaigns

Large publishing groups have successfully launched coordinated actions to shut down major piracy sites carrying books for which they owned the rights. For instance, in February 2012, two share-hosting services, [www.ifile.it](#) and [www.library.nu](#), which offered a library of 400,000 ebooks for free illegal download, were shut down in a novel approach coordinated by both the *International Publishers Association* (IPA) and *Börsenverein*, together with a group of publishers including many of the leading houses in scientific and professional publishing: *Cambridge University Press*, *Elsevier*, *Pearson Education*, *Georg Thieme*, *HarperCollins*, *Hogrefe*, *Macmillan Publishers*, *Cengage Learning*, *John Wiley & Sons*, *the McGraw-Hill Companies*, *Oxford University Press*, *Springer*, *Taylor & Francis*, *C.H. Beck*, and *Walter De Gruyter* ([The Bookseller](#), February 2, 2012).

The strategy of concerted action for tracking pirated works in illegal online libraries and engineering the shutdown of such sites was pioneered by the *British Publishers Association* (PA). Introducing the *Copyright Infringement Portal* (CIP), the PA launched a dedicated web service for its members that crawls the Web on a daily basis to track titles that have been listed by the service’s customers. Whenever a title is identified as being offered for download without the authorization of the rights holder, a takedown notice is sent to the webmaster of the concerned site. To both increase the impact of the service and promote its effectiveness, the CIP displays on its home page detailed sta-

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tistics about its crawling activities, the effective number of titles that have been cleared successfully, and the illegal hosting sites with the best and the worst track records of compliance.

In a brochure issued by the PA, takedown rates were documented by country, with compliance rates of over 90% for territories and countries such as Hong Kong, Gibraltar, and Cyprus and significant levels for countries such as Russia (71.69%), China (65.75%), and Ukraine (60.69%).

## France

In 2013, the French publishers association, *Syndicat National de l'Édition* (SNE) decided to license and adapt the UK infringement portal for their [French members](#). (Actua-litté, [August 5, 2013](#))

This pragmatic approach hints at a broader recent policy change, as it contradicts an earlier attitude that focused much more on lobbying the French government to impose stricter legislation rather than promote more practical actions. This move, however, is in line with the *Lescure* report, a white paper commissioned by the government and published in the spring of 2013, proposing even to abolish earlier strict legislation - *the Hadopi law* - in favor of a “more gradual approach” (Rapport Lescure, summarized in *Le Monde*, [May 13, 2013](#)).

Hadopi, the *High Authority for the Diffusion of Works and the Protection of Rights on the Internet* (*Haute Autorité pour la diffusion des oeuvres et la protection des droits sur internet*) was formed by a law implemented in 2010. Its goal was to promote and encourage legal offers to fight infringement. One of the main actions of the authority is to send warnings to consumers who are infringing copyright law. In a controversial “three strikes” approach, a user can ultimately be banned from accessing the Internet for a certain period after being found guilty three times.

In January 2012, Hadopi released a study arguing that the percentage of French consumers who admit to having downloaded digital content illegally had dropped from over 49% to just 29% for the six months prior to their survey, data that illustrate the impact of the authority’s actions (. [eBouqin](#), January 24, 2012). Music (at 57%) and videos (at 48%) were most popular; books interested only 29% of the infringing audience, a scale that might also hint

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at the limited interest that ebooks have among the general French audience. Overall, Hadopi is not strongly supported by the book publishing community.

Fifty-six of the infringements investigated under Hadopi were by men and 42 by women, with those from 15 to 24 years of age by far the most active (with 70% admitting illegal downloads).

Research on ebook piracy in France is carried out with yearly reports by *Le Motif*, an organization sponsored by the Ile-de-France region. Its ambition is to provide an *observatory* for the “book in the region,” which includes an annual survey on ebooks, both legal and illegal.

In an update, published in March 2012 and including mostly 2011 data, *Le Motif* documented a continuous rise in available illegal ebook titles —from 4,000 to 6,000 in 2009 to between 11,000 and 14,000 at the time of the study. A remarkable detail regarding France is the share of ebooks from BD (bande dessinée, or comics, graphic novels, and manga), which currently accounts for 8,000 to 10,000 of the illegally available works (*Ebookz 3, Etude sur l'offre numérique illegal des livres français sur Internet en 2011, 3e année*).

