The Global eBook Market

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Executive Summary

This report provides an overview of internationally emerging ebook markets, with a thorough analysis and synopsis of key global developments and a broad set of detailed references as 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 a broad survey of data on emerging ebook markets across Europe and from Brazil, China, India, Russia, and the Arab world.

There are also chapters that focus on ebook bestsellers and pricing strategies across several markets, piracy, and the expanding activities of the leading global players such as Amazon, Apple, Barnes & Noble, Google, and Kobo. Key data on the more mature ebook markets in the US and UK serve as benchmarks.

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 Eastern 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, 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.

This “Global eBook Market” study is a first step toward using actual data, not forecasts, to map the course of future development, tapping into a wide array of sources and backed up by expert interviews. Updates and close ups on additional markets are prepared for the months and years ahead.
Mapping and Understanding the Emerging Global eBook Market

Many observers of the global book business spent much of 2011 marveling at the pace of ebook penetration in the United States and 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’s Fifty Shades of Grey.

How could a piece of “mommy porn” find so many readers on so many frontiers? Its readers share at least some traits that can be considered middle class, which translates to identifiers such as having a job and a desire for shaping one’s own destiny (at least a little bit) and forming an identity that includes sexuality as well as ethnicity and religion. But at least one more factor is missing in that common portrait: all of these readers are in some way part of the digitally connected world that allowed knowledge of this book to spread through word of mouth on an entirely new scale. Shades (what a nice metaphor for that novel phenomenon) started as a piece of fan fiction (another past-time that would not exist without the Internet and social media) of a highly mediatized book, Twilight (which speaks to how culture works in the digital age). It was then self-published, which leads us to consider the author selling directly to the consumer as an alternative approach to a system of middlemen that has developed over the past two centuries. Reading this book in electronic format meant that readers could take advantage of a phone or shiny new tablet to hide a revealing cover—giving ownership of the reader’s fantasies an entire new meaning. Industry then stepped in and did what it does on a global scale: promoting, marketing, further expanding.

eBooks are only one part of this new ecosystem of writing, publishing, and reading, as are publishers and retailers. But as ebooks have become part of the digitized content flowing around the globe, they now play a critical part in these tides, even where ebooks account for only a tiny percent of the market when compared to printed books (which includes most non-English-language markets).

Globalization inevitably spawns a second movement: regulation. In the US, the Department of Justice has stepped in, disagreeing with major publishers and Apple (a distributor of ebooks) over who should control the pricing of (digital) books, bluntly calling the 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 will help Amazon single-handedly dominate an industry, allowing it to ultimately define retail pri-
ces of ebooks, instead of publishers, and thus further expand its massive market share. The European Commission has a similar investigation underway.

More interesting than the complex legal argument, for our perspective here, is the political dimension; the controversy coincides with Amazon—and a few other companies, most from the US—rolling out their ebook services on a truly global scale.

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. 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?

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 are still excluded, notably those running from right to left, such as Arabic. Does this build a barrier of access to global knowledge and learning for Arabs? Certainly. But although adding one or several languages is a challenge that can be overcome rather easily, 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?

Piracy is another problem in the new mix of digital and global elements. China, a leading platform of digital content, including online reading and ebooks, is suffering from competition through pirate sites that offer their most popular content free of charge. Can Google’s recent compromise offer of black-listing websites that offer 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?

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 illegitimately 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. In Russia, the government released official statistics showing that at least 90 percent 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.
Is policing the Web enough? Is it conceivable to outsmart piracy, legally or practically? A war on piracy can claim to pursue a certain ethical ambition; the localization of ebooks confronts much more mundane obstacles as well. 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 percent (from 15 percent), which obviously gives it a significant edge over many other European markets, including the UK (where VAT on ebooks is 20 percent). The resulting tax advantages for transnationals have triggered heated debates, notably in the UK and France in fall 2012 (for details, see “Market Close-Ups”).

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 percent in the UK, 7 percent 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 “Market Close-Ups”). (See also The Bookseller, December 18, 2011.)

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). 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, and the repercussions will not always be funny, although there was one humorous moment for me in late 2011:

My wish 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.

The goal of this study—and particularly the updates we’ve made to it after its initial presentation at the TOC Frankfurt conference 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.

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 significant that the plural “markets” is used here, as compared to the initial 2011 study.)

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 education, to name just a few blind spots. But much more fundamentally, we cannot yet refer to any useful global map of the ebook business, although one is forthcoming.

This report is thus very much a global survey based on the available material. Despite all of the previously listed limitations, 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.
English Language and Other 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 the more in-depth representation of trends and developments in places where English is not the first language of the average reader.

United States

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 percent from $27.94 billion in 2010, while unit sales grew by 3.4 percent, 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 percent 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’ 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 the latest 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 percent 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 percent in comparable store sales for the nine-week holiday period. Digital NOOK sales decreased by 12.6 percent compared to 2011, with revenue...
from digital content going up by 13.1 percent and device unit sales going down (Barnes & Noble press release, January 3, 2013).

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 percent, while those reading printed books fell from 72 percent to 67 (PewInternet, “E-book Reading Jumps; Print Book Reading Declines,” press release, December 27, 2012).

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 percent to 388 million. In adult fiction, ebook revenue increased by 117 percent to $1.27 billion, representing 30 percent of segment sales (Publishers Weekly, June 18, 2012). Online retailers reported growth of 35 percent, and direct-to-consumer sales grew by 57 percent, while sales through brick-and-mortar stores fell by 12.6 percent.

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

In fiction, the share of ebooks was 34 percent in units and 31 percent 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 percent of ebook consumers, as compared to 10 percent who preferred Apple’s iPad. Barnes & Noble’s NOOK increased from 2 percent in August 2011 to 7 percent 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 understood 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
United States (2010–2011 Book Market)

Key Indicators | Values | Sources, comments
--- | --- | ---

| 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 September 2012.
| Key market parameters | No price regulation | 

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 Publishers Lunch, 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 Publishers Lunch, September 11, 2012; for a detailed overview of all related suits, 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, ebooks had become mainstream: 21 percent of adults had read an ebook in the previous year, versus the 17 percent 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 percent of Americans ages 16 or older had read either a book or “other long-form content” in digital format (Pew Research Center Publications, April 4, 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 percent, equaling the ownership of ereaders, which was also at 19 percent, 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 percent of the titles. The average retail price is $6.94 for self-published fiction. eBooks represented 41 percent of self-published units, yet a mere 11 percent 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 bestseller 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 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)**

Between December 2011 and January 2012, the number of Americans owning either a tablet computer or an ereader jumped from 18 to 29 percent; the portion of those owning a tablet increasing to 19 percent, as did those owning an ereader, according to a study released by Pew Internet (January 23, 2012). A similar surge in the presence of ebooks was reported by *USA Today*; the week after Christmas, for 42 of the top 50 bestselling titles, the ebook edition was the most popular format (*USA Today*, January 9, 2012). *Publishers Weekly* reported that, overall, the combined sales from printed and digital books was up; according to Nielsen BookScan, print book sales for all of 2011 fell 9 percent (correspondence from *Publishers Weekly* for this survey; *The Bookseller*, January 11, 2012).

The AAP reported that in November 2011 ebook sales constituted 16 percent of trade sales, up from 12.6 percent in October 2011 (*Publishers Lunch*, February 1, 2012). At the same time, Amazon announced in their fourth-quarter 2011 results that print books experienced double-digit growth in 2011 (as mentioned earlier, Amazon expanded their market share after the downfall of Borders) and that there was “very strong growth in digital media, from books to video to music” (*Publishers Lunch*, February 1, 2012). Both announcements underline not only how ebooks continue to expand their impact on the American book market but also, more importantly, the structural shift of the market. Notably, Amazon can now expand its grip on both the print and digital side of the market, with the digital market further driven by the runaway success of its Kindle Fire tablet device.

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 percent in 2008 to 6.4 percent 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 percent 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 percent 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 percent versus the same period in 2010, according to Nielsen data. Nonfiction decreased by only 2.7 percent. Mass-market paperbacks showed a decrease of 26.6 percent by units sold, with the most popular genres—romance, mystery, and science fiction—hardest 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 percent of ebook buyers said that they increased spending on ebooks in May 2011, up from 48 percent in September 2010. Just over 50 percent of ebook buyers said that they cut back on their purchases of printed books in May 2011, and 45 percent 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).

2010–2011 Distribution

The leading actor in the ebook market, Amazon.com, also dominated the US retail market for printed books. More than 70 percent of ebook buyers used the store to buy ebook titles, an increase of 60 percent over the previous year. For the second quarter of 2011, Amazon reported revenue growth of 51 percent 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 percent to $1.42 billion (first quarter ending July 2011), its digital content and ereader device (NOOK) segment grew 140 percent and represented 19.5 percent 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 percent of ebook buyers going to BN.com, while ebook buyers using the iBookstore or iTunes stayed below 10 percent (and actually fell slightly from January) (BISG, May 2011; Publishers Weekly, August 19, 2011).

Publishing and Bookselling Reinvented

The market clout of retailers such as Amazon will affect traditional publishing. Through the Kindle devices, the Amazon.com website, and other assets, Amazon collects massive data on user patterns and buying preferences, allowing further customization of the user experience. Amazon has also enhanced its portfolio by acting as a publisher through its Amazon Encore program. Early examples such as crime writer J.A. Konrath and romance writer Amanda Hocking illustrate how self-publishing via Amazon Encore and the Kindle is radically changing traditional sales and marketing strategies in publishing. Midlist writer Konrath published his novel Shaken in October 2010, first as an ebook, which sold 130,000 copies by February 2011 when the novel came out in print format. Konrath’s use of Amazon Encore turned the Amazon community, with its user-generated reviews, into an effective marketing channel. Likewise, Hocking self-published her romances as ebooks, selling them via the Kindle, allegedly at 100,000 downloads per month. Both authors charge between $0.99 and $2.99, with a return of about 70 percent of the list price. The large number of “copies” sold—presumably not possible in print format—can turn a midlist author into a high earner (Publishers Weekly, May 24, 2010).

United Kingdom

In all of 2012, ebook sales doubled their volume at 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 percent of revenue (CEO Gail Rebuck 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’ Shades of Grey trilogy, followed by Suzanne Collins’ Hunger Games, and 43 out of the top 50 titles had
been brought to market by traditional publishers (*The Bookseller, January 11, 2013*).

In the first half of 2012, digital sales accounted for 12.9 percent of the total value of sales, up from 7.2 percent in the equivalent period of 2011. Sales of digital fiction increased by 188 percent 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*).

### 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 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 also succeeded to encapsulate 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 percent on ebooks in Great Britain, while paying only 3 percent 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 far the book business has evolved.

The already stiff competition over pricing in the UK was further heighten 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 20 pence. Discounts of up to 97 percent 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, or by aggressive pricing strategies. Libraries have also raised the concerns of publishers, with 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 percent 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

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


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 percent in the three weeks after the holidays, according to The Bookseller. In the week of December 31, 2011, fiction hardcover sales were down 14 percent and paperbacks declined by 34 percent (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 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).

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 percent 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—will sell its NOOK across 37 John Lewis retail stores, 60 Blackwell’s stores, 6 Foyles stores, and 700 Argos 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).

With 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 e-reader as of early 2012, and 40 percent of readers of ebooks do so on a Kindle. But tablets have more than doubled their market share to approximately 12 percent among readers of ebooks (The Bookseller, May 15, 2012; for the evolution of devices, see The Bookseller, September 10, 2012).

Midyear 2012 revenue reports from major publishers paint an inconclusive picture of how the developments for print and ebooks have affected the bottom line. Still, profitability from ebooks is still suffering from the 20 percent VAT on ebooks versus 0 percent VAT for print books; the Publishers Association (PA) continues to lobby the government to repair this hurdle (The Bookseller, March 21, 2012), and 5,000 consumers have signed a petition to slash the tax for ebooks to 0 percent (The Guardian, March 21, 2012).

In efforts to streamline and innovate the ebook experience, some platforms have started to experiment with DRM-free downloads—notably J.K. Rowling on her own website, Pottermore, which is dedicated to her Harry Potter series. Pearson has announced a subscription mode in cooperation with PaperC for a limited title list.

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 percent from 2009. Most striking was the rapid growth of total consumer digital sales, which increased by 318 percent 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 percent (from 2 percent 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 percent 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 journal 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 Europe, the UK ebook market comes closest to that of the US in size and growth because of its vibrant performance in digital publishing. According to the PA, about 1 million ebooks are available. (It is important to note that some of these are US-listed titles for which there are actually no UK rights.)

At the forefront in digital publishing are academic publishers Taylor and Francis, Springer, Pearson, Penguin, and Bloomsbury. In spring 2011, Penguin reported growth of 180 percent in global ebook sales against early 2010, constituting 14 percent of overall sales across the Penguin Group (21 percent in the US, and 8 percent 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 percent 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.

Pricing

No regulation exists with regard to pricing. Although printed books are exempt from VAT, ebooks are subject to 20 percent VAT surcharge, as are audiobooks, even when bundled with a printed book. This distinction is, as in other European countries, due to printed books being defined as a product, while ebooks are considered to be a service for which the consumer acquires a license instead of merely making a purchase. Retail prices vary widely, from £1.50 to that of the printed book’s cover price.
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 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. But little of this 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—for the years 2012 to 2016—builds 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 says, is now “embedded in business-as-usual and moving to the heart of media companies worldwide.” Three perspectives are identified as key factors for successfully reshaping businesses in this new environment: to understand the “connected consumer” through data analytics, to devise new—or adjust old—business models, and to develop new organizational models.

The PWC outlook highlights China, which overtook Germany in 2011 and the UK in 2009, becoming the world’s third-largest entertainment and media market, after the US and Japan. With regard to publishing, China has arguably become the second-largest market, after the US, by 2011, overtaking Germany, which is ahead of Japan and the UK in that sector.

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).

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 detailed account on how select ebook markets evolve was started by Bowker in May 2012 (see this press release with key findings). The “Global eBook 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 percent, respectively. GeM has been widely presented and discussed at major trade events and book fairs and will be updated and extended to additional markets on a regular basis.
Germany (Updated January 21, 2013)

For three years in a row, the overall German book market has shrunk. Reports state the loss at 1.4 percent in 2012, after a drop of 2.6 percent in 2011 and 3.3 percent in 2010. Year-end sales fell some 5 percent below the level of 2012. Hardest hit were the traditional book chains, with a loss of 3.7 percent (buchreport, January 10, 2013, and “Branchenmonitor Buch 2012,” in Boersenblatt January 17, 2013).

