

The Global eBook Market: Current Conditions & Future Projections

2011

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Executive Summary

The *Global eBook Market: Current Conditions & Future Projections* provides a broad survey of data on emerging ebook markets across Europe and in two BRIC countries: Brazil and China. Furthermore, the study portrays, for each market, characteristic developments and distinct features, such as regulatory and cultural parameters, the impact of global players, such as Amazon, Google, Apple, Sony, and Kobo, as well as an outlook on trends and patterns as they take shape. Key data on the more mature ebook markets in the United States and United Kingdom serve as benchmarks.

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

In Europe, Germany and France are ahead in digitally embracing trade books, notably fiction, yet are clearly behind the US and UK. But countries as diverse as Austria, Italy, Poland, Slovenia, Spain, and Sweden have recently seen the implementation of an ebook distribu-

tion infrastructure, and at least the largest publishing groups are broadly releasing their new titles as ebooks, aside from print. With retail prices on average significantly higher, as in the English language, and VAT discriminating against ebooks in favor of print, the initial momentum of growth still confronts an environment that is difficult for early adopters.

Yet as Amazon, Apple, Sony, and Kobo have started to roll out localized versions of their online selling platforms and devices, with Google expected to follow soon, significant momentum is building up, and future projections see a double digit market share for ebooks for 2015 in most European markets.

In China and Brazil, distinct local factors set those developments clearly apart. In China, mobile is the preferred platform, while “online literature,” often as a serialized stream of content, provides a channel for the dissemination of bookish content well apart from the traditional format of the “book.” In Brazil, educational content may become the main driver for digital.

This “Global eBook Market” study is a first step towards mapping the development ahead primarily through actual data, and not forecasts, tapping into a wide array of sources, backed up by expert interviews. Updates and close ups on additional markets are prepared for the months and years ahead.

The Scope and the Approach of This Report

With ebooks having a double-digit market share in the United States (and probably soon in the United Kingdom as well), several books selling more than a million digital copies, regular digital bestseller lists popping up, and an ever-broadening availability of opportunities and tool sets directed at authors and readers for creating and distributing ebooks, it is easy to argue that this new dimension of books is on an impressive growth trajectory. By its very convenience and dynamic growth, this model is ready to be embraced globally in the near future, just as was the case with other digital content via the Web, as with music, video, games, and information.

International book and reading markets are however framed by other than commercial parameters for a number of reasons that vary from country to country, and this study aims to provide data and analysis on a range of markets, factors, and conditions to foster a more realistic understanding of the perspectives and potentialities for ebooks, notably in continental Europe as well as in several rapidly emerging countries, including Brazil, China, and Russia.

For each country, basic data (as available) on the overall publishing market as well as on the share (and potential) of ebooks will be presented, and major local and international actors will be identified.

The collection of data combines a wide array of recently published surveys as well as original research involving local experts and stakeholders that we could approach for this study, with the aim of always using the most reliable sources we could find in a hierarchy, starting with “official” data and reports published by national organizations and followed by reports from other industry sources (e.g., trade magazines and other research organizations), market actors’ statements (e.g., number of available titles, as shown by distributors), and finally “others” (with sources always identified). In the following detailed analytical examination, local and regional debates on policy debates and regulatory efforts are discussed for an overall assessment of the outlook.

The central topic of ebook piracy has been largely kept out of this study for the simple reason of a lack of solid data. Even as first surveys are being released—most recently in Germany—their approach and methodology

is at this point still subject to relevant controversy and pending verification, so a completely thorough assessment seems to be beyond our reach.

The major markets in Europe—including Germany, France, Spain, Italy, Sweden, Netherlands, Austria, Slovenia, and Poland—are highlighted herein. In many of these countries, the book market is characterized by various regulatory and supportive policies in support of the publishing industry, including fixed pricing schemes for books (as in Germany, France, or Austria) and reduced VAT on printed books (which, as of now, does not apply to ebooks, resulting in a significant market distortion between printed and electronic) books. Political debates on book culture also frame the markets to varying degrees.