The study argues that, based on the presence of 3,000 to 4,000 “easily available trade titles” at illegal sites, just 1% of legal print offerings has been effectively pirated, versus around 25% of the overall 35,000 to 40,000 available BD titles. Remarkably, only 44 of the singled-out BD bestsellers of a panel from 2010 to 2011 were available for illegal download, of which 58% had no legal digital edition on the market. Manga has been by far the most popular subsegment. The authors of the *Motif* study underline the high quality of many of the pirated BD titles, with entire teams working on their digitization, resulting in files that average around 30 MB. <sup>2</sup>

At that time, the French national syndicate of book publishers (SNE) partnered with nine publishers of BD (*Dargaud, Dargaud-Lombard, Dupuis, Lucy Comics, la Sefam, Guy Delcourt Productions, MC Productions, Glénate, and Audie*) to fight illegal distribution via a specialized popular Usenet forum, [altbinaries.bd.french](#). This effort began in 2008, but as of the writing of this report, no final judgment has been given.

2. It must be noted that these ratios may have changed significantly in the meantime, as the offer of legal digital of books of all genres had strongly increased as of mid-2012.



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In its report of May 2011, by Le Motif portrayed, the “strong development” of legal ebooks in France as coinciding with a “multiplicity of platforms” for illegal downloads. It was found that the “generalist aggregators” were adding ebooks to their broad offerings of other pirated media content and that new, specialized platforms focusing just on ebooks had also been entering the arena. The offer of legal digitized titles grew significantly from the spring of 2010 to the spring of 2011—from 17% to 33% of current bestsellers of the authoritative charts of *Livres Hebdo/lpsos*—and 36% of the titles on the charts were available for illegal download.

Few of the pirated ebooks were “cracked” copies from legally released originals; the vast majority were obviously scanned for the purpose of illegal dissemination. The study found that 25.9% of the pirated titles were available in multiple digital formats (versus only 6.6% in 2010).

The pirated catalogs were largely “nonexclusive,” in that a title found on one site could usually also be retrieved from other locations (Mathias Daval, “Ebookz: L’offre légale et illégale de livres numériques”, Tableau de bord 2, May 2011).

## Germany

Interestingly, Germany has officially taken—and so far maintained—a position that is similar to the earlier French stance, with the professional association *Börsenverein* focusing primarily on lobbying for stricter laws, and forceful legal actions against private consumers who can be persecuted for individual infringements.

Over the past two years, the tone of the confrontation has become harsh, as reflected in an exchange of articles between a spokesperson for one of the most popular piracy sites for books, under the pseudonym of *Spiegelbest*, and *Alexander Skipis*, the managing director of *Börsenverein*. The pirates, who claim to have downloads of 1.5 million ebook titles per month from their site, argued, “It makes no difference whatsoever, if a book is liberated by us, or by some Russians.” Skipis replied that authors, publishers and book retailers feel “abandoned” by the government, as those who shut their eyes to the threat risk “basic concepts of society” and the “consensus on values” (*Der Tagesspiegel*, August 25, 2013, and September 2, 2013).

While *Börsenverein*’s general assessment of piracy as a serious concern for the emerging ebook business in Germany, and more broadly in Europe, is shared by many observers, more detailed analytics and conclusions are not.

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In a survey based on a sample of 10,000 people, *Börsenverein* observed an increasing support among German consumers for the existing legal offerings of ebooks, as 76% find it “satisfactory”, while 70% prefer legal downloads because this involves legal certainty as well as the support of the creators of the consumed work. (*Studie zur Digitalen Content-Nutzung*, quoted in *buchreport*, April 22, 2013)

Skeptics, such as piracy experts and authors of the German *Gutenberg* reports on ebook piracy, *Manuel Bonik* and *Andreas Schaale*, in an interview for this report, oppose such optimism, notably with the help of usage statistics of the most popular piracy sites.

*b\*.bz*, for instance, claims to have almost 2.5 million registered users for all forms of copyrighted digital content, including a huge library of digitized books. Measured by their *Alexa* rank of 94 (for German sites, as checked by us on 22 September 2013), this one piracy site is indeed significantly more popular than all other legal ebook distributors. *Börsenverein*’s own *Libreka* platform owns the German rank of 11,606, and *Libri’s ebook.de* is listed at 1,822. The website of the aforementioned, outspoken book pirate *Spiegelbest*, *b\*.to*, which claims to host a catalog of 39,000 ebook titles, has a rank of 2,992.