The best-performing segment in 2012 was fiction, 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 (for more details, see “An Analysis of eBook Bestsellers in Germany”).

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 when compared to many other international book markets.

The perception of what ebooks currently represent for German readers depends on who’s answering the question. Overall, ebook sales are estimated to account for a mere 2 or perhaps 3 percent in 2012 (up from 1 percent in 2011). But as the vast majority of the ebooks sold are fiction titles, their market share in this specific segment is more relevant. While no official statistics on a breakdown by segment are available, specialized distributors like Bookwire would see fiction ebooks account for around 7 or 8 percent of sales (Jens Klingelhöfer, Bookwire, interviewed for this report in January 2013), with the largest publishing groups (Random House, Holtzbrinck, and Bonnier) building the strongest positions in the quickly expanding digital market. Amazon with its Kindle and Kindle Fire devices as the dominant consumer platform is estimated by some industry voices to control roughly half of the German ebook market. Weltbild, alleged to be the second-largest online retailer for books in Germany, claims 20 percent of the ebook market share (buchreport, January 2, 2013).

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 percent 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 Ama-
### Germany

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An Analysis of eBook Bestsellers in Germany

While no authoritative ebook bestseller list is yet available for Germany, even a superficial comparison of the charts at Amazon for the Mobi format and at Boersenblatt for EPUB clearly highlights that the strongest titles in print are getting an additional boost from digital.

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. But other books that drove the German reading market in 2012 figure prominently at the top digital sales positions, like Ken Follett’s *Century of Giants*, J.K. Rowling’s *Casual Vacancy*, and the most popular examples of crime fiction, be they translated (like 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 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

zon.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), 14 percent of the German online population access ebooks, with 7 percent preferring dedicated ereaders, 5 percent opting for tablets, and 2 percent using both. Another 24 percent plan to explore these devices in the future. Yet 55 percent of the online population claim to never read ebooks, and another 8 percent say they don’t read books, regardless of the format (BITKOM and Deloitte: "Die Zukunft der Consumer Electronics"—2012, page 18).

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 percent), equal roughly to all sales in 2011 ("Media Control," *buchreport*; September 11, 2012).
departments for ebooks, entertainment (Lübbe), or epublishing (Aufbau, Gräfe, and Unzer).

eBooks also helped self-published authors gain a wider audience. In 2012, Amazon announced its first title (authored by Jonas Winner) to have sold over 100,000 copies in the German Kindle Store, and new best-selling titles continue to emerge from its Kindle Direct Publishing author service.

For a more detailed analysis of bestsellers in Germany and in other European markets, see “A Comparative Analysis of eBook Bestsellers in Europe”.

The Coming Trends

Although the German ebook market built momentum with a strong year-end season in 2012, the broader debate in the public and most media was focused on entirely different topics. 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” for a detailed account).

In retail, the traditional chain and independent stores found themselves on a steady downward path, having lost some 8 percent 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 percent, casting even darker shadows over the group’s brick-and-mortar performance. Online sales accounted for 14 percent 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 than 10 percent 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, boersenblatt, 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 2011, various media reports estimated that in Germany ebooks accounted for about 1 percent 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 percent 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 percent of overall revenue in 2010, which is significant, as book sales in December alone represent usually around 18 percent 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.

Available Titles
Libri.de, the wholesaler and ebook platform, has almost 200,000 ebook titles available, a number that is difficult to compare to that of 25,000 reported for 2011, as ebooks from publishers mix with academic studies and other publications from outside the book trade. But clearly, the available literature in electronic formats is rapidly expanding.

Several of the leading publishing groups—notably Random House, the Holtzbrinck imprints (Rowohlt, S. Fischer, Kiepenheuer & Witsch, and Droemer Knaur), and Lübbe—are releasing and promoting most of their new titles as ebooks alongside print.

Pricing
eBooks are generally sold at a retail price about 20 percent 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 percent on books cannot be applied to ebooks, as they—being categorized as a service, not a product—fall under the normal rate of 19 percent.

According to the Börsenverein study, 35 percent of German publishers have released ebooks as of 2011, with a clear lead by large houses (67 percent) and a significantly more cautious approach from medium-sized publishers (44 percent) and small publishers (28 percent). An estimated 40 percent of new titles are released—usually simultaneously—as ebooks alongside print.

Distribution
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 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.

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.

Bookwire (not to be confused with 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 20,000 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, PaperC, and Pnleihe.

Reading Devices

For fall 2012, almost all major ebook consumer platforms and device brands introduced new reading devices and tablets with a specific focus on reading, bringing the retail prices for ereaders below €70 and that of tablets below €200. This new wave of devices came from Amazon (with the Kindle ereader at €79, Kindle Touch at €129, and the Kindle Fire at €159), Kobo (Kobomini below €80, Kobo Touch Kobo ARC around £250), Google (Nexus 7 around £250), Sony (PRS-T2, $129), Thalia (Cybook Odyssey at €119), and Weltbild (Reader 4 at €60). Barnes & Noble is also expected to introduce its NOOK.

Analysis

As of winter 2012–2013, the paradox for ebooks in Germany prevails: the penetration of reading devices—both dedicated gadgets and multifunctional tablets—has progressed at a remarkable pace, and the release of new titles, notably in fiction, as ebooks are becoming the normal publishing routine. Retail prices for ebooks are close to those of hardcover editions, and the debates on copyright, piracy, and the cultural specificities of the printed book
make digital books appear as a still-dubious medium for accessing high culture and literary reading. Yet readers who enthusiastically adopt new generations of mobile devices in a market that offers a growing number of titles of all kinds and standards at much lower prices than seasonal best-selling books have gained significant momentum throughout 2012. This development has not been well documented by publicly available statistics, yet it is reported confidently off the record by various voices in the industry—notably distributors, who are of course in a position to reliably take the temperature of such market developments.

In this perspective, earlier projections that anticipated ebooks accounting for a double-digit share in the book market by 2015—three years into the future—seem ever more plausible. For the last quarter of 2012, a new wave of devices saw substantial success with consumers, which resulted, just as a year earlier, in another surge of ebook purchases after the year-end holidays. But perhaps more importantly, with a continuing shift from traditional book retail to online platforms, even for printed book purchases, and with a small number of mega-bestsellers and rapidly changing genre fiction boom-and-bust cycles, the overall dynamics of the book market in Germany and in other European main markets are bound to accelerate drastically in the years ahead.

France

Portraying France always results in a complex picture, with considerable discrepancies between looks from the outside and the perception at home. An appreciation of publishing, reading, and (e) books in early 2013, after a year of considerable action and ongoing change, is not an exception to that rule.

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). And voices from within the Paris establishment of the French book industry joined the sceptical choir by emphasizing how sales of ebooks were still limited in their country, with a market share of perhaps 2 percent.

By the end of 2012, though, France seemed to be closer to international developments than anticipated in some regards, but still distinctly different in others.

It came 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 percent 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 Lives 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 percent market share for online sales of primarily printed books. But overall, online sales are believed to account for just around 10 percent of the entire retail market for books, which is small when compared to Anglosaxon countries or neighboring Germany.

eBooks still account for a mere 0.6 percent of the total book market, with sales worth €21 million for all of 2012, according to GfK consumer research, expected to grow to €110 or €120 million, about 3 percent, by the end of 2014 in an overall shrinking book market. “France is in a different situation, as compared to the US or Great Britain,” concludes GfK, pointing to a tightly knit network of bookshops across the country, “and publishers still in control of pricing” (quoted from Livres Hebdo, February 11, 2013).

In this wider context, digital can be seen as slow—when compared to the UK or Germany—as well as surprisingly dynamic. One aspect shows that consumers are getting serious about these devices: In 2012, some 3.6 million tab-
let 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 percent 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 2012. In spring, a mere 5 percent of the French population over 18 admitted to having read an ebook. Another 5 percent considered doing so. A staggering 90 percent said flatly “Non,” as they could not see themselves exchanging paper for a screen. Only half a year later, 14 percent of the adults had in fact read an ebook at least in part, plus another 8 percent 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 percent to 41 percent, while the share of specialized book platforms such as Fnac or Virgin declined from 30 to 28 percent. 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).

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 percent. 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 (as quoted in “Global Mapping Perspectives”). 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 founder (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 percent of French adults have ever read an ebook (with 2 percent having consumed an entire digital book and 3 percent 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 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 Decitre has launched a new TEA “The Ebook Alternative” service.

Meanwhile, traditional strong arms such as the omnipresent chain of Fnac have produced headlines showing sim-
France

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<th>Key Indicators</th>
<th>Values</th>
<th>Sources, comments</th>
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<tr>
<td>Titles published per year (new and successive editions)</td>
<td>81,268</td>
<td>SNE (figure for 2011)</td>
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<tr>
<td>New titles per 1 million inhabitants</td>
<td>1,243</td>
<td>French National Statistics Institute</td>
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<tr>
<td>eBook titles (available from publishers)</td>
<td>ca. 100,000</td>
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<td>Publisher revenue share of ebooks</td>
<td>ca. 1.8% (estimate)</td>
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Key market parameters

- Fixed book price; VAT of 7% for print, audio books, and ebooks

ilar 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 percent to a still lavish €1.77 billion, yet with profits going down by some 7.5 percent (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 percent for ebooks to the print level of 5 percent in 2012, and will probably further drop to 5.5 percent 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

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 delicatessen 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 ac-
companied the launch of Amazon’s dedicated French Kindle store, the respective entry of Kobo into the French market (by introducing its e-reading 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 percent VAT—instead of the normal rate of 19.6 percent—which was then increased to 7 percent effective April 1, 2012 (Livres Hebdo, November 7, 2011) and brought back to 5 percent 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 percent less than the print edition of the same work (see “A Comparative Analysis of eBook Bestsellers in Europe”).

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 percent compared to the same period in 2010 (Livres Hebdo/I+C). A much stronger drop of 3.2 percent 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).

### 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 beginning 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 percent 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) also dropped their charges against Google, at least for the moment (Livres Hebdo, September 7,
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 had been 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.

**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 offer of French-language titles for the Kindle only opened in October 2011, while Kobo entered in 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 was 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 available). Similar to the German market, most ebooks are offered in PDF or EPUB formats.

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.

Epagine—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).

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), of which 75 percent 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 e-reading 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.

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. Yet Spanish is the primary language for 650 million people worldwide, including a significant number of Spanish speakers in the US. Spanish 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 (83,258 in 2011) but each selling fewer copies than before. 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 the publishers’ association GFEE statistics).

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.

Recent Developments in 2012
In 2012, the Spanish book market was hit again by financial crisis, resulting in a decline of the market predicted to be around 8 percent for the year. It remains to be seen how repercussions from this decline will affect sales channels as well as publishers of different scope and size (no precise sales figures are yet available for 2012).

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

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 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 at €0.99 or €1.99 were added at the same time. In just one year, Amazon could grow its Spanish list of ebooks from 22,000 to 48,000 titles (and 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 UK and USA (16%-17%), and equates to
Spain

Key Indicators | Values | Sources, comments
---|---|---
Book market size (p+e, at consumer prices) | €2,772 million | 2011 (Publishers Association FGEE)
Titles published per year (new and successive editions) | 88,000 | 2011 (Publishers Association FGEE)
New titles per 1 million inhabitants | ca. 1,872 |
eBook titles (available from publishers) | 48,000 (Amazon.es Spanish catalogue) |
Market share of ebooks | above 1% (trade); 2.4% (incl. STM, et al.) | FGEE (August 2012);
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

13% of the Spanish online population." Interestingly, with 9 percent of interviewees considering it to be “very likely” and another 21 percent 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 percent “very likely” and 12 percent “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.

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 País, 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).

For 2012, Planeta is expecting an increase in ebook sales of around 200 percent in 2012 versus a year before, yet at a definitely low level of around 500,000 units of legal downloads—equating roughly half an ebook per reading device over a total of half a million ereaders and tablet computers, keeping revenues well under 1 percent of the total book market (communication from Planeta). 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).

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-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).

By mid 2012, Amazon, Apple, Casa del Libro, and FNAC, among others, were offering some 10,000 commercial ebook titles in the Spanish language, mostly with retail prices of 30 to 40 percent below that of their respective print editions. Overall, some 60,000 titles are estimated to be available in EPUB format according to Barnes & Noble (quote from Patricia Arancibia, TOC Buenos Aires, April 2012).

With regard to devices, ereaders (including those of local retail chains Casa del libro and Fnac) and tablets had roughly equal market share, with approximately half a million of each device sold by the end of 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).

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).

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 percent planned “actions in the digital area during the period of 2009 to 2011,” including parts of their backlist, with 19 percent 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 contributing 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.

Though Libranda, as a B2B ebook distribution platform, is estimated to own 60 percent of the Spanish ebook market, several other ventures have launched services, notably Publidisa (estimated market share of 20 percent) and Amabook (a platform with strong ties with several Latin American markets, including Mexico, Argentina, Chile, and Colombia; 5 percent). The ebook distributor Leqtor went out of business.

In addition to the three publishing conglomerates that initiated Libranda, several more are proposing ebook titles, including Maeva and Roca.

For online retail direct to readers, the strongest brands are Casa del Libro, with its dedicated ebook section (offering a current catalog of 4,458 titles and an estimated market share in ebooks of 45 percent); the Spanish branch of French retailer Fnac (with its own ebook bestseller chart and an estimated market share of 25 percent for ebooks); as well as El Corte Inglés, Europe’s largest general retailer, whose online offerings include a media section with books and music, with an estimated market share of ebooks at around 20 percent.

Amazon opened its localized Spanish platform, the fifth of its kind in Europe and the eighth worldwide, on September 14, 2011, with a catalog of about 300,000 titles in the Spanish language; a Spanish Kindle shop is expected to follow before the end of 2011, triggering immediate strong concerns, notably by the publishers’ association FEE, about Amazon’s future compliance with the Spanish legislation on regulated prices for both print and electronic books.
which Amazon acknowledges (see *El País*, September 15, 2011, for the FGEE concerns; see Amazon’s reply here).

Other market players from outside the book trade are expected to look for their piece of the ebook pie as well, including powerful Spanish telecommunications group Telefónica, which introduced its own dedicated reading device, called the Movistar Ebook bq, at the retail price of €169 and an online Movistar eBook store in June 2011.