In the newly emerging markets, educational materials are a driving sector for digital publishing, and this sector is often subject to significant government programs and policies. In China, not only a broad choice of locally developed and marketed reading devices are driving developments, but also largely different habits of digital reading (and publishing), with the usage of both smartphones and regular computers for the consumption of book content. Piracy is a growing pattern in all emerging ebook markets, with varying degrees of impact.

A further significant distinguishing factor for all surveyed markets is the impact of a few powerful global driving forces, including the localization of the offers from companies like Amazon (Kindle reader), Google Editions, Apple (iTunes), or Kobo, with their reading devices and distribution capacities, as well as with the global availability of English-language reading material (which includes not only trade books but educational material and professional science, technical, and medical (STM) information as well).

At least in theory, ebooks can travel seamlessly around the globe, distributed over the Internet through gates opened by World Trade Organization (WTO) agreements fostering the free exchange of goods and information. In the markets' daily workings, though, things are much more complicated indeed. Hurdles and fragmentations arise from various barriers—notably tax and customs—but also often from the fact that distributors are as of yet disinterested in serving smaller or more complex new markets.

Only a few months ago, the simple 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, as 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 the digitization of books. In the end, the purchase was possible through Kobo, a new Canadian venture, which is building its niche precisely by taking advantage of this odd mix of challenges and future opportunities.

The goal of this study is to start a mapping process of international ebook markets and to provide details and insights for a better understanding of those challenges and opportunities.

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 of books.

The popularity of ebooks and apps is reflected by impressive growth rates. According to the latest survey by the Association of American Publishers (AAP) and the Book Industry Study Group (BISG), the total share of ebooks in the trade market has rocketed upward from 0.6 percent in 2008 to 6.4 percent in 2010. Although that number represents a small amount of the total market

for all formats, it translates to a 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 (source: AAP/BISG, data for 2010; AAP February 2011 sales report).

According to *Publishers Weekly*, sales of printed books dropped in the first half year of 2011 compared to the same period in 2010 by 10.2 percent 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 sold units, with the most popular genres – notably romance, mystery, and science fiction – hit hardest (source: various reports summarized by *Publishers Weekly*, July 8, 2011).

Consumers' attitudes as recently reported by BISG reflect the deep and rapid change in the industry, particularly the revenue losses of hardcover and paperback sales.

About 67 percent of ebook buyers said they increased their spending on ebooks this May, up from 48

United States

| Key indicators | Values | Sources, comments |
|--|--|---|
| Book market size (p+e,* at consumer prices) | Publishers' net sale revenues: \$27.94 billion | Source: AAP/BISG; data for 2010 |
| New titles per 1 million inhabitants | 939 | |
| Ebook titles (available from publishers) | 950,000 | Amazon claims by end of 2Q2011 to have 950,000 ebook titles in their catalogue, the vast majority of which are in English |
| Market share of ebooks | 6.2% (13.6% in fiction) | AAP/BISG; data for 2010 |
| Key market parameters | No price regulation. | |

* p+e = printed and electronic

percent last September. Just over 50 percent of ebook buyers said they cut back on their purchases of printed books in May, and 45 percent said they reduced spending on hardcover books.

Dedicated ereaders as well as multifunctional devices continued to gain in popularity this spring as the favored way to read ebooks, while computers continued to lose ground. (Source: Book Industry Study Group's "Consumer Attitudes Toward E-Book Reading," quoted in *Publishers Weekly*, August 19, 2011.)

Distribution

The leading actor in the ebook market, Amazon.com, also dominates the US retail market for printed books. More than 70 percent of ebook buyers use the store to buy ebook titles, an increase of 60 percent over a year ago. 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 currently offers 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* are 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 devices (Nook) segment grew 140 percent and represented 19.5 percent of total sales. With an investment from Liberty Media of \$204 million, Barnes and 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). (Source: Book Industry Study Group, May 2011; *Publishers Weekly*, August 19, 2011.)