Only *Amazon.de* is on top of all other sites, with a rank of 5 for Germany. However, it must be added that both *Amazon* and *b\*.bz* obviously owe their remarkably high positions in *Alexa* not so much to ebooks alone as to the wealth and diversity of their total offerings.

The difference in the assessment of piracy for the ebook market extends beyond those data to include the resulting strategies. *Börsenverein* very much emphasizes the importance of legal actions, welcoming a ruling in July by Germany’s Supreme Court that held the file hosting service *Rapidshare* responsible for infringements on the rights to the content on their platform (*buchreport*, July 19, 2013). *Börsenverein*, so far, has decided against offering a takedown service like that provided by their British and French peers.

*Bonik* and *Schaale* would favor such services, while pointing, more importantly to what could lead to a shift in strategy among file hosts such as *Rapidshare* to legalize their operations. “The future is probably the model of *Mega*”, they argue, referring to a platform introduced in 2013 by German national and New Zealand resident *Kim Dotcom Schmitz*, whose earlier, heavily contested site *Megaupload* had been shut down, before being revamped as a seemingly legal hosting service in the cloud.



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## Backgrounds and earlier developments in Germany

In Germany during the first half of 2012, the controversies regarding copyright—and indirectly piracy as well—have grown from a niche discussion of the web community into a mainstream debate on the fundamentals of civil rights, individual freedoms, and the general values of society. A number of factors contributed to this expansion.

Concerns about privacy and the rights of the individual have a long political history going back to the totalitarian regime of the Nazis and to the secret police spying on every citizen in the socialist part of the country during the Cold War until 1989. The risks stemming from publicly available private information on citizens brought about by information technologies have been debated on and off since the 1980s.

Today, the web community holds its own kind of **digital town meetings**, and digital monitoring of the population has brought about protests against street-scanning initiatives by *Google* as well as tracking and consolidating data traces on individuals for criminal investigations. Recent legal action against highly popular movie streaming services such as *Kino.to* found similar broad media coverage, as did the controversy over *WikiLeaks* and Julian Assange, the arrest of German-born digital pirate Kim (Dotcom) Schmitz, and the *Anonymous* movement, which has a broad following in Germany. A formerly marginal political group called the *Pirate Party* has become a platform for all kinds of protest initiatives, ready to campaign for entering *German parliament* whenever the next general elections are called.

The content industry, spearheaded by the professional organizations for cinema and music but supported as well by *Börsenverein*, is lobbying for various extensions of laws to fight the illegal usage of copyrighted material and calling for stricter laws obliging internet service providers to hand over user data for prosecution by the authorities. It is joined in these activities by various authors' initiatives under the slogan "Ja zum Urheberrecht" ("**Yes to author's rights**"), led by a group of crime writers. Around 1,500 authors signed the various petitions (*Der Spiegel*, **May 10, 2012**).

A broad wave of filings in 2011 and 2012 on behalf of the content industry resulted in thousands and thousands of legal notices and penalty payments against private citizens for infringements, backed up by PR campaigns with graphic images depicting the creators of artistic work as

**violated corpses**. The result was a deepening of the rift between the rights owners and the consumers.

In summer 2012, *Börsenverein* started a new campaign to promote a model similar to the *Hadopi* approach in France: warnings displayed whenever a user accesses unauthorized content on the Web.

As confrontations rage in various arenas of the battle, *Börsenverein*—the central actor in the book publishing realm as opposed to other media such as music or film—announced a change of strategy in June 2012. Earlier gospel was that a new adaptation of copyright legislation with regard to digital was not necessary as long as current law was enforced. Gottfried Honnefelder, the organization's acting president, stated at a forum of publishers in Berlin that the Internet was, after all, a new challenge for communication and cultural development: "As a result, we must acknowledge that copyright legislation falls behind the reality of life in certain regards," hindering more than encouraging the expression of creativity. Hence certain changes in the legislation must be considered, and the cultural industries are called upon to spearhead such innovation (keynote of Gottfried Honnefelder at *Buchtage Berlin, June 2012*). The practical consequences of this shift are not yet entirely clear.

Several specialized studies on ebook piracy in Germany have been conducted by industry organizations as well as independent research teams.