At this point, exports of ebooks—to Latin America as well as to the US—have not gained relevance but are expected to grow. As of June 2011, Libranda started operations in Mexico, Colombia, Argentina, and Chile. Plans exist to include English titles in the Libranda catalog.

**Italy**

In 2012, the Italian book market was facing a difficult economy, resulting in a hefty decline in sales of 7.5 percent in October, year on year. However, this number was considered a slight improvement from –11.7 percent year on year in March and –8.6 percent in September 2012. As in other European book markets, children’s (at –6.1 percent) and young adult books as well as fiction (–5.2 percent) showed relatively better performance (data from Nielsen BookScan released in December 2012 and quoted by the Italian trade association AIE, December 6, 2012). These figures show a considerable deterioration from 2011 though, when the book market declined by 3.7 percent, which coincided with a continuous loss in the number of Italians reading at least one book per year (down 723,000 in 2011 against 2010, AIE). Yet another indicator of this difficult environment was the announcement in November that the French bookstore 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 fall 2012, only 3 percent of Italians over the age of 14 had read an ebook, compared to 7 percent in Spain and 21 percent in the US (AIE, quoted by pianetaebook).

eBook sales in Italy showed strong growth in 2012, but from very modest beginnings, to €12.6 million, or a market share of 0.9 percent 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 percent from 2011, when the Italian Publishers Association had estimated the ebook market at €3.7 million at cover prices, or 0.2 percent of the overall book market (*Giornale delle librerie*, March 3, 2012). At some trade publishers, revenue from ebooks accounts for up to 2 percent (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 together with popular magazines at kiosks—diminishing, and even affecting its strongly branded French arm, Flammarion (to Gallimard in 2012). The Grupo 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).

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.

### Italy

**Key Indicators**

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<tr>
<th>Values</th>
<th>Sources, comments</th>
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<tr>
<td>Book market size (p+e, at consumer prices)</td>
<td>€3,408 million, Publishers Association</td>
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<tr>
<td>Titles published per year (new and successive editions)</td>
<td>63,800, Publishers Association</td>
</tr>
<tr>
<td>New titles per 1 million inhabitants</td>
<td>1049</td>
</tr>
<tr>
<td>eBook titles (available from publishers)</td>
<td>30,000, 2012 (Informazioni Editoriali and Publishers Association AIE)</td>
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</tbody>
</table>

#### 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.

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 percent). In 2011, online sales accounted for 9.7 percent 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 percent compared to hardcover editions, implying an overall decrease in the average retail price for ebooks. The VAT on ebooks was raised from 20 percent to 21 percent in 2012, compared to 4 percent for printed books, which reduced the revenue of ebooks versus printed editions.

Almost all commercially released ebooks come with DRM protection.

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).

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**

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), and Hoepli.

**eDigita**

Three publishing companies—GeMS/Messaggerie, Rcs, and Feltrinelli, representing a combined market share of about 30 percent 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.

**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 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.

The Swedish (print) book market has 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 ebook market today, according to identical statements provided for this report by the trade magazine Svensk Bokhan-
**Sweden**

### Key Indicators | Values | Sources, comments
--- | --- | ---
Book market size (p+e, at consumer prices) | €780 million | Publishers Association
Titles published per year (new and successive editions) | 3400 | Only new titles, no re-versions included! Source: Publishers Association
New titles per 1 million inhabitants | 332 | Only new titles - no re-versions included!
eBook titles (available from publishers) | 4800 | Estimate
Market share of ebooks | ebooks only starting to appear, oending more popular than buying |  
Key market parameters | Most ebook titles without DRM; no price regulation; 6% VAT for printed books, 25% for ebooks  

**del, 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, including 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*). The publishing and bookselling arm of KF, Akademibokhandeln (which is also linked, through the umbrella of KF, to Norstads Publishing), and Bokus were also early innovators, as they launched an integrated reading and book-
Denmark

Key Indicators

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<tbody>
<tr>
<td>Book market size (p+e, at consumer prices)</td>
<td>4,000 million DKK (€540)</td>
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<tr>
<td>Titles published per year (new and successive editions)</td>
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<tr>
<td>New titles per 1 million inhabitants</td>
<td>1,275</td>
</tr>
<tr>
<td>eBook titles (available from publishers)</td>
<td>7,000</td>
</tr>
<tr>
<td>Market share of ebooks</td>
<td>1% to 2% in 2011</td>
</tr>
</tbody>
</table>

Key market parameters

No price regulation. VAT at 25% for both print and ebooks.

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.

Distribution

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.

Publitz 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.
The largest ebook retailers are considered to be Saxo, which launched its dedicated platform for self-publishing (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 Bogmarkeden, 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 DKK (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).

All ebooks from Norwegian publishers are distributed by one central platform, Bokskya, 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, Bokskya 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, Bokskya 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 promised to be a tough year for the Dutch book market, as sales had declined by 10.2 percent in value and by 7.3 percent in volume in the first six months (information provided by the publishers’ association www.nuv.nl for this report). Earlier reports saw a stronger decline in the first quarter, –15.4 percent, 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 mil-
lion 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 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

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<th>Key Indicators</th>
<th>Values</th>
<th>Sources, comments</th>
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<tbody>
<tr>
<td>Book market size (p+e, at consumer prices)</td>
<td>€1,174 million</td>
<td>Publishers Association</td>
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<td>Titles published per year (new and successive editions)</td>
<td>23,300</td>
<td>Publishers Association</td>
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<td>New titles per 1 million inhabitants</td>
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<td>Estimate, FutureBook</td>
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<td>eBook titles (available from publishers)</td>
<td>16,000</td>
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</tr>
<tr>
<td>Market share of ebooks</td>
<td>3%</td>
<td>Estimate, FutureBook</td>
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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 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

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, nota-
bly 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**

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<th>Key Indicators</th>
<th>Values</th>
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<td>Book market size (p+e, at consumer prices)</td>
<td>€792 million</td>
<td>Publishers Association</td>
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<td>Titles published per year (new and successive editions)</td>
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<td>New titles per 1 million inhabitants</td>
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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.

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
Poland

Key Indicators

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

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 bestselling 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 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 e-reading 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, 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.

**Virtualo 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 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 (Ljubljana, Slovenia)

A set of small countries stretches from the Baltic to the Adriatic sea, each on average with less than five million inhabitants, speakers of languages more or less limited to their national states (Estonia, Latvia, Lithuania, Slovakia, Slovenia, Czech Republic, Hungary, Croatia, Serbia). Throughout the second half of the 20th century, all of these countries belonged to the communist block, either as independent countries or as a part of bigger multi-ethnic states or empires such as Yugoslavia and the Soviet Union. Regardless of their shared recent history, 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 these countries in very different ways.

The Baltics—and with it, the book markets in Estonia, Latvia, and Lithuania—were most severely struck in 2009 and 2010 and started to grow again in 2012; on the other hand, Slovenia had its worst year as recently as 2012. As a consequence, Latvian and Estonian book markets were up 5 to 10 percent while Slovene was down 10 percent in 2012. Nevertheless, these book markets share at least three similar characteristics. First, as in all small, linguistically limited book markets, a remarkably high number of translations is a genuine part of the overall book production. Second, in most of CEE (Central and East European) countries, major bookshops and publishers are often owned by the same mother companies (as bookstores are owned by publishers, or the other way around). Third, after their transition from Communism to a free market economy, after 1989, all of these markets witnessed steady growth of imported books in English.

It seems that all of these factors highly influence the differences in how ebooks are embraced, or not, throughout the region.

It is technically difficult to assess the scope of English-language exports to CEE, notably because much of it comes from online orders by individuals, notably at Amazon’s UK and US sites, and Amazon has a policy of not revealing any detailed sales data. However, export statistics from the UK, and to a lesser degree from the US, allow estimates. In Slovenia, for instance, some 10 percent of the local book market is taken by English imports.

In the Latvian, Lithuanian, and Croatian book markets, English books account for some 6 percent of the market. The higher percentage of English book sales in Slovenia could be explained as a consequence of Slovenia being the most western-oriented of all successor states emerging from the collapse of Yugoslavia. Here, English—and not Russian—has been taught as a first foreign language in school as early as in the late 1950s. In all other CEE countries, English-language imports represent 3 to 5 percent of the market. Undoubtedly, these numbers would be even higher if imports from the US as well as from Amazon and Book Repository could be realistically factored in. We must assume that sales of printed English books in CEE account for between 5 and 15 percent of the Central European book markets.

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 come with instant delivery and at clearly lower prices. Readers of English are obviously the premier candidates as early adopters for ebooks in CEE. Undoubtedly, as soon as a dig-
ital migration of the English reading audience starts, this will be felt strongly in local bookstores selling printed English books.

The domestic production of ebooks in local languages is another matter altogether. The relatively poor available data indicate that in all CEE countries the number of ebook titles in local languages is only a fraction of the overall title output, with between 400 to 600 titles per year in Slovenia, Croatia, Latvia, or Lithuania, and 1,600 titles in Estonia.

For huge global entities such as Kobo and Amazon, opening ebook stores in the region seems to be beyond their current priorities. Apple’s iBookstore lists a mere 22 ebook titles in Slovakian and Estonian, 64 in Lithuanian, and 72 in Latvian, and a few hundred in Czech or Slovene. Croatian and Serbian Apple iBookstores are not available yet.

It must be stressed that in CEE, there is no price war between ebooksellers and print booksellers. Quite obviously, the ownership connection between publishers and booksellers seems to make a strong case for a rather peaceful cohabitation of the “analogue” and “digital” side of the business: neither side wants to compete with—and cannibalize—their brick-and-mortar outlets with low prices. Also, even the largest local players are relatively small and must coexist in the marketplace, with no, or hardly affordable access to big international bestsellers and no economic power to discount strong titles aggressively.

In Latvia, for example, the largest ebookseller (Zvaigzne) is also the biggest publisher and bookseller in the country; in Slovenia, there is no local ebook store so far, although two platforms are under development by the two leading publishers, Mladinska knjiga and Studentska založba, and will most likely be up and running in the second half of 2013.

The most remarkable exception to this rule seems to be Estonia and Croatia. In the former, two local ebook stores (EDRK and Digira) are not connected to publishers or local traditional booksellers, and in the latter, two major ebook stores are owned by a local mobile phone operator, Vipnet (the local branch of Telekom Austria) and Hrvatski Telekom (owned by Deutsche Telekom).

In all CEE countries, the preferred format for ebooks of local titles is EPUB, and all publishers are using DRM, but with a growing skepticism of its value, at least among the main players in local publishing.

Slovenia

Slovenia, with a population of 2 million that achieved independence only two decades ago upon the collapse of Yugoslavia, is an exemplary case for many markets at the periphery of the EU.

In a tiny publishing market worth an estimated €80 to €100 million at consumer prices, more than 6,000 titles are released every year, which is almost threefold the output per 1 million inhabitants as compared to large markets like Germany and France.

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, German. In larger bookstores, English titles—which represent an estimated 15 to 20 percent of the Slovenian market—are not in a separate “foreign language” section but are seamlessly intermingled with domestic titles. Public libraries add to the ample reading diet of Slovenians.

Yet in the digital environment—which is controlled to a large degree by global players and designed for economies of scale, not niche markets—a country like Slovenia sees itself unexpectedly discriminated against, simply because of its small size. For instance, the iPad was not shipped into Slovenia before spring 2011, so consumers had to travel to Austria or Italy to purchase the popular devices. Similarly, a significant number of readers bought a Kindle from Amazon online as the gadget of choice to access Amazon’s vast catalog of English-language books. So far, only 300 titles are available as ebooks. Also, no domestic distribution platforms have been created. The gap between a VAT of 8.5 percent on printed books versus 20 percent for ebooks further adds to the hurdle.

Since 2011, the economic crisis has strongly impacted the Slovenian book market, and book sales dropped by an estimated 10 percent in the first half of 2012 (information from Miha Kovac, of Mladinska publisher and booksellers for this report).
Slovenia

Key Indicators | Values | Sources, comments
--- | --- | ---
Book market size (p+e, at consumer prices) | €90 million | Estimates by Mladinska publishers
Titles published per year (new and successive editions) | 5,621 (from 6,139 in 2010, of which around 3,500 are trade titles) | Estimates by Mladinska publishers
eBook titles (available from publishers) | 300 | Estimates by Mladinska publishers

The emergence of domestic production of ebooks has stalled. For publishers, it is not affordable to invest in building an infrastructure for a domestic ebook distribution system, given the small size of the Slovenian market. With consumers often reading international bestsellers in English, and importing reading devices directly, the only realistic perspective for hooking up Slovenian publishers with digital developments may be opening Slovenian-branded stores—or channels—on international platforms such as Kobo or Amazon.

By far the largest domestic player in the field of books and reading is the publishing and retail group Mladinska (with holdings, in addition to Slovenia, in Serbia, Croatia, Bosnia, and Macedonia, and yearly group revenues of €120 million from combined publishing and bookselling). Mladinska ventured in that direction starting in the second half of 2011, with Apple’s iBookstore being the most popular platform for title uploads.

The goal behind this partnership is not only to finally create a rich international digital catalog for Slovenian readers but to also open the gate for exporting Slovenian production internationally, including to the significant number of Slovenians living abroad—another trait shared by many small populations.

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.

Some 700 commercial ebook titles have been released by the end of 2012, holding a market share, by turnover, of under 1 percent. eBooks are subject to the normal VAT of 21 percent (as compared to a preferential rate of 9 percent for printed books). So far, 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 Baitos lankos, have started to launch ebook editions of their titles alongside print, with EPUB being the most popular format, and most ebooks protected by hard DRM. Most ebooks are distributed by Skaitkykle.lt, a platform that also sells reading devices. Other ebook distributors include knygos.lt, 100knygu.lt. More recently, publishers 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.

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.lt (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, yet with no detailed information being 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 ciea.com, vivabooks.viva-com.bg, helikon.bg, bgkniga.com, mtel.com, biblio.bg, and ebooks.bg, 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 4,000 titles are available as ebooks, representing a market share of around half a percent. The overall leading trade publishers, notably Ulpius-ház, Magvető, and Kossuth, have been most active in the digital segment, serving Mobi, EPUB, and PDF formats, usually with social DRM. The strongest distributors and retailers for ebooks are ekonyv.hu, multmediaplaza.com, and polc.hu, aside from direct purchases by consumers from the big global platforms (notably, Amazon and Apple).

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

VAT on ebooks is 27 percent, one of the highest across Europe.

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

Romania

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

An ebook segment only started to emerge in 2012 and is expected to show significant growth in 2013. 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 www.Elefant.ro.