*Börsenverein* launched a survey on the emerging ebook market in Germany in March 2011 (a summary is available [here](#)) and followed up in late August 2011, in collaboration with two other organizations of content industries, with its first comprehensive study on the topic: "**Usage of Digital Content**", ("*Digitalen Content-Nutzung*" or DCN).

Key findings of the industry-sponsored study included a figure of 14.3 million Germans (or 22% of the total population) who had downloaded media content from the Internet in 2010, of which 3.7 million downloaded pirated content. Share-hosting platforms such as *RapidShare* dominated illegal downloads of movies, TV programs, and music; "ebooks are exchanged remarkably often via email," according to the study. In a growing number of cases, entire media libraries saved on external memory devices are illegally exchanged between users. In 2010, 17% of the total population of Germany, and almost 40% of those between 10 and 29 years old, admitted to having swapped media content on external memory.

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Of those who admitted to downloading music illegally, 73% claimed to have not spent any money on music in 2010, and the remaining 27% made purchases of an average of €18.00 per year for “physical products,” the study says.

The DCN survey instantly triggered a critical debate on the methodology employed and the implied assumptions of the study, drastically highlighting how wide the gap is between the perspectives and approaches of representatives of the creative industries on one hand and consumer organizations or independent voices on the other.

Most of the criticism of the study focused on its definition of what was considered an “illegal download,” as it included all free downloads from “file sharing networks/ftp servers/newsgroup services/peer-to-peer networks/sharehosters/blogs,” which “results from the fact that the members of the sponsors of the study do not publish their products through these channels”. Considered among “legal sources” were downloads from commercial platforms, personal websites of artists/bands/authors/record labels,” and the like, including *Project Gutenberg* as well as platforms such as *YouTube* and *Clipfish* (correspondence from Börsenverein to the author of this study, August 31, 2011).

Beyond such methodological issues, trade media also skeptically commented on the industry organizations’ strategy of “painting it black” while neglecting to mention that “only 1 percent of Germans illegally read ebooks” (Daniel Lenz, “Frankfurter Schwarzmalerei”, (“Frankfurt paints it black”), *buchreport*, September 1, 2011).

A more detailed account that differed from that of Börsenverein with regard to methodology but agreed in terms of the assessment of ebook piracy having achieved a very significant presence in Germany was delivered by two studies that were carried out by a team of two independent researchers: Manuel Bonik and Andreas Schaale. The first study was called “Gutenberg 3.0: Ebook-Piraterie in Deutschland”, (“Ebook Piracy in Germany,” released in January 2011) and was later updated to “Gutenberg 3.1: Ebook-Piraterie in Deutschland (ein Update)” in October 2011.

The fact that illegal downloads had a prominent and growing presence for German readers and Internet users was deduced from contexts of relevant *Google* searches: among the ten most popular combinations that included the word “ebook” in search queries, four were combinations with terms including “rapidshare,” “free,” “torrent,” or “no cost.” However, the other six queries were formulated

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in neutral ways, such as “download ebook” or “ebook reader” (*Gutenberg 3.0 – Ebook-Piraterie in Deutschland*, p. 5).

Although Börsenverein focused its attention prominently on content-sharing platforms—which are most relevant for music, movies, or film—Gutenberg 3.0 found that such sources played only a modest or even a decreasing role for ebooks, while the bulk of the illegal ebook downloads originated from direct download links (DDL) such as RapidShare or *Depositfiles*, with 200 currently active platforms on the Web. For example, in January 2011, 260 titles from *O’Reilly* were offered by one P2P/Torrent site versus 1,940 by a prominent DDL blog (*Gutenberg 3.0 – Ebook-Piraterie in Deutschland*, p. 8).

A differentiated understanding of these sources is particularly relevant, according to the authors, as DDLs are more difficult to challenge by rights owners, and users cannot be easily prosecuted.

Overall, Gutenberg 3.0 documented a steady and significant increase in the reach of the most relevant web sources, as well as the emergence of a tightly knit web of DDL sources and blogs promoting and pointing to available ebooks. The illegally obtainable title catalog by far outnumbered the legal offerings, as it listed about 100,000 ebook titles as of January 2011. Most of the titles seem to have been scanned, not cracked from legal digital publications.

In a preliminary conclusion, the Gutenberg authors wonder whether “it is altogether reasonable to further promote selling ebooks altogether” in view of the massive threat of piracy (*Gutenberg 3.0 – Ebook-Piraterie in Deutschland*, p. 25).

In their October 2011 update, *Gutenberg 3.1*, the authors of the piracy study came to even more radical conclusions, highlighting the decrease in (printed) book sales in Germany, notably in the bestselling segment (–27% for the top three bestsellers and –29% for the top 30 for the first half of 2011 versus the same period in 2010). The authors’ conclusion—which obviously strongly equates the occurrence of piracy and effective lost sales, a link that can be questioned—is that the “more than average growth in piracy correlates with the more than average decrease of revenues” in the segment of bestselling titles, so it can be “assumed that the revenue losses (in printed bestsellers) are caused by piracy” (*Gutenberg 3.1 – Ebook-Piraterie in Deutschland (ein Update)*, p. 4).

In an update of their study in fall 2012, *Gutenberg 3.2*, the authors argue that “the speed of growth [in the reach of

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ebook piracy sites, —R.W.] has increased dramatically, compared to 2011.” The community of one of the most active and most popular piracy sites for German-language ebooks, *b\*.bz*, has over 2 million registered German-speaking users (Manuel Bonik and Andreas Schaale: [Gutenberg 3.2. - Ebook-Piracy Report](#)).

It’s not only new and bestselling titles that are released illegally by pirate networks; a growing catalog of backlist titles —mostly textbooks and fiction— are produced in the tens of thousands, without their original (print) publishers even being aware of the piracy.

## DRM: The debate on protecting ebooks

In major non-English-language book markets such as Germany, France, or Spain, copyright-protection technology is the norm for ebooks released by publishers. Digital Rights Management (DRM) systems are widely considered to be a precondition for the emergence of a commercially viable ebook market.

However, significant exceptions exist to the rule, and in 2012, a number of publishers have started to experiment with alternatives.

The most surprising exception is probably Sweden, where almost all digitally published trade books have no DRM. [eLib](#), by far the largest ebook distributor (owned by *Bonnier*, the dominant publishing group in Scandinavia), has 80% of its content watermarked as an alternative to DRM, which equals 98% of all of the company’s ebook sales (communication by eLib for this report).

But also in Italy, where Adobe’s DRM solution had been initially prevalent, “social DRM” (notably digital watermarking) had increased from a modest 15% of all ebooks in 2010 to 42.4% in 2012, clearly overtaking the largely unchanged one third of ebooks carrying hard DRM. (*Giornale della libreria*, [Background and Trends](#), 9 March 2012)

The most widely publicised DRM-free publishing project was certainly the launch of [Pottermore](#) in March 2012, introducing the Harry Potter series by J.K. Rowling as ebooks. For all downloads, DRM will only be applied if the books are pushed through a Kindle or NOOK reading device or a lending system such as Overdrive. But readers can also download a DRM-free EPUB copy, which only carries a watermark allowing the publisher to track back a book to its source. (For a detailed discussion, see the summary by Philip Jones: [Pottermore finally delivers: Harry Potter ebooks land](#).) An assessment of sales a good month after

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the introduction of the platform documents the initiative’s commercial success, with sales worth three million Pound Sterling in the first four weeks, coinciding with increasing print book sales (summary in *buchreport*, [May 9, 2012](#)).

Across various markets, a number of traditional and newly founded publishing houses have started to roll out parts of their title list, or even an entire catalog, without DRM.

In the US, the popular imprints *Tor*, *Forge*, *Orb*, *Starscape*, and *Tor Teen*, all belonging to the German *Holtzbrinck* group’s *Macmillan US*, renounced DRM in mid 2012. (“[Tor US abandons DRM](#)”, *The Bookseller*, April 25 2012).

*Penguin* [publicly stated](#) that it was “looking at all kind of alternatives” (Penguin global digital director Molly Barton at the *Publishers Launch* conference in New York, June 4, 2012).

In France, the independent literary publisher *Editions Michel Lafon* started to release some of its top bestselling titles without DRM, opting instead for a digital watermark. This move includes the novel *Métronome* by Lorant Deutsch, which sold over 800,000 copies in print (“[Lieber mit Wasserzeichen](#)”, *buchreport*, [July 3, 2012](#)).