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

Source: Siviu Lupescu, Polirom publisher, 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, who 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 a routine for many consumers. As a result, content owners (namely publishers, but also authors and translators) are very reluctant to expose their content in digital formats to piracy.

Source: Aleksandar Drakulic, Belgrade.

Conclusions on Central and Eastern Europe

At this current, early stage, small markets overall seem to lag behind in their domestic production of ebooks, as the emerging new niche is challenged from a number of factors: required investments are difficult to earn back in small, 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—while in some cases,
popular web browsers are available in local languages though, 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 the ones in a position to read in English and make direct purchases, particularly from the shops offered by Amazon and Apple, and also Kobo and Google, allowing those global players to grow market share without the cost of localization of their offer, hence competing with the usually small-sized locally emerging platforms.

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

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

Google's library-scanning initiative, publicized and made accessible via the Hathi Trust, may now, after the 2012 settlement with US publishers, have a significant potential for starting to change this imbalance, at least in terms of growing a digital catalog in many small or peripheral languages.

Russia

Russia has a book market currently worth around US $2 billion, according to the official Russian Federal Agency for Press and Mass Media. However, development of 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 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. 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) | US $2,000 million | For 2011.
Titles published per year (new and successive editions) | 122,915 | Federal Agency for Press and Mass Communications
New titles per 1 million inhabitants | 735 | 
Ebook titles (available from publishers) | 60,000 (commercial and free by end of 2011) | Federal Agency for Press and Mass Communications
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 |

With 122,915 titles published 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 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). Many industry voices, including EKSMO’s CEO, Oleg Novikov, expect substantial growth for ebooks in 2013. This is remarkable, as just a 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).

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).

2012 has also seen the appearance of several of the large global players, as they started to launch or open platforms to Russian consumers—a move that had been postponed due to fear of the impact of piracy.

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).

Also in December 2012, the US and Russian governments announced a joint “Online Piracy Crackdown Agreement” (see details in “eBook Piracy in Europe: The Example and Debate in Germany, and Related Findings”).

A study in fall 2011 done by the Federal Agency for Press and Mass Communication 1 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 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 and Driving Forces in the (Legal) Russian eBook Market

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, are considered to be the market leaders in Russian ebooks.

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.

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).

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).

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,

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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, Rostov-on-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.
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 ecommerce 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 ProfMedia, 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 materials, 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, Economika, 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 Edwad Nawotka, “Russian Publishing Is No ’Depressing’ Siberia; E-book Innovation from Bookmate.ru,” Publishing Perspective, April 12, 2011).

Brazil (Update January 2013)

In early December 2012, Amazon, Google, and Kobo launched localized online platforms in Brazil, kicking off a new round in the ebook race for Latin America’s largest economy. But in January 2013, reports indicated that Apple, not one of these companies, through its iBookstore was ahead in terms of ebook sales, driven by the size of its
According to research appearing in *Folha de S. Paulo*, by the end of 2012, Apple's lead was followed by Google, then by the local platform Saraiva, Amazon, and Kobo (which is partnering with local Livraria Cultura). But expectations are that the order may shift quickly in the months and years ahead (Carlo Carrenho in *Publishing Perspectives*, January 2, 2013).

The first summary after the holidays and year-end 2012 showed that the Brazilian ebook market performed spectacularly. In December 2012, sales had grown tenfold year on year, with an increase of 110 percent from November to December 2012 alone, with the expectation for 2013 that the ebook market might expand by 200 to 300 percent (*Estado*, January 9, 2013).

In a detailed projection for 2013, ebook sales are expected to grow to around 2.6 percent of market share within 12 months (Carlo Carrenho, “E-books responderão por 2,63 por cento do mercado em 2013,” January 16, 2013).

**Introduction (Fall 2012)**

According to the yearly survey by the Brazilian Book Chamber (BBC), the book market in Brazil accounts for US $2,576 million in wholesale value—i.e., publishers’ revenues. However, this figure combines $1,837 million (or 71.3 percent) from the private sector with $739 million (or 28.7 percent) from the public sector, the latter coming mostly from federal program purchases of educational materials. Because the public does not cover educational expenses for students in private schools, another $633 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.

While overall statistics on Brazil’s book market (which is by far Latin America’s largest) are considered to be dependable, the emerging digital segment still lacks sufficient scrutiny. Although the Book Chamber had estimated ebooks to represent sales of $462,500 in 2011 (less than 0.02 percent of the total market), industry insiders who were queried about that report estimated the digital segment as being about 0.5 to 1 percent. Currently, only a few bookstores sell ebooks, and no numbers are available as to private orders from international sellers. Five leading global platforms—Amazon, Apple, Barnes & Noble, Google, and Kobo—though not yet available locally, are expected soon. We can get a clearer idea of the situation in the developing Brazilian ebook market by looking at a few details. Based on sales numbers that bookstores provide to *PublishNews*, the total sales for their top ten digital titles is about 5 percent of the total for their top ten print titles. This is an average for August 2012 and considers only two or three Brazilian retailers. Still, for every 20 top ten books they sell, they sell 1 top ten digital book. Of course this doesn’t mean that the whole market is selling 5 percent digital; most local retailers don’t have ebookstores and may not even care about having digital lists. It also doesn’t mean that, on average, the digital-and-print retailers are selling 5 percent digital along their full catalogs. It would also likely be a huge overestimate to apply the 5 percent to mediumsellers and longsellers, especially considering current limitations of the Brazilian digital catalog.

**Brazil**

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<thead>
<tr>
<th>Key Indicators</th>
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<th>Sources, comments</th>
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<tr>
<td>Book market size (p+e, at consumer prices)</td>
<td>US $2,576 million (publishers’ revenues)</td>
<td><em>PublishNews</em></td>
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<td>Titles published per year (new and successive editions)</td>
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<tr>
<td>New titles per 1 million inhabitants</td>
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<td></td>
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<td>eBook titles (available from publishers)</td>
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**The Digital Players in Brazil (Updated January 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. Yet by January 2013, reports indicated that it wasn’t one of these companies,
but Apple, through its iBookstore, that was ahead in terms of ebook sales, driven by the size of its catalog of titles in Portuguese, which is larger than its competition. Saraiva, Google, and Amazon all have around 13,000 titles in Portuguese. Kobo/Cultura has some 8,000.

According to research that appeared in Folha de S. Paulo, by the end of 2012, Apple’s lead was followed by Google, then by the local platform Saraiva, Amazon, and Kobo (which is partnering with local Livraria Cultura). But expectations are that the order may shift quickly in the months and years ahead (Carlo Carrenho in Publishing Perspectives, January 2, 2013).

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, with the expectation for 2013 that the ebook market might expand by 200 to 300 percent (Estado, January 9, 2013).

The first Brazilian ebookstore, Gato Sabido, launched in December 2009. Early 2010 brought ebookstore openings for the largest bookselling chain in the country, Livraria Saraiva, and for an important medium-size chain, Livraria Cultura, which has 11 megastores throughout the country and very strong ecommerce. Livraria Cultura pioneered selling books online in Brazil during the late 1990s, and Kobo has chosen it to be their local partner as of September 2012. These three companies are still the largest players in the Brazilian ebook arena. Since September 2011, Copia has also had a presence through a partnership with Submarino, the largest Brazilian eretailer, but it has no visible traction to date. Grupo Abril—one of the largest media companies in Brazil, with a huge presence in magazine publishing, K–12 book publishing, and cable TV—also opened its ebookstore, Iba, in the first half of 2012. So far, it has had only limited impact on the market. Livraria Saraiva and Livraria Cultura together account for probably 80 percent of digital sales.

But the real question concerning the Brazilian market today is not so much which domestic company is bigger or has the larger market share, but what will happen to them as the Big Five—Amazon, Barnes & Noble, Kobo, Apple, and Google—launch and build out their operations in the country. A closer look at those giants’ ventures into the largest Latin American book market may illustrate how business perspectives intermingle with cultural perceptions.

Kobo
Following its strategy tested in Europe, this Canadian company’s business model for Brazil is to partner with a strong local retailer. As already mentioned, in September 2012 it announced its connection with Livraria Cultura. For 18 months before the announcement, Kobo executives made regular trips from Toronto to São Paulo and Rio de Janeiro to establish relations. Kobo’s Brazilian connection became even stronger when it was bought by Japanese eretailer Rakuten, which had already acquired the Brazilian IT company Ikeda. In August 2012, Kobo hired its first Brazil-based employee. That same month, journalist Raquel Cozer of Folha de S. Paulo, the largest newspaper in the country, revealed that several domain names with the word Kobo had been registered to Livraria Cultura. Such anticipation of the company’s announcement may well indicate the enthusiasm with which Brazilians expect the advent of new players to their book market.

Amazon
While Kobo is often portrayed as the good guy in the Brazilian market, Amazon has confronted some skepticism when negotiating with local publishers. Because Brazilian book professionals follow the US market very closely and are culturally more connected to North American than to Europe, Amazon’s controversies with publishers and booksellers are well known. The fact that Amazon rarely talks to the press has also helped generate a type of Amazonophobia among journalists and publishers alike. However, after more than a year of negotiations that started in early 2011, Amazon began hiring local staff in January 2012. Importantly, it secured the domain name www.amazon.com.br that August, after years of litigating and negotiating with a Brazilian IT company that already owned the domain.
It is important to note that there are considerable differences between European and Brazilian Portuguese. In Brazil, a medical or engineering student would probably not mind reading a textbook written in European Portuguese, but most readers would put down a trade book that used European spelling and grammar.

Barnes & Noble

The firm allegedly has an interest in the Brazilian market and in Portuguese content. However, no major action has yet been reported in the market.

The Brazilian Catalog: Growing Steadily

In August 2012, after analyzing the titles on the e-shelves of Saraiva, Amazon, and Gato Sabido, the website Revolução eBook disclosed numbers for the overall Brazilian Portuguese ebook catalog. According to the research, there are about 16,000 Portuguese ebooks for sale. This represents huge growth in the months just since February, when the website estimated 11,000 titles. Saraiva and Gato Sabido together have close to 10,000 titles, and Amazon has about 6,000. We should note, however, that most of the Amazon titles are self-published books from the Kindle Direct Publishing (KDP) program, public-domain editions, or European titles from Portugal. One source in the market judged Amazon’s commercial catalog to be only about 1,000 titles. This is similar to the case of Barnes & Noble’s NOOK Portuguese catalog. In the beginning of September 2012, NOOK had around 2,300 Portuguese ebooks, but most of them were European editions or generic public-domain titles. 2

In any case, even if we look at the size of just the commercial catalog, the growth is significant. In August 2011, Saraiva and Gato Sabido together had only 5,000 titles in their catalogs. That means that both stores doubled their catalogs within a year. Overall, if we subtract Amazon’s 5,000 self-published and public-domain titles from the 16,000 total, we end up with a catalog of about 11,000 commercial ebooks in the Brazilian market.

In addition, though Livraria Cultura was not considered in Revolução eBook’s study, they reported having 11,000 digital titles at the end of August 2012.

Brazilian Distributors and Aggregators

There are two distributors of note in Brazil: Xeriph and DLD. If you happen to be a company from Seattle, Toronto, or California, you will need to talk to them and get their blessing if you hope to enter the Brazilian market quickly. Xeriph is a local version of American Overdrive or Ingram; DLD is a tropical version of Spanish Libranda.

Xeriph, which belongs to the owners of Gato Sabido, controls the largest ebook catalog in the country. After Gato Sabido built its platform, it became clear that an aggregator or distributor was necessary; thus, Xeriph was born. Its catalog today brings together roughly 10,000 titles and 200 publishers. The company has been creative in developing its distribution models, from selling games to aggregating content for universities and libraries.

DLD 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, Novo Conceito, 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. In August 2012, DLD offered 1,500 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, will show that DLD publishers are responsible for 35 percent of the print bestsellers on the list from January to August 2012. DLD has been pushing hard to avoid deep discounting by the ebooksellers. In August, they were asking clients to sign an addendum to their distribution contract that limited discounts to as little as 5 percent.

Foreign aggregators, such as Overdrive and Ingram, are present in Brazil, too, supplying foreign-language content. However, Ingram is more active, both as print book distributor and as print-on-demand supplier in partnership...
with a local digital printer. It is likely, then, that they are very attentive to the country’s ebook market.

The “Good Problem” of Brazilian Taxes

Amazon, Kobo, Apple, Google: They all complain about the Brazilian tax system and use it as an excuse for delays in launching locally. The tax problem, however, is in essence a good one: books are absolutely 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 gets 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 discussing a bill that would make dedicated E Ink readers tax free. If the bill passes, the prices of E Ink Kindles, Kobo, and NOOKs would have to come down steadily. Importation taxes on dedicated ereaders could be as high as 60 percent, depending on how the ereader would be categorized within the broader field of electronics. In Brazil, there are incentives and subsidies for certain types of computers and tablets, so it has been a headache to determine the tax percentage for imported ereaders, since they do not have their own category yet. Just as an example, the tax that an Apple distributor pays when importing an iPad to Brazil is 50.68 percent.

Last year, Foxconn, the China-based Apple supplier for iPads and iPhones, made a tax deal with the Brazilian government to start producing gadgets locally. Production hasn’t begun yet, but the result will be lower taxes for local fabrication, and of course there would be no importation taxes. Foxconn executives and Brazilian politicians are still discussing details, so it might take some time before made-in-Brazil iPads show up on the market. Nevertheless, local production with government support may be a viable alternative for international manufacturers that want to sell their ereaders in Brazil.

What really complicates taxes in Brazil relates more closely to ebook distribution models. Although books are tax free, services are not. If you buy and sell books, there is no tax involved, but if you classify your distribution work as a service, you may pay up to 14.25 percent tax on your revenues. (This is known as ISS and PIS/Cofins.) This, of course, challenges the agency model. As you can imagine, Brazilian publishers are desperate to control retail prices of ebooks to avoid deep discounting. If they could avoid deep discounts, the agency model would be perfect, especially if we assume only a standard 30 percent US-style discount, which is much lower than the typical 50 or 55 percent 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 weren’t enough, the market is still discussing whether the agency model is even legal in Brazil, and no one has emerged with a definitive answer. Also, let’s not forget that the agency model demands a very good invoicing process so that publishers can invoice customers directly. The Brazilian market is still far from such an optimum state.