A similar policy has been introduced by *Fleurus Editions*, which is part of the French group *Média Participations*. With a catalog of some 1,200 ebook titles, the publishers started to conduct various experiments with its digital portfolio, from competitive pricing to selling by chapter to offering packages including both print and digital versions of a title. But the real catchphrase for the company’s digital strategy clearly is “No DRM” (interview with Anne Delilliac et Julien Gracia of Fleurus, *Idboox*, [July 3, 2012](#))

[Numeriklire](#), a digital-only publisher specializing in adventure, erotica, literary fiction, crime, and young adult books, also provides its entire catalog without DRM, making this approach key to its company [strategy and brand](#).

In Spain, the renowned Barcelona-based literary publisher *Ediciones* launched a digital-only subcompany, [B de Books](#), in November 2011, which is supposed to release some 250 new titles per year, all without DRM. This policy is, again, part of several experiments, including pricing (“[Libros digitales desde 1,99 euros y sin protección anti-copia](#)”, *El Pais*, [November 15, 2011](#)).

In the Netherlands, the largest Dutch trade publisher, *De Arbeiderspers/A W Bruna*, declared in January 2013 that it would abandon DRM for all ebooks in its catalog of about

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1,200 titles (see this [blogpost](#) by publisher Timo Boezeman).

Also in January 2013, the self-publishing portal [Lulu](#) gave up on DRM ([statement on DRM policy](#)).

By May 2013, Bill McCoy, the executive director of the *International Digital Publishing Forum*, IDPF, even listed among what are in his view *Seven Deadly Myths of Digital Publishing as Myth 5: "DRM Is About Reducing Piracy"*, arguing that there was a "growing realization that DRM has nothing to do with reducing piracy is that lighter-weight forms of DRM—including watermarking and other *social* approaches that don't technologically bar sharing—are more attractive than a quixotic arms race to deploy more and more sophisticated technologies that will only frustrate consumers and lead to them being locked in to proprietary platforms." (Quoted in [Publishers Weekly](#), 29 May 2013) But of course, the debate is still on, and notably the largest publishing groups attach hard DRM to the majority of their ebook titles so far.

## Preliminary conclusions on ebook piracy

There is broad agreement about the publishing industry's arrival at the "Napster moment" for ebooks. But these brief case studies on piracy research in France and Germany clearly illustrate the limited consensus—aside from the problem's scope and threatening forces—on how to understand the driving forces and, as a consequence, what actions will be effective at reducing the loss from piracy to legal rights owners.

Identifying and mapping the offerings seems to be key, and the obvious first step—not only to persecute infringement, but before such action—is to become aware (especially for publishers) of the intricacies and dynamics of the problem.

This step requires tough strategic decisions for the industry: an assessment of the experiences, practices, and lobbying strategies from other content industries—notably movies and music—and whether they should be followed, and the extent to which different approaches should be developed.

eBooks are primarily downloaded from DDL sources, where uploaders are next to impossible to identify. Therefore, publishers must get involved individually to check such sources for their respective catalogs of titles and to force concrete links promoting illegal download sources

for their titles to be taken down by the offenders. So far, only a few such specialized service providers exist.

Several of the leading international groups have taken such action, such as *John Wiley & Sons* in the textbook market (*Publishers Weekly*, [November 1, 2011](#)) and the *Hachette* group for general trade (*Livres Hebdo*, [December 15, 2011](#)) as just two examples. But the offer can also be adapted to be more compelling for readers who would prefer a legal offer if it were available in convenient ways. A group of 39 Japanese manga publishers explored such possibilities with a subscription site targeted at US consumers with English-language editions of their graphic books ([www.jmanga.com](#)). The JManga offer, at this point, is available only to users in the US and Canada. For details, see *Livres Hebdo*, [August 22, 2011](#).

The piracy debate also overlaps with that on ebook pricing. As *The Economist* pointed out in an analysis of ebooks and the book business titled "Great Digital Expectations," "piracy is a particular threat because of a second, bigger problem: the apparently arbitrary nature of e-book pricing" (*The Economist*, [September 10, 2011](#)).

Piracy and ebooks is a complex challenge for the industry's organizations, as is crafting the overall story they want to tell the reading audience as well as politicians and regulators.

So far, in many parts of continental Europe, at least, the predominant mood is one of angst. "Publishers and retailers tremble from the pirates," read the headline of an article about extraordinary growth of ereader and ebook sales for Christmas 2011 in Germany—and this wasn't in a tabloid, but in the country's leading business daily, *Handelsblatt* ([December 27, 2011](#)). What may have been conceived as a means of self-defense in an industry undergoing change can result in a severe image problem, as pointed out by René Strien, a German publisher and president of the association of German trade publishers (*buchreport*, [January 19, 2012](#)). Strien warned of publishers publicly being blamed as a mere "content exploitation Mafia" at a crucial moment when the very basics of European and international copyright were coming under review by politicians and clashing lobbying groups, with growing controversy between rights holders and consumers.

Thus, piracy—together with pricing, copy protection (DRM) and regulation—may be one of the strongest forces shaping the European ebook markets in their next phase of development.

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# Outlook and Projections





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# The Accelerated Transformation of the Ecosystem of Publishing and Reading

**B**y fall 2013, ebooks have earned a presence in a growing number of book markets, and in some, notably in the *United States* and the *United Kingdom*, ebooks drive the market. In *Germany*, ebooks at least in fiction, begin to be recognized as engines of sectorial growth.

While the ebook niche had initially been boosted by the increase in purchases of devices, with a clear tendency for tablets to winning over dedicated ereaders, in 2013, ebooks have started to gaining their specific profile among readers. Ebooks not only account for some 20% of genre fiction in the UK. Various lists of bestselling ebooks, as sketchy as they might be thus far, differ clearly from the print charts, hinting at forming a specific segment in books - and not simply a technical format. In countries like *Germany* or *France*, with fixed book prices and a firm stance of publishers trying to maintain ebook prices oriented at print prices as benchmarks, this can lead to a rapid discrepancy, or even confrontation, over prices, between the world of old publishers, and the new readers and consumers who move all their cultural consumption to digital environments.

The few leading global players, *Amazon*, *Apple*, but also *Google*, *Kobo*, and a growing number of local or regional leaders, *Fnac*, the German *Tolino* alliance, *China Mobile* as

well as Spanish *Telefonica* with *Grupo Planeta*, or Brazilian *Livraria Cultura* with *Kobo*, are keen to form paramount platforms to ideally wrap their offer around all reading, listening and watching that a cultural audience is craving for - pushing the traditional book country to the fringes.

Particularly the expansion of *Amazon*, but also the ambitions of *Apple* and *Google*, across territories, but also by assuming all the different roles of the profession, from the creation through to production, distribution and marketing of - printed and electronic - books, have triggered an increasingly ferocious criticism, at various levels, among their customers, who call on their governments to make sure that the global leaders actually pay local taxes, or even to encourage *buy local* initiatives, to provide a similar convenience and choice, with the comfort of being good, local employers, sustaining communities and the diversity of culture. This spawns a real wave of innovation, as new *digital-only* publishing ventures are experimenting together or alongside with new reading communities, book streaming services or localized selfpublishing startups, while on the other end of the scale, the pressure in the publishing pot leads to industry consolidation, resulting in ever bigger, more global groups, with the merger of Penguin Random House defining the agenda.

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The concerns raised in German or North American *buy/local* initiatives are not just fancies of the most affluent audiences. On the peripheries, in fragmented, crisis struck markets, in Central and Eastern Europe, but also in Spain or Italy, the challenge from the global players is felt as a direct menace, as they cater, notably through reading in the English language, to the strongest, best educated, most versatile readers - while increasing the stiff competition with the local industry.

The United States plus Western Europe are not anymore the sole centers of gravity. China continues to grow, also with regard to books and publishing, and readies several of its largest publishing groups to have a role internationally, while the - long delayed - advent of Amazon and the Kindle, as devices and as an online shop, are expected to accelerate Chinese responses.

In Brazil, as in India, and throughout all the other emerging economies, the global players have arrived, expand their footprint, while the local book industries feel the mounting challenge from an economic slow down, even further aggravated by the recently chilly developments in formerly friendly currency markets.

But in those same countries, yet another factor is framing the ebook trajectory, and that is various ambitions of governments, to actively shape the new horizons through

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regulation. In the US and in the European Union, they have stepped into the arena, to have their say on central business practices (and notably competition issues, which are defining pricing strategies and, as a result, on the power balance between publishers and distributors), and on copyright. In all emerging economies, government spending are crucial in framing the educational sector. It is far from certain though, if these ambitions, in the long run, will meet the initially outlined political goals.