But even if a traditional wholesale model is adopted, there are still plenty of tax ambiguities for those trying to guarantee tax exemption. It always comes down to the business model and how you characterize what is being sold. Basically, you have three ways to look at the matter: (1) selling ebooks as print books on a regular commercial basis, even though ebooks are reproduced by the retailer and are technically sold before they are bought; (2) considering distribution a service and living with the taxes; or (3) working with distribution licenses that would characterize revenues as royalties, thus avoiding part of the taxes. So far there is no clear understanding or consensus in the market.

This entire discussion takes place in every ebook distribution contract negotiation throughout Brazil. If you add a bit of global law and international money transfer taxation into the mix, you see how very complicated it can get. But again, the only real problem is that print books are tax free in Brazil, and everyone is trying to find a way to cross over to digital without paying more taxes.
eGovernment

If tax issues were not good enough reasons 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 28.7 percent of publishers’ revenue in 2011, 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 would seem possible.

First, one must remember that the Brazilian government is digitally quite savvy. Elections are digitally controlled nationwide, and winners are announced a few hours after any ballot. The Brazilian Internal Revenue Service has been receiving income tax declarations electronically for years now. 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 are obvious.

Actually, digitized government book purchase 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 has only proposed buying DVDs, although the goal is to purchase additional digital materials in the future. Since the PNLD alone purchased US $633 million worth of books in 2011 (again, almost 25 percent of publishers’ revenues), you can imagine the potential here.

But the PNLD is not the only potential bulk purchaser. In February 2012, the Ministry of Education announced that it would supply 600,000 tablets to public schoolteachers nationwide. By the end of 2012, the government will take delivery of all tablets—at an estimated value of US $75 to $90 million. In the beginning, not much attention was paid to the content such devices would carry. More recently, though, the ministry has declared its wish to acquire digital rights for the books it purchased in 2012 for high school students through the Programa Nacional do Livro Didático para o Ensino Médio (PNLEM). It is offering US $50,000 for each title, including unlimited reproduction. Publishers are now trying to secure digital rights for images and other content in order to supply the PDFs and still clear a profit.

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, 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 digital publishing geography.

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. The four largest Brazilian textbook publishers have gotten together to create the Minha Biblioteca, a cloud platform that sells access licenses to universities. Telecom companies like Vivo and Claro, too, are starting to offer ebooks for weekly fees to their mobile clients, and several magazines are going digital.

Brazil hasn’t reached the tipping point yet but is very close to it. The game changer, as it has been in other countries, will be the buildout of local branches of international ebookstores, whether iBook, Google Play, Kindle, NOOK, or Kobo. When this happens, Brazil will become an intrinsic part of the global ebook market. And although it is hard to predict when this is going to happen, it is even harder to imagine 2013 ending without at least three of the Big Five launching their tropical operations. According to market vibes, 2013 is going to be the digital year for Brazil—just in time for Brazil to host soccer’s FIFA World Cup in 2014.
China 2012

The Ambitious Plan Ahead—Combining Content and Capital

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 Report

In 2011, China’s epublishing 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).

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 competitive 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
### China

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<td>New titles per 1 million inhabitants</td>
<td>11,154</td>
<td>GAPP Not including &quot;online literature&quot; titles, which are not comparable, e.g., 6 million (Lisa Zhang, interview for this report) titles available from Shanda/Cloudary website.</td>
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#### Key market parameters

|            | CEB | China Ebook Format, a domestic ebook format, notably promoted by Apabi (of Founders company) |

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 & Mediaholdings Co. Ltd., in Beijing, chaired by Li Pengyi, is listed as number three on this ranking. As a state-owned enterprise, the group specializes 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-
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).

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 ecommerce, including online search (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) (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.

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 reoriented 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/xWRyHh). 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 Bamboo, introduced in 2010, is assumed to come in second, at a low double-digit market share (http://bit.ly/zoCfs).

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, 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, 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 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/wicKjO).

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. In 2012, Hachette also opened an office in Hongkong.
India: Scoping the Potential

By Vinutha Mallya

Print to E: The Road to Transition

The book market in India is at the cusp of major changes. 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.

The book market in India is estimated to be between Rs 10,000 crore and Rs 12,000 crore ($1.86 billion to $2.23 billion) in value. 1

18,000 to 19,000 publishers produce a volume of around 80,000 to 90,000 books a year. After the US and UK, India ranks third in the world for English-language publishing.

According to the Federation of Indian Chambers of Commerce and Industry (FICCI), the publishing industry is growing at a rate of 30%—a trend aided by the opening up of foreign direct investment (FDI) in the publishing industry, up by 100% from year 2000. Almost all of the multinational publishing companies have a presence in India now, but the bulk of Indian publishers are 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 predicts that the Indian ebook market will grow by 20 to 25 percent in the next two to three years. 2

The education sector (K–12, higher education, academic) was the early adopter of elearning and econtent in the last decade. However, over the last five to six years, ebooks have thrived in the academic books segment, although hardly any of them originate in India. Almost all of the online educational content and digital books available are currently in English.

The percentage share of the broad genres of total books published, measured by Nielsen Bookscan in 2011, show that nonfiction makes for 47.3%, fiction at 31.4% and children's books at 21.4%. An industry estimate specifies that business books makes up 16% of the nonfiction market, while 8 out of 10 top selling titles of 2012 were of Indian authors. More than half of all print books published are in Hindi (26%) and English (24%), and the rest is made of books published in 22 other official languages of India. 3

A few trade publishers released ebooks in 2012, but their impact is yet to be measured in India. Issues of piracy, plagiarism, and a lack of awareness about copyright continue to be a concern here, although policies and legal frameworks are being put in place to address them. 4 Print book penetration has been long challenged by a fragmented value chain, especially at the distribution level, poor infrastructure, and the lack of access to and affordability of books.

Although literacy levels in India increased by 9% in the decade of 2001–2011 (the literacy rate is 74.04% for a population of 1.2 billion 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, English, make up 6% of the total population.

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 ($859 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 the global publishing industry’s outsourcing of business processes comes to India. Conversion and digitization of backlist and archives top the list of services sourced. 5 India leads the US, UK, Philippines, and Europe in the publishing industry’s BPO segment because of its price advantage. In 2011, the Confederation of Indian Industry’s forum for Publishing BPO estimated that publishing outsourcing to India would be a $1.2 billion industry, employing 74,000 people by end of 2012.

A spurt in the sale of ereader devices in 2011 and in early 2012 and the Kindle and its home-grown versions (Wink Reader and Infibeam’s Pi) signaled a promising trend for ebooks. However, by late 2012 it was evident that India would leapfrog from using ereader devices to favouring...
tablets and smartphones for consuming a range of digital content, including books. So far, most e-reading devices and book-related apps have piggy-backed on the bulk of freely available out-of-copyright digitized books of world classics 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 the trade segment, ebooks don’t yet compete with print books because price is not a major differentiator.

**Demographics and Readiness**

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

According to the National Youth Readership Survey 2009, 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 STM subjects, for students over the last five to six years.

The current demand for ebooks is coming from the six metropolitan (Tier I) cities—Bangalore, Chennai, Delhi, Hyderabad, Kolkata, and Mumbai. Bowker’s “Global E-Book Monitor”, a ten-country sample survey conducted in early 2012, estimated that 2% of the Indian population has purchased an ebook during the period of the 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. This perhaps explains another finding by the survey, that the majority of books downloaded were either from the professional/business category or academic/textbooks.

An annual sample survey by 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 Indian Readership Survey, which studies mass-media consumption data, indicates a 35% increase in Internet-based readership between end of 2011 and first half of 2012. In the same period, only slight growth was observed in printed newspaper readership (0.9%).

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.

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 strategies. Currently, much of econtent 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. Email is the most popular service, while online news and online banking in local languages are also becoming popular. There are great expectations that in the coming years this pattern of consumption will give way to user-generated content in local languages.

**Tech Infrastructure**

The ratio of computer literates in India is 6.15% (224 million) of the population. 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 is estimated to be 12% at this time. The number of Internet users was 150 million as of
December 2012, with 122 million being active users. Of the total Internet subscribers (24.01 million at end of September 2012), broadband subscribers accounted for 61.16%. When it comes to mobile telephony, the penetration level is greater in urban India. At the end of November 2012, there were 890.60 million subscription base connections all over India, of which 62.70% were in urban areas. Even though low-cost feature phones accounted for 91% of total mobile handset sales, 5.50 million smartphones were shipped in India in the first half of 2012.

As of December 2012, there were 87.1 million mobile users who had accessed the Internet using their mobile devices in the last month, which includes access through dongles and tablet devices. While email is the most used service, 28% read news online, and 25% of users accessed apps. Online games were accessed by nearly 50% of mobile Internet users.

The three-fold increase in sales of tablet computers has given a fillip to digital publishers for creating a variety of content. While tablet sales in India grew to an estimated 3 million in 2012 from 0.5 million in 2011, CyberMedia Research estimates that 6 million will sell in 2013.

Global brands are competing with local and Chinese tablet manufacturers in the tablet market. By mid 2012, nearly 135 manufacturers had launched a tablet. Both in mobile-handset and tablet-computer markets, Samsung’s Galaxy range had the larger share in 2012: 42% and 24%, respectively. Local manufacturer Micromax has a 15.3% share in tablet sales, while Datawind, manufacturers of the government-backed low-cost tablet Aakash, sold commercially as Ubislate, has captured 12% (not including sale to government). Apple’s iPad ranks fifth, with a 8.7% market share.

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 partnered with the local Croma retail chain. Until then, ereading devices, primarily the Kindle and perhaps a few Sony eReaders, were imported. Global competitors of Kindle, the NOOK and Kobo, have not made a dent in the Indian market.

India’s preference for multifeature devices that offer more value—over and above read-only devices like an ereader—is perhaps the reason for the proliferation of low-cost and Android-based devices in the country. It is not surprising that 63.5% of tablets sold in the period between July and September 2012 were those priced below Rs 10,000 ($186). Although the sales of smartphones and tablets are growing strongly, and tablets have outstripped netbook sales too, it is on personal computers and notebooks (laptops) where most ereading is taking place.

Shopping for Content

The non-academic (print) book retail market is estimated to be Rs 2000 crore ($370 million) in India, according to market research firm Technopak Advisors. Online book retailers, led by stores like Flipkart, Indiaplaza, and Infibeam, etc., were selling books worth Rs 400 crore ($74 million) by mid 2012. In general, online retail in India grew at an annual rate of 43% from July 2011 to July 2012. Offline retail chains like Crossword and Landmark have also set up online bookstores.

In the last year, publishers, especially in popular fiction and general interest categories, have seen a surge in online sales. For example, HarperCollins India attributes 25% of its total book sales to online stores like Flipkart, Indiaplaza, Infibeam, and Amazon. The online stores have also relied on selling imported titles, sourced through international distribution agencies, to populate their catalog. This has given readers access to titles that were otherwise not easily available in India.

In the absence of an organized distribution system and adequate sales infrastructure, Indian-language publishers have had to rely on vertical integration—by managing distribution and retail themselves. Though relatively new entrants to online retail, many of them attribute 20 percent to 25 percent of their sales to Flipkart alone. A notable initiative in online book-selling is Indulekha, based in Kerala, which is a store that pioneered online selling of Malayalam books, to any part of the world.

Long before Amazon launched its Kindle India store in August 2012, Indian ebook customers were buying primarily
through the US Amazon store by transacting in dollars. The Kindle India store, while continuing to allow access to Kindle editions through amazon.com, now makes it possible for publishers to set rupee prices and for Indian customers with international credit cards to transact in rupees.

Before the Kindle India store was opened, ebooks were available from locally established online retailers, like Ahmedabad-based Infibeam.com and The Wink Store, based in Kottayam, Kerala. Infibeam’s ebook store, with over 900,000 ebooks, complements the Pi E ink reader. Most ebooks available through Infibeam at that time were those published by global STM publishers. 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. The Store, which is an associate of the popular Malayalam publishing house DC Books, offers ebooks and emagazines. In 2010, it launched and marketed the Wink eReader, an E ink device, which did not do too well and has been discontinued.

More recently, in September 2012, Flipkart forayed into retailing ebooks through its digital store Flyte, beginning with 100,000 ebooks, of which 4,000 were free. Flipkart’s ebooks are in a proprietary format, accessible through the Flyte ebook app for Android. According to company sources, around 25,000 users had registered by end of December 2012, by which time 40,000 to 50,000 downloads had taken place, including the downloads of free ebooks.

In the same month that Flipkart ventured into ebooks, Landmark’s online store also announced an ebook section and an Android-based ereader app. While Flyte retails ebooks of three of India’s leading trade publishers as well as those by foreign publishers, Landmark’s catalog appears to be made of foreign ebooks, aggregated from an international distribution service.

eBook-only stores like Attano and India eBooks are retailing a modest list of ebooks by Indian independent publishers, which reflect the early phase of indigenous ebook production. Attano, specializing in educational ebooks, also retails etextbooks by Pearson and Tata McGraw Hill, as well as video lectures and sample question papers.

In November 2012, Pearson Education India launched “MX Touch,” a tablet-based education solution for Indian schools. Compliant with the school syllabus, it gives students access to rich digital content as well. The solution is bundled with devices produced by preferred tablet manufacturers. Bundling of educational content with tablets is a growing trend. The Micromax Funbook tablet has partnerships with publishers like McGraw Hill and Pearson and homegrown educational companies like Everonn Education and Vriti Education.

The current market size for digitized school products in private schools alone is around $500 million. The current market size for ICT in government schools is valued at US $750 million, according to Technopak.

Aakash, the world’s “cheapest” computing device, which has received attention all over the world, is a project supported by the government of India as part of the NME-ICT. Expected to revolutionize the delivery of educational content in higher education, the Android-based Aakash will be provided to students at a subsidized cost. Developed by Datawind, the tablet costs the Ministry of Human Resource Development Rs 2,263 ($42) per unit, but is to be subsidized 50% for students and made available at Rs 1,130 ($21). At the launch of the second version of the device in November 2012, it was said that 220 million students across the country would get the device in the next five to six years. Educational content and apps developed by various national educational and research institutions will be made available on the tablet. The commercial version of Aakash-2 is Ubislate 7Ci, available at Rs 4,499 ($84). Specifications for the next edition of Aakash were announced in early January 2013. Aakash-3 will have a SIM card slot, faster processing power, and will work on Android and Linux platforms.

Amazon in India

Amazon was expected to be a “game-changer” for book retail in India, when the Indian government began considering opening up the multi-brand retail sector to foreign direct investment in 2012. FDI up to 100% was allowed in single brand retail in November 2011. After much debate in the country, when FDI norms were finally laid down for multi-brand retail, only up to 51% of FDI was allowed. For Amazon, which sells books published by several different brands, it would have had to form a joint venture with an Indian company to be able to operate here. Addi-
tionally, FDI in both single and multi-brand ecommerce companies is prohibited, making it impossible for Amazon to operate its current business model in India.

The company entered the Indian retail space when it re-launched Junglee.com in early 2012 as an aggregator service, after having acquired the website in 1998. It was seen as a move to gain insight into the market while Amazon waited for the debate on the FDI law to be resolved.

Publishers and eBooks

In July 2012, Penguin India, the largest trade publisher in the country, launched 240-odd titles as ebook editions, including some frontlist and popular backlist titles. It was the first major “e”-list from among trade books in India, even though Random House India had released a few titles prior to that. The company is adding about 50 titles to the ebook list every month. By August 2012, Hachette India had 50 titles selling via Amazon Kindle, primarily targeted for sale in other territories at that time. By the end of the year, Indian literary publisher Westland and its imprints had released about 100 titles in ebook formats. The ebooks by Penguin India, Hachette India, Westland, and Random House India are available through Flipkart’s Flyte store. Penguin’s ebooks are available internationally through Penguin Books UK.

Other large trade publishers like HarperCollins India and Rupa Publications have also announced their plan to launch ebooks soon. However, Rupa’s bestselling author Chetan Bhagat’s popular books are available as ebooks. eBooks by other independent publishers, such as PHI Learning (about 700 titles) and Sterling Publishers (backlist digitised by QBend), are available through the publishers’ websites. Sterling also has 177 ebooks listed on Apple iBookstore and Amazon Kindle store currently.

Many Indian authors are taking advantage of self-publishing services, for example those offered by CinnamonTeal Print & Publishing Service and Pothi.Com, and more recently Amazon’s Kindle Direct Program. The Mumbai-based author Ashok Banker, known for the bestselling Ramayana Series (Penguin Books India), set up his own ebook store, AKB eBooks, in 2011. Author Rasana Atreya, whose unpublished manuscript was shortlisted for the Tibor Jones South Asia Prize in 2012, chose not to take a deal offered by a trade publisher. Instead, she chose to self-publish through the KDP, as well as used Createspace for selling print copies. Her book, *Tell a Thousand Lies*, was listed among top 3 for many months, in the Eastern Drama category on the US Kindle store.

In the children’s fiction and comics segment, ACK Media launched nearly 350 ebooks, apps, and games last year. The famous Amar Chitra Katha comic list is available through the 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 multilingual children’s book publishers like Tulika Publishers and Pratham Books are among the first in this segment to roll out book apps to the Apple App Store, in partnership with application platforms like Fliplog Reader and Mango Reader. Popular picture-book publisher Karadi Tales, known for audio books, flash videobooks, DVDs, and CD-ROMs, has recently launched a few titles through the App Store.

The trade segment of Indian-language publishing is taking its first steps in ebook publishing. Many publishers began their ebooks list when The Wink Store started to offer ebook delivery capability in Indian languages, through the Wink device. eBooks in about ten Indian languages are currently available through The Wink Store. Malayalam, Hindi, Tamil, and Marathi languages are strongly represented by books from different publishers. In September 2012, a Marathi publisher had reported that a consortium of six major Marathi publishers had joined hands to invest in a common ebook platform, entitled eMarathi.com.

The bulk of ebook selling in India is in the educational and academic sectors. There are 611 universities/university-level institutions and 33,023 colleges as of March 2012. There are also 79 central government funded institutions providing technical education. eBooks in higher education and professional book segments, most of them for science and technology courses, have been circulating in India through institutional sales for the last six to seven years, while ejournals have been here for at least a decade. Just like in print, almost all ebooks currently available in the STM segment have originated outside the country and are...
marketed in India by subsidiaries of large multinational academic publishers. Springer leads in the ebook segment in India, with nearly 74,000 titles available in their catalog. The other publishers that are making ebooks available in India are Taylor & Francis, Elsevier, Wiley, and, more recently, Sage, Pearson, Cambridge University Press, and Oxford University Press. Many publishers offer ebooks at discounted rates from their international prices, up to 50% in some cases, for bulk purchase by Indian institutional libraries.

India’s online education market size is valued at $20 billion and estimated to grow to $40 billion, according to an industry estimate. The total number of schools in India stands at 1.3 million. Of these, private schools account for 20%. In the K–12 segment, publishers like Pearson, S. Chand, and Harcourt have a strong presence in producing elearning materials, alongside educational companies like Educomp Solutions, iDiscoveri, Everonn, CORE, and IL&FS, etc. Many tech-based companies like Tata Interactive Systems and HCL Infosystems are entering the online education space.

**Government Plays a Big Role**

The government of India, under the National Mission For Education Through ICT (NME-ICT), has identified as major components of its mandate “content generation and connectivity, along with provision for access devices for institutions and learners.”

More than 2,000 ejournals and 55,000 ebooks from 297 publishers have been made available online under this programme. E-content is being developed by various agencies: for 996 courses in engineering, sciences, technology, humanities, and management by IIT Madras; for 87 undergraduate subjects by Consortium for Educational Communication; and for 77 postgraduate subjects by University Grants Commission.

Under the National Library and Information Services Infrastructure for Scholarly Content (N-LIST) of INFLIBNET, the online digital library being run under NME-ICT, nearly 80,000 ebooks and thousands of high-quality paid ejournals have been made available to research institutions, universities, and colleges across the country. Almost 90% of the ebooks are sourced through the US-based Ebrary platform.

The government’s “One-Stop Education Portal,” Sakshat, launched in 2006, is aimed at becoming a repository of educational resources for teachers and learners—from kindergarten onward. 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. It is reported that resources from Sakshat will be made available as bundled content and apps on Aakash tablets.

Earlier, in 2004, the Scheme of Information and Communication Technology (ICT) in Schools was introduced to provide ICT infrastructure and Internet connectivity to schools. The government dominates the K–12 textbook segment by publishing textbooks for schools. The National Council of Educational Resources and Training (NCERT), provides its entire K–12 textbook range for download as PDF files online.

**Formats and Pricing**

PDF was the earliest of formats to be adopted by digital publishers of book-length texts in India. Since ebook publishing is still nascent and the aim is to make content available across platforms, EPUB and Amazon’s KF8 seem to be the preferred formats at this time. If Flyte takes off, Flipkart’s proprietary format might become a contender. Most Indian publishers are wary of digital piracy and look to DRM as a solution to this, but there has not been much informed discussion around DRM in India. Neither is there much awareness among book publishers about the specific capabilities offered by open web standards like EPUB3 and HTML5, or the advantages that cloud computing could bring to Indian publishing industry.

When it comes to pricing of ebooks, trade publishers are experimenting. Comparisons made of some books listed on Flyte store and Flipkart online store show that ebooks are priced slightly lower than print editions. The retail price for popular author Amish Tripathi’s forthcoming paperback Oath of the Vayuputras (Westland) is listed as Rs 350/$6.50 (Rs 245/$4.50 after Flipkart’s 30% discount), while the ebook version is available for pre-order at Rs 210/$4. Chetan Bhagat’s latest, What Young India Wants (Rupa), also a paperback, is priced at Rs 140/$2.60 (Rs 97/$2 after 31% discount) and is available for Rs 76/$1.40.
Random House India follows a similar pattern in pricing their ebooks. The bestselling *Don’t Lose Your Mind, Lose Your Weight*, by Rujuta Diwekar, is available in paperback for Rs 250/$4.60 (Rs 140/$2.60 with discount), while the ebook is available for Rs 131/$2.40. The Kindle edition of this title from the US Amazon store sells at the same price, discounted from the original $4.65. The India edition of Anita Desai’s *Clear Light of Day* is retailed at Rs 299/$5.50 (Rs 224/$4.10 with Flipkart’s 25% discount) and is available as an ebook for Rs 202/$3.75. Flipkart, which retails an imported paperback edition (Vintage, 2001) of the same title for Rs 745/$15 (Rs 596/$11 with 20% discount) sells the imported ebook edition for Rs 1295/$24.

Penguin India’s *Goat Days*, by Benyamin (translated from Malayalam by Joseph Koyipally), longlisted for The Man Asian Literary Prize, is available in paperback at Rs 250/$4.60 (Rs 168/$3.10 after discount), while the ebook costs Rs 151/$2.80. However, the listed price for this title on the Kindle store is $13.22, discounted to $9.73. Correspondingly, the converted listed price in INR on the Kindle store is Rs 556.46.

For hardcover titles, it appears that more recent titles are priced higher for ebook editions than the backlist. Ramchandra Guha’s *Patriots and Partisans* is retailed at Rs 699/$13 (Rs 461/$8.60, less 34% discount), while the ebook costs Rs 415/$7.70. But an older title, *The Difficulty of Being Good*, by Gurcharan Das, is priced Rs 699 for hardcover (Rs 524/$9.70 after discount) but is available as an ebook for Rs 296 ($5.5).

**Trends and Directions**

The Indian publishing industry is witnessing a “boom” over the last five to six years. Print as a format is likely to stay on here for longer than in the mature markets, even though ebooks offer several advantages to a developing country such as India.

Rapid changes in publishing technology, taking place primarily in the West, have created challenges for Indian publishers. Technology capabilities and the investments required to embark on ebook publishing programs are proving to be a stumbling block for many “traditional” publishers, but there is awareness of the opportunities that lie ahead with ebooks. Many small and independent publishers are affected by the changing dynamics created by foreign capital flowing into the book industry, and also into book retail. eBooks are seen as a way out by such publishers, but the infrastructure required to transition from print to e—from production to marketing and discovery—will need to be tackled.

**Notes**

1. Both figures announced by FICCI. The first figure, Rs 10,000 crore, appears in FICCI’s sector profile, while the second figure appears in the report on the Business Lunch held at Frankfurt Book Fair 2012 by the trade body. It would be safe to say that the estimate fits in between these two figures.
3. Source: Publishing Sector Profile, FICCI [undated]. Retrieved on January 14, 2013. The 2001 census of India recorded 122 languages spoken by 10,000 or more people, 60 spoken by more than a 100,000, and 29 languages with over a million native speakers. Of these, in India only 23 are printed/published languages.
4. Examples: Copyright (Amendment) Act, 2012; formation of the quasi-judicial [Copyright Board](http://copyright.gov.in/frmCopyrightBoard.aspx); formation of IRRO [Copyright Board in 2011 for reprographic rights and licenses, in the year 2000; the provision for authors/creators of published or unpublished works to formally register their copyright with the Registrar of Copyrights, Copyright Office; and, the formulation of a new National Book Promotion Policy (see a draft version here. An old study on copyright piracy in India, sponsored by the Ministry of Human Resources, Government of India, and released in 1999, is available here.
3. 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.


11. Source: Mobile Internet in India – December 2012. Bharti Airtel, India’s largest mobile network operator, recently announced the launch of education services on mobile through its “mEducation” platform in early January 2013. The new service will enable Airtel mobile customers to access courses for language skills, entrance exam preparation, and career counseling “with just a few clicks on their mobile phones.”


15. Source: Personal communication with various Indian-language publishers.


20. For example, Allahabad University, recently procured 2,155 STM ebooks from Springer at a price cheaper by about 69% than the company’s listed Euro prices for the entire set.

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.

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 mar-
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.

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. 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. 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 Ruoof. Founded in 2010, Ruoof 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, Ruoof is preparing to build an overarching directory for the Arab book industry, aiming at including title-based infor-

4. 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.
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, 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.
A Comparative Analysis of eBook Bestsellers in Europe

Overview

At the end of 2012, with ebooks becoming a normal part of the larger European book markets, a number of obvious questions are emerging. Questions that have to be answered in order to identify and assess the driving forces and consumer habits behind the evolution of the book markets and to compare patterns of print and digital. This is ever more true as Christmas is by far the strongest season for books and reading devices. Both ereaders and tablets have gained popularity everywhere at a fast pace in the second half of 2012, resulting in the 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 have also been downloaded in great numbers. By January 2013, the New York Times knew of 40,000 digital units sold in France alone—a number that must be compared to 900,000 printed volumes (New York Times, January 16, 2013). This would give ebooks a share of 4.4 percent over print sales, which is clearly higher than the estimated 1 or 1.5 percent of market share that ebooks are thought to have in the overall book market in France. But 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 getting the lion’s share of it.

The French translation of Shades costs a substantial €11.99, compared to GBP 3.46 in the UK and $8.77 in the US. The German Kindle edition is sold at €9.99, the Italian at 6.99, and the Spanish at 9.49. In Sweden, readers pay 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.

First of all, aside from the UK, 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 overlap as well as differences among them. Unsurprisingly, the average price in the top 30 ranks at Amazon is significantly lower than that of any comparable EPUB sales list, with Amazon’s average between €4.54 in Spain and €6.11 in Italy. By contrast, the EPUB charts range between €7.91 (Italy) and €9.26 (Germany) on average.
Print and ebook prices of top 10 titles in print charts, end of 2011, August 2012, and December 2012 (computations for this report; for UK, US and Sweden: Effective sales price; for all other countries: Fixed book prices)

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<th>UK</th>
<th>US</th>
<th>Germany</th>
<th>France</th>
<th>Spain</th>
<th>Italy</th>
<th>Netherlands</th>
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<td><strong>End of 2011</strong></td>
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<tr>
<td>Avg price print</td>
<td>€10.68</td>
<td>€11.33</td>
<td>€16.35</td>
<td>€19.93</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
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<tr>
<td>Avg price ebook</td>
<td>€9.71</td>
<td>€10.13</td>
<td>€12.66</td>
<td>€15.80</td>
<td>n.a.</td>
<td>n.a.</td>
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<tr>
<td>Discount from print (end of 2011)</td>
<td>9%</td>
<td>11%</td>
<td>23%</td>
<td>21%</td>
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<td></td>
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<tr>
<td><strong>August 2012</strong></td>
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<td>Avg price print</td>
<td>£9.85</td>
<td>£17.35</td>
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<td>Avg price ebook</td>
<td>£12.26</td>
<td>£13.28</td>
<td>€17.77</td>
<td>€18.53</td>
<td>€20.62</td>
<td>€12.52</td>
<td>€15.98</td>
<td>€19.57</td>
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<tr>
<td>Discount from print (August 2012)</td>
<td>25%</td>
<td>23%</td>
<td>17%</td>
<td>26%</td>
<td>46%</td>
<td>39%</td>
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<td><strong>December 2012</strong></td>
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<td>Avg price print</td>
<td>£8.90</td>
<td>£15.40</td>
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<tr>
<td>Avg price ebook</td>
<td>£11.13</td>
<td>£11.85</td>
<td>£21.40</td>
<td>€18.65</td>
<td>€19.80</td>
<td>€12.61</td>
<td>€19.82</td>
<td>€17.29</td>
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<tr>
<td>Discount from print (December 2012)</td>
<td>0%</td>
<td>37%</td>
<td>21%</td>
<td>34%</td>
<td>42%</td>
<td>42%</td>
<td>18%</td>
<td>33%</td>
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Another confusing matrix derives from a comparison between current bestsellers in print and the respective digital edition.