Throughout history, books, and the content contained in and disseminated through books, has been a scarce and also well-guarded source of knowledge and entertainment. This will change drastically and most likely rapidly, as books get embedded in the global flows of digital content, easy and affordable to access, anywhere, at any time.

One thing is clear though, as 2013 comes closer to its final quarter, with again, foreseeably, the annual peak in book sales, including ebooks, and a new generation of ever cheaper devices charming readers, as consumers: Ebooks have started to transform the entire ecosystem of publishing and reading. By 2014, expect the entire value chain to be under scrutiny from all sides. And expect the transformation of the book, and of publishing, to morph into a transformation of reading.

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Len Vlahos, [BISG](#)  
Alexander Voropaev, Federal Agency for Press and Mass Communication (Russia)  
Paula Vrolijk, [Dutch Publishers Association](#)  
Joe Wikert, [Olive Software](#)  
Thomas Wilking, [buchreport](#)  
Gabriel Zafrani, [Syndicat national de l'édition](#)  
Magdalena Zajac, [Empik Poland](#),  
Lisa Liping Zhang (China)

## About the authors of this report

**Rüdiger Wischenbart** is a publishing consultant based in Vienna, Austria, specializing in international and digital developments in the publishing and other cultural industries. He also researched and (co-) authored the Global Publishing Markets survey for the International Publishers Association (IPA), and the Global Ranking of the Publishing Industry.

**Carlo Carrenho** is a publishing consultant, trade journalist, and Digital Future Enthusiast, based in Rio de Janeiro, Brazil. He is the founder of the Brazilian book online trade magazine [PublishNews](#) and its English-language sister, [www.publishnewsbrazil.com](#) [PublishNews Brazil], and he is a council member at Digital Book World.

**Miha Kovac** started his career in 1985-86 as Editor-in-Chief of Mladina, the only opposition paper in that time in Yugoslavia. In the 1990s, he moved to book publishing and became Editor-in-Chief of Mladinska knjiga, the biggest Slovene book publishing house. In 2000, he started to teach publishing at the University of Ljubljana, and has written extensively on publishing and on Slovenian politics. He holds a PhD in Library and Information Science. In 2010, he returned to book publishing as head of digital development at [Mladinska knjiga](#)

**Veronika Licher** is a publishing consultant as well as a commissioning and copy editor based in Germany. Fluent in



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Mandarin, she has specialized in reporting on the Chinese book and publishing market since 2000.

*Vinutha Mallya* is the Principal at **LineSpace Consulting**, a publishing advisory based in Bangalore, India. She is con-

tributing editor to *Publishing Perspectives*, a consulting editor to Mapin Publishing, and visiting faculty at the National Book Trust of India.

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## About the Authors

Rüdiger Wischenbart is a publishing consultant based in Vienna, Austria, specializing in international and digital developments in the publishing and other cultural industries. He also researched and (co-) authored the Global Publishing Markets survey for the International Publishers Association (IPA), and the Global Ranking of the Publishing Industry. Carlo Carrenho is a publishing consultant, trade journalist, and Digital Future Enthusiast, based in Rio de Janeiro, Brazil. He is the founder of the Brazilian book online trade magazine PublishNews and its English-language sister, [www.publishnewsbrazil.com](http://www.publishnewsbrazil.com) [PublishNews Brazil], and he is a council member at Digital Book World. Miha Kovac started his career in 1985-86 as Editor-in-Chief of Mladina, the only opposition paper in that time in Yugoslavia. In the 1990s, he moved to book publishing and became Editor-in-Chief of Mladinska knjiga, the biggest Slovene book publishing house. In 2000, he started to teach publishing at the University of Ljubljana, and has written extensively on publishing and on Slovenian politics. He holds a PhD in Library and Information Science. In 2010, he returned to book publishing as head of digital development at Mladinska knjiga. Veronika Licher is a publishing consultant as well as a commissioning and copy editor based in Germany. Fluent in Mandarin, she has specialized in reporting on the Chinese book and publishing market since 2000. Vinutha Mallya is the Principal at LineSpace Consulting, a publishing advisory based in Bangalore, India. She is contributing editor to Publishing Perspectives, a consulting editor to Mapin Publishing, and visiting faculty at the National Book Trust of India.