While in the UK, aggressive discounting has brought ebooks and print books from the top charts at roughly the identical price level, both the average ebook price and, ever more so, the discount between a print and digital copy of the same title varies heavily between countries like Germany, France, Italy, and Spain—and all four have some kind of price regulation.

In Germany, efforts by publishers to keep ebook prices close to those of print seem to be successful. The average price difference between print and digital between August and December reflects the customers’ readiness to buy more expensive books as presents. In France and Spain, books seem to be able to carry higher prices year-round, which then underscores how, in Spain, the largely reduced ebook prices can bring a welcome alternative to crisis-stricken consumers.

Across markets, two basic approaches take shape. One is promoted by Amazon on its localized sites for Germany, France, Italy, and Spain that seems to provide the sales rank for ebooks by units sold, regardless of the retail price, as long as the book is not for free. Long novels at €14.99 and digital shorties 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, and titles from traditional, well-established publishing houses, other than Random House's *Shades*, represent only a minority of the selections at the top.

By contrast, the top 30 ranks at www.ebook.de (the platform run by Germany’s largest wholesaler for printed books, Libri) allows only a few titles at a price of 3.99 or less. Instead, the clear majority of top-ranked ebooks here also figure on the January print bestselling list.

Publishing houses in Germany and in other European markets, with the exception of the UK, work hard at keeping retail prices of ebooks as close to print levels as they can.
No 20p campaigns, as have appeared in the UK, are to be found on the continent. Even promotional experiments such as Ullstein (of the Bonnier group) pricing a 117 page novella of Swedish crime star Camilla Läckberg at €1.99 is the rare exception.

Average retail price of top 30 bestselling ebooks in January 2013 on various platforms

<table>
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<tr>
<th></th>
<th>Amazon Kindle</th>
<th>EPUB</th>
</tr>
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<tbody>
<tr>
<td>Germany</td>
<td>€4.79</td>
<td>€9.26</td>
</tr>
<tr>
<td>Italy</td>
<td>€6.11</td>
<td>€7.91</td>
</tr>
<tr>
<td>France</td>
<td>€5.59</td>
<td>€8.62</td>
</tr>
<tr>
<td>Spain</td>
<td>€4.54</td>
<td>n.a.</td>
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</table>

Other than current erotica, in a mix of Shades, Silvia Day’s Crossfire series, and scores of subsequently self-published titles, only a few books from January’s print bestseller lists tend 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 books per country, like Jonas Jonassen’s Hundred Year Old Man in Germany and the UK, local crime writer Andrea Camilleri in Italy, or María Dueñas with Misión Olvido in Spain (priced at €12.34!) can be sure to find their ebook editions side by side with print in the top ranks.

Looking closer at the performance of a few titles over a four-month period from mid September 2012 to mid January 2013, a comparison of the Amazon sales ranks of the print and Kindle editions shows that, in most cases, their overall performances show parallel development (research by the author for this report).

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 those globally acting groups, like Random House or Hachette (coincidentally the publishers of Shades 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), may not be representative of all those markets, given the online retailer’s different market share for each market. But it provides a valuable basis for some informative observations and comparisons (the data cover Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, UK, and US).

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’ Shades 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 Dance With Dragons, again a series, well sold across all European markets in print, but represented in the Kobo ebook charts only in the English-language edition, across Scandinavia as well as in Spain. He 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 come from Random House (notably Shades, but also domestic authors, like young adult writer Charlotte Link). In the French top segment, Hachette holds 9 out of 20 positions, while Mondadori holds 12 out of 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 out of 20 top ebooks in 2012. In France, the gap is much wider, as Editis (owned by Spanish Planeta) and the independent
“Actes Sud” (the publisher of Stieg Larsson) each with three titles in the highest ranks.

The outcome for Spain, with regard to Kobo’s charts, is more difficult to assess. Twelve out of the top 20 positions are taken by ebooks in the English language, with 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.

As for the UK, The Bookseller compiled and compared print and ebook charts by volume for 2012, resulting in a detailed overview on the top 50 titles. For the first ten months of the year, ebooks accounted for some 13 to 14 percent of all book sales in terms of units, but given their significantly lower retail price, they accounted for a more modest 6 to 7 percent of revenues. The really interesting findings from that chart come not from the very top segment, which is, as expected, dominated by the 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 ranks following behind. J.K. Rowling sold a comparative 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 age of readers is well illustrated by romantic fiction author Jojo Moyes, whose new book, Me Before You (at rank 22 in print), sold 279,349 copies in print, against a stunning 207,000 in digital. By contrast, the autobiography of rock legend Rod Stewart, at print rank 23, had 266,177 print copies shipped to fans, against 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, that a small number of smash hits can exert incredible control.

But the exceptions to this rule should not escape the observer.

In Germany, for instance, self-published author Jonas Winner managed to have two of his Berlin Gothic titles in the top 20.

And in several markets, a few companies (some repositioned old houses, some newly created specifically for the digital challenges ahead) succeed in the tough game.

Some medium-sized houses opted early to have a role in digital, like Gallimard in France, Oetinger in Germany, or GeMS (Grupo editoriale Mauri Spagnol) 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 (for details, see “Netherlands”).

2012 has also seen the ascent of several new brands, or old houses with a new, decidedly innovative emphasis on digital, which is again reflected by a 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 subgenres of romance, crime, and the Wild West, but recently 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, French Marabout, founded in 1949 and a leader in gardening, practical advice, and self-help, is committed to greatly extending its reach into digital markets.

All three companies have found a way to directly and successfully compete with the big houses for the nascent ereading 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.
A comparative analysis of international ebook markets shows an abundance of different parameters that result in variations between the markets, some of which may be temporary and others that may persist and remain relevant for the mid-term (three to five years) or the long-term (five to ten years).

The main drivers of differentiation as identified in the market profiles of this study include the following:

- Key characteristics of the existing print book market
- New market entrants and new paradigms
- Market parameters, including:
  - Regulatory frameworks
  - Pricing strategies for ebook receptiveness for foreign (English) reading
  - Receptiveness for foreign (English) reading

Each of these sets of parameters, and combinations thereof, will not only affect each market’s ebook evolution but will also frame the interplay of domestic and global factors as they encourage either globalizing or more differentiating forces.

Key Characteristics of the Existing Print Book Market

The size of a book market matters. Large book markets such as Germany, France, and also China are 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.” As a result, Google’s digitization projects have been confronted by coordinated legal action in several European countries, which 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.

These same markets, plus most emerging economies, are now targeted by the few global brands (or, in the Chinese term, “super players”) of ebook globalization, namely Am-
azon, Google, Apple, Kobo, and more recently, Barnes & Noble.

All of these players prepare localized versions of their available titles, which go far beyond just the selling of printed and digital books, as they are backed up by various related services for self-publishing and print on demand, thereby coming in a bundle with related value propositions, of which most bring book content onto various mobile platforms. Apple, with the iPad, iPhone, and iTunes, is integrating distribution and consumption under one umbrella. The initially Canadian—and now Japanese owned—firm Kobo has a strategy of teaming up with localized platforms in major markets, and so do other brands in their international rollout, such as Barnes & Noble.

2012 has seen a massive expansion of these top players on a truly global scale, which came with unexpected oddities though, as seen when looking at these rollouts in more detail. For instance, US headquartered Amazon launched a localized platform and Kindle shop in neighboring Canada 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. Hence by early 2013, books can be purchased from Google Play in Germany, but not in Austria, despite the two neighboring countries sharing German as their principle language and both being members of the European Union. Countries, markets, and, most importantly, languages are confronted with new challenges as only some languages are supported—or even tolerated—in ebooks on those “global” platforms (see “Central and Eastern Europe: eBooks in English and Local Languages” and “Arab eBook Market” for more details).

Probably more defining than the differences in those organisations’ tactical choices as they venture into publishing and ebook distribution on an international level is that the companies behind the respective book divisions 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, has annual revenues of $8.4 billion from publishing (Pearson education and Penguin, plus another $662 million from the Financial Times). NewsCorp, one of the leading global media companies and the mother of HarperCollins, recorded a turnover of $58 billion in 2011. This has NewsCorp playing in the same ballpark as Amazon (with $48 billion).

By comparison, Apple has recorded revenues of $108 billion and a market capitalization that recently went north of $700 billion, while Google had revenues of $38 billion at a market capitalization of around $250 billion.

In the current battle over emerging ebook and digital publishing markets, we must understand a variety of dynamics between players of not entirely different scale, but also contrasting agendas. While turning front- and backlists into ebooks is an imminent priority for Pearson, or Hachette Livres (at revenues from publishing at $2.7 billion) or Random House (at $2.3 billion), the same transition and outlook will be only part of a much broader picture of Apple or Google. Even at Amazon, revenue from books is a central element, but one among several of a broadening set of services. And such 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.

Google—via its digitization efforts with libraries and the scanning of copyrighted works—has 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 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 was considered to be 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 tradition 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 that is preoccupied with losing local “cultural identity.”

Although 2012 has seen at least some of those flames put out in scores of settlements, in Europe, notably in France, Amazon is 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.

Small markets find themselves in a challenging situation as well. Many have rooted their cultural and national identity in a cultural singularity, which is usually anchored in literature and books. Yet 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 (see “Market Close-Ups”).

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

“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., which is 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 corporation tax on over £200 million 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 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 pays 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 (Lives Hebdo, January 3, 2013), but French financial authorities launched an inquiry (Lives Hebdo, November 14, 2012). By early 2013, the fiscal debate had picked up momentum as well as massively extended its ambitions and goals, with the French government debating models to better tax digital global actors. A report has been commissioned to explore ideas ranging from taxing the collection of individual consumer data by firms like Google to international actions to redefine how transnational companies and their revenues can be localized (“Fiscalité du numérique: vers une taxe sur les données,” Les Echos, January 18, 2013; “Un rapport envisage une taxe sur les données personnelles,” Le Monde, January 18, 2013).

In short, while ebooks in continental European markets like France represent just 1 percent or less of the revenue of the 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 like Amazon, Apple, and Google fight over power and control in the digital economy of the next decade.
New Market Entrants and New Paradigms

2011 was the year of ebooks reaching the non-English-language markets; 2012 is the year when globalization is broadly felt as a defining force in the book business. eBooks are more of a conduit than a driver in their own right for this shift, but are one element that has made globalization visible and tangible.

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 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 percent of the world’s population had a mobile cellular subscription; 17 percent, or 1.2 billion people, owned a mobile broadband subscription, which is slightly more than the 16.6 percent 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 (including the Penguin brand), Hachette, Random House, 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 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.

Still, in the following discussion some of the globalizers are highlighted in terms of their initiatives and strategies. Some selected local actors in emerging markets have been
identified in the previous sections on Brazil, China, and the Arab world.

The Recent Expansion of Global Platforms

Publishing 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 (with Pearson—and its book arms Pearson Education and Penguin, plus the Financial Times newspaper—being an exception to the overall rule). Today, opening offices in the Gulf, 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.

Amazon

Update from February 2013

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.

Disregarding Bezos’ strong statement, the recent filings did not contain any specifics on ebook sales. However, for the first time ever, the world market leader in online book-selling gave some insight into its stupendous international expansion (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 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.

Interestingly, all breakdown figures 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.

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 com-
petition 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: Overview and Key Debates on Its International Growth

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 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 “Key Drivers and Debates”). Aside from such general criticism of its business practices, a specific issue with the taxation of ebooks has also provoked controversy across Europe. In the majority of countries of the European Union, 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).

### Amazon’s performance in 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Absolute (bn)</th>
<th>Growth yr-on-yr</th>
<th>Media (bn)</th>
<th>Growth Media</th>
<th>Absolute (bn)</th>
<th>Growth yr-on-yr</th>
<th>Media (bn)</th>
<th>Growth Media</th>
<th>Absolute (bn)</th>
<th>Growth yr-on-yr</th>
<th>Media (bn)</th>
<th>Growth Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>2012</td>
<td>34.8</td>
<td>30%</td>
<td>9.2</td>
<td>15%</td>
<td>26.7</td>
<td>43%</td>
<td>8</td>
<td>16%</td>
<td>18.7</td>
<td>46%</td>
<td>6.9</td>
</tr>
<tr>
<td>International</td>
<td>2012</td>
<td>26.3</td>
<td>23%</td>
<td>10.7</td>
<td>9%</td>
<td>21.4</td>
<td>38%</td>
<td>9.8</td>
<td>23%</td>
<td>15.5</td>
<td>33%</td>
<td>8</td>
</tr>
<tr>
<td>Consolidated</td>
<td>2012</td>
<td>61.1</td>
<td>27%</td>
<td>19.9</td>
<td>12%</td>
<td>48.1</td>
<td>41%</td>
<td>17.8</td>
<td>19%</td>
<td>34.2</td>
<td>40%</td>
<td>14.9</td>
</tr>
<tr>
<td>DE</td>
<td>2012</td>
<td>8.7</td>
<td>21%</td>
<td>3.4*</td>
<td>7.2</td>
<td>36%</td>
<td>5.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JP</td>
<td>2012</td>
<td>7.8</td>
<td>18%</td>
<td>6.6</td>
<td>32%</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>2012</td>
<td>6.5</td>
<td>20%</td>
<td>5.4</td>
<td>38%</td>
<td>3.9</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>DE+JP+UK</td>
<td>2012</td>
<td>23</td>
<td>20%</td>
<td>19.2</td>
<td>35%</td>
<td>14.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest Int</td>
<td>2012</td>
<td>3.3</td>
<td>50%</td>
<td>2.2</td>
<td>69%</td>
<td>1.3</td>
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In Germany, the debate on tax has echoed less strongly than its expansion in both market share and scope of services. A highly successful launch of a new generation of devices—the Kindle Paperwhite and the Fire tablet—which are sold from Amazon’s own platform and at major consumer electronics stores, and the extension of Amazon Publishing to Germany and Europe have provided clear evidence of the company’s might in the German market (Amazon-Verlage nehmen Kurs auf Deutschland, buchreport November 29, 2012).

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).

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**

iBooks is an application that has come bundled with iPads since the device was first introduced by Apple Inc. (NASDAQ: AAPL) in January 2010. The app allows readers to download digital books in EPUB format from the iBook-
store, 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; simplified Chinese was added in 2012). For more information, see the guide “Using iTunes Producer 2.7.1 for Books.”

The iBookstore currently has paid stores in the US, Canada, Australia, New Zealand, the EU, Norway, and Switzerland as well as in Latin America, with Japan expected to be added in early 2013. (Updated: Apple’s iBookstore opens in Latin America, New Zealand”, PublishingPerspectives, October 22, 2012). In comparison, the iTunes store has a much wider scope of countries where purchases can be made from a local billing address or with a prepaid gift card, and the exact available services through iTunes vary widely from country to country. For instance, in much of Asia (including the People’s Republic of China and India), Russia, and large parts of sub-Saharan Africa, the iTunes store is available but with restricted functionality. With regard to digital books, this situation is a disadvantage compared to more broadly available media formats, notably iTunes’ highly popular music offerings. (“Apple finally brings its iTunes Store to Indonesia and India, and 54 other countries”, December 4, 2012).

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.

Over the course of 2012, content—and the conditions of how to bring it to market and how to price it—became the focus of a truly fundamental controversy between large publishers and Apple on the one side and regulatory government authorities in the other. The initial case is currently being fought in the US, but the EU is likely to become an extension of the battlefield.

In April, the United States DoJ decided to sue Apple along with five of the US Big Six publishers, claiming that by insisting on pricing for ebooks, rather than leaving it to the retailers, the defendants were implicated in “ongoing conspiracy and agreement have caused e-book consumers to pay tens of millions of dollars more for e-books than they otherwise would have paid” (quoted in Publishers Lunch, April 11, 2012). Several of the targeted publishers settled with the DoJ, but Apple, Macmillan (of the German Holtzbrinck group), and Penguin (of the British Pearson group) resisted, claiming that there had been no wrongdoing. On September 6, 2012, judge Denise Cote approved the DoJ’s settlement with Hachette, HarperCollins, and Simon & Schuster. (For a more detailed account of the controversy, see the earlier discussion of the US.)
Barnes & Noble

Barnes & Noble, Inc. (NYSE: BKS) describes itself as “the world’s largest bookseller and the leading retailer of content, digital media, and educational products” (statement for this report). 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 October 2009, B&N 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.

In August 2012, Barnes & Noble announced it was bringing its NOOK and digital bookstore to the UK through a new www.nook.co.uk online storefront. This marks the first time the company is expanding its business internationally. Barnes & Noble has 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, headed by Patrick Rouvillois, Managing Director – International.

Recently, Barnes & Noble and Microsoft announced the completion of their previously announced strategic partnership in NOOK Media LLC, a recently formed Barnes & Noble subsidiary and a enterprise in the emerging digital reading and digital education markets. NOOK Media LLC comprises the digital and College businesses of Barnes & Noble and will continue to have a close relationship with Barnes & Noble’s retail stores. Microsoft made its $300 million investment 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. Barnes & Noble also received a $204 million investment from Liberty Media in August 2011.

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 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.

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At this point, those 20 million books are maintained by 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.

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 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).

As of September 2012, Kobo has expanded beyond Canada globally as an ebook platform, by establishing localized platforms in Brazil, France, Germany, Indonesia, Japan, the Netherlands, Portugal, South Africa, Thailand, Taiwan, UK, and the US, offering a catalog of 2.5 million ebook, newspaper, and magazine titles, and purchases by customers from 170 countries worldwide. It claims to be “one of the world’s fastest-growing ereading services.”

For 2013, launches in Russia, India and China have been announced. By January 2013, Kobo claimed to own 20 percent of the global ereader device market (Press release, January 13, 2013).

In many markets, Kobo is partnering with local retailers, notably with Fnac in France, 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 book-
stores, 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.” In early fall, Kobo launched globally a new generation of devices, including a low-cost “Mini” at €79.99, and a “glow”lit E Ink black and white device as well as a tablet.

Self-Publishing

As recently as summer 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) is by far the defining book event of 2012 in Germany just as well 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 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, that has explored customized solutions to production for 10 years, claiming a market share of 50 percent in the print-on-demand segment with a backlist of 420,000 titles and some 10,000 new releases per year (http://bit.ly/T1FUOP).

In early 2011, author Amanda Hocking 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 summer 2012, four self-published titles were on the New York Times bestseller list (The Guardian, August 3, 2012).


In 2012, Bowker’s Kelly Gallagher proclaimed the “golden age of self-publishing,” with 211,269 titles for 2011 (up from 133,036 in 2010). Amazon’s CreateSpace is seen as the segment’s market leader, publishing 57,602 titles, followed by AuthorSolutions with 41,605 (www.authorsolutions.com; Publishers Weekly, June 4, 2012). Of these titles, 45 percent are fiction and 41 percent are also released as ebooks (http://bit.ly/T1G74L).

But self-publishing, notably with regard to ebooks, reaches far beyond the fulfillment of production services to 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.

The previously mentioned AuthorSolutions was acquired by Penguin in summer 2012 for $116 million (Publishers Lunch, July 19, 2012). eBook provider Kobo launched its own self-publishing portal, Kobo Writing Life, in direct competition with Amazon’s Kindle Direct Publishing, started in January 2010 and Barnes & Nobles PubIt, online since October 2010. With Apple’s educational authoring and publishing package iBooks 2, even a major player totally outside traditional publishing has taken a strategic position in the sector. (For details, see the earlier discussion on Apple.)

Key Market Parameters

Regulatory Frameworks

For the recent US debate on the “Agency” pricing model for ebooks and the intervention of the Department of Justice (DoJ), see above in the close up on the US market.
In several European countries, book prices are regulated and subject to reduced 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, new 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. (For details, see the earlier discussion on France.)

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

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).

Also, the huge discrepancy of VAT applied on printed or digital books (in the extreme case of the UK being zero percent on print against 20 percent 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 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, 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. In Germany, what is by far the largest wholesaler, Libri, 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 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.” To provide 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.” In fact, piracy and the subsequent legal battles were instrumental in the formation of the movie industry. Those 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 technology 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 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 the with the spread of mobile access to the Internet, a rapidly increasing number of consumers throughout 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—but 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 any (or a large selection of) 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.

But 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—like 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 being a hub for books and publishing throughout the Arab world.

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. 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 “pirates” experienced an about-face, as a new political party emerged in the next parliamentary elections with the name “the Pirate Party.”

Such oddities lead law professors to acknowledge that copyright had 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, 12, 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” (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 clearly differentiate between the fact (or “instance”) of pirated content available on the Internet and its impact on publishing and readers, therefore proposing a differentiated model for the understanding of piracy in a wider context of freely available content:
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 individual privacy rights of users (Die Zeit, February 2, 2012).

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 consumed without fair compensation for its authors or publishers (resulting in lost revenue)” (O’Leary, 2009, page 25).

The claim that the occurrence of 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 sometimes 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.

Overall Developments in 2012

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 national levels 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 limited the direct responsibility and liability of provider platforms for hosting illegal content on their servers.

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 sideling issues specific to books and reading. In many statistical overviews, ebooks are treated as a niche domain, without the acknowledgment of the factors specifically impacting this segment. For instance, due to the small file size of ebooks in comparison to audio MP3 files or digital video, peer-to-peer download sites play an insignificant role in the distribution of illegal ebooks. On the other hand, 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. Also, as has been seen in the case of Arabic books, highly popular legal distribution services such as iTunes do not include ebooks in many of the local languages of emerging markets, so available local book content is very restricted in comparison to legal offerings of local music or movies.

Coordinated Efforts for Tracking and Takedown Campaigns

Large publishing groups have successfully launched coordinated actions to shut down major piracy sites carrying

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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 individual privacy rights of users (Die Zeit, 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 statistics 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 percent for territories and countries such as Hong Kong, Gibraltar, and Cyprus and significant levels for countries such as Russia (71.69 percent), China (65.75 percent), and the Ukraine (60.69 percent).

France

In France, 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” [Hadopi]) was formed by a law implemented in 2010. Its goal is 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 of time 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 percent to just 29 percent for the 6 months prior to their survey, data that illustrate the impact of the authority’s actions (eBouqin, January 24, 2012). Music (at 57 percent) and videos (at 48 percent) were most popular; books interested only 29 percent of the infringing audience, a scale that might also hint 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 aged 15 to 24 by far the most active (with 70 percent 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 have an “observatory” for the “book in the region,” which includes an annual survey on ebooks, both legal and illegal.

In its last 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 nov-
It must be noted that these ratios may have changed significantly in the meantime, as the offer of legal digital books of all genres has strongly increased as of mid-2012.

The study argues that based on 3,000 to 4,000 “easily available trade titles” at illegal sites, just 1 percent of legal print offerings has been effectively pirated, versus around 25 percent 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 percent 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.

The French national syndicate of book publishers (SNE) has partnered with nine publishers of BD (Dargaud, Dargaud-Lombard, Dupuis, Lucy Comics, la Sefam, Guy Delcourt Productions, MC Productions, Glénat, 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.

In its report of May 2011, the “strong development” of legal ebooks in France was portrayed by Le Motif 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 had grown significantly from spring 2010 to spring 2011—from 17 percent to 33 percent of current bestsellers of the authoritative charts of _Livres Hebdo/Ipsos_—and 36 percent of the titles on the charts were available for illegal downloads.

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 percent of the pirated titles were available in multiple digital formats (versus only 6.6 percent 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

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.

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 has strongly increased as of mid-2012.
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 Buchtag 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 percent 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 percent of the total population of Germany, and almost 40 percent of those between 10 and 29 years old, admitted to having swapped media content on external memory.

Of those who admitted to downloading music illegally, 73 percent claimed to have not spent any money on music in 2010, and the remaining 27 percent made purchases of an average of €18 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 in neutral ways, such as “download ebook” or “ebook reader” (bit.ly/wYhzpE, 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 (bit.ly/wYhzpE, 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 outnumbers 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, 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 percent for the top three bestsellers and –29 percent for the top 30 for the first half of 2011 versus the same period in 2011). 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, 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 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, and Italy, 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 percent of its content watermarked as an alternative to DRM, which equals 98 percent of all of the company’s ebook sales (communication by eLib for this report).

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 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 Lorànt Deutsch, which sold over 800,000 copies in print (Lieber mit Waserzeichen, 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 Deliliac 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 anticopia,” 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 1,200 titles (see this blogpost by publisher Timo Boeze-man).

Also in January 2013, the self-publishing portal Lulu gave up on DRM (statement on DRM policy).

Preliminary Conclusions and Outlook

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 and regulation—may be the strongest force shaping the European ebook markets in their next phase of development.
Outlook and Projections

By early 2013, ebooks start to show a significant presence in markets outside of the English-language realm, notably in Europe, with Germany clearly in the lead of this development in continental Europe.

Reports and anecdotal evidence have shown a strong increase in the penetration of digital reading devices—ereaders and tablets combined—all across Europe by the end of 2011, with a subsequent surge in ebook purchases in January. One year later, devices continue to be main drivers of this process, and in fall 2012, a new generation of ereaders as well as lightweight and cheap tablets have been successfully introduced in many markets. The boost in gadgets however got additional help from a few outstanding global blockbuster bestsellers, notably the erotic trilogy *Shades of Grey*, by E.L. James.

First accounts collected for this report provide significant evidence that ebook downloads have again soared around and after the holiday and year-end season in most markets around continental Europe, hinting at continuing expansion of ebooks in 2013. Projections of a market share for ebooks by 2015 of around 15 percent seem realistic at least for Germany, notably as in general fiction in some of the larger publishing houses, ebook revenues are estimated to have reached around 7 or 8 percent by the end of 2012. Other countries, like Spain and Italy, may be closer to 10 or 12 percent by then. France is more difficult to place in this context, as no solid numbers are available for developments in 2012, and statements from publishers are extremely cautious. It therefore needs to be seen whether such perceptions reflect a high level of skepticism among customers, or rather an overly downplaying attitude on the side of the industry.

Perspectives get much more complex, and diverse, when it comes to markets beyond North America and the European Union.

In a broader perspective, as developed both in the market close ups in this report as well as by Bowker in its “Global eBook Monitor” surveying consumers in ten countries in early 2012, three different patterns have been identified with regard to the penetration of ebooks: Australia, US, UK, and South Korea are classified as early adopting countries; Spain, alongside Germany, France, and Japan is identified as a second-wave country, while Brazil and India are seen as emerging countries (Bowker, “Global eBook Monitor,” press release, March 27, 2012).

China has entered on a largely separate course, with the predominance of online reading and writing platforms dominated by one company, Cloudary (formerly branded Shanda), while ebooks hardly play a role so far. But digital content, in the broader sense, is pushed heavily by the government as a key industry for the country’s future. In Brazil—and in a number of other emerging markets—the government is betting on digital education, designing and funding respective programs, which may quickly become a model—together with similar efforts notably in Korea—for other countries with a growing income, exploding mobile access to the Internet and a population downloading loads of content as a result.

Piracy is considered by many as one of the toughest bumps on the road ahead, literally threatening the emerging dig-
ital markets. Within Russia, according to official estimates, 90 percent of ebooks are illegal, and publishers as well as retailers in the Arab world, seeing their business on a threshold between all the brilliant opportunities and failure, as revenues dry up against the prevailing illegal availability of content.

At least two further variables will define the evolution in the next twelve months significantly:

- A handful of global players with extremely deep pockets—Amazon, Apple, Barnes & Noble, Google, and Kobo (with funds from Japanese Rakuten)—plus eventually by a few more following suit, like Sony, but perhaps also new entrants from India, are about to redraw the world map of books, publishing, reading, and learning. For the first time in history, a web of digital flow emerges, which is truly spanning the planet, and where books can occupy a central position. It will be very exciting to watch how these ambitions and growth perspectives will work out, and how local players will find their place in such a radically new setting.
- The other factor framing the ebook trajectory will come from governments, notably in the US and in the European Union, as 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.

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.
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