Pricing

Since a stiff confrontation in early 2010 between Amazon and some of its publisher clients, notably Macmillan, retail prices for ebooks have been mostly set by the publisher in what has become labeled as the "agency model" as far as the largest publishing groups are concerned. Many of the independent publishers stayed with the earlier policy of the publisher defining only the wholesale price, and does not interfere with the consumer price.

AAP/BISG sources report that the average net unit price (ANUP) for ebooks fell in 2010. For that year, ebooks were sold at \$7.72 on average as opposed to \$8.09 the previous year. In comparison, the average charge for hardcover titles is \$8.72, and mass market paperbacks are sold at \$4.

Digital Textbooks

In the US, a trend towards digital is picking up in the educational sector and is particularly strong among institutions catering to students who attend distance learning schools, for-profit institutions, and traditional two- and four-year-degree programs and seek added value.

Ingram and its subsidiary, the Vital Source Content Company, are at the forefront of management and distribution of electronic textbooks, offering 80,000 digital textbooks in 17 languages to 1.6 million students and faculty at 6000 campuses in 180 countries.

The key players in educational publishing – among them Pearson, Cengage, Elsevier, and Wolters Kluwer – have signed global distribution agreements with Vital Source. The growing online usage of educational content leads to the assumption that digital textbooks will become mainstream. Fast-expanding platforms like Vital Source will not only – in the truest sense of its company name – play a significant role as a global providers but also foster additional interactive features in electronic textbooks (source: *Publishing Perspectives*, August 2011).

Publishing and Bookselling Reinvented

The market clout of retailers such as Amazon will affect traditional publishing. Through the Kindle, the Amazon website, and other assets, Amazon has come to collect massive amounts of data mirroring 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. First examples like that of crime writer J. A. Konrath and romance writer Amanda Hocking illustrate how self-publishing via Amazon Encore and 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 (source: *Publishers Weekly*, May 24, 2010).

United Kingdom

In its annual report for 2010, the British Publishers Association (BPA) disclosed growing digital sales figures, demonstrating the acceleration of the digital market in the UK. The overall size of the digital market stands at £180 million (British pounds), increasing by 38 percent from 2009. Most striking is the rapid growth of the 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 have doubled over three years, amounting to 72 percent of all digital sales. According to the BPA, 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

United Kingdom

| Key indicators | Values | Sources, comments |
|--|---------|---|
| Book market size (p+e, at consumer prices) | £3.1 b* | PA Statistics Yearbook 2010 |
| Titles published per year (new and successive editions) | 151,969 | PA Statistics Yearbook 2010 |
| New titles per 1 m inhabitants | 2,459 | |
| Ebook titles (available from publishers) | ca. 1m | Ebook titles available in the UK, partly from US publishers (PA Statistics Yearbook 2010) |
| Market share of ebooks | 6% | |

2010 and with the arrival of the Apple iPad in the UK. (Source: Communication from the BPA 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 BPA, 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 (www.taylorandfrancis-group.com/), and Springer (www.springer.com), Pearson (www.pearson.com), Penguin (www.penguin.co.uk), and Bloomsbury (www.bloomsbury.com) lead in trade publishing. In spring 2011, Penguin reported a 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 (source: 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 ebooks sales running just under 10 percent of trade print sales. The success mainly derived from Man Booker Prize-winning novelist Howard Jacobson and the international bestseller *Eat, Pray, Love* by Elizabeth Gilbert.

There is no dedicated national ebook bestseller list available for the UK so far, but Waterstone's ebook bestseller list is perceived as the unofficial industry chart (www.waterstone.com). Also, FutureBook (www.future-book.net) includes ebook charts for Amazon and Apple's iTunes store (source: British Publishers Association).

Pricing

No regulation exists with regard to pricing. Although printed books are exempt from VAT, ebooks are subject to a 20 percent surcharge in the form of a Value-Added Tax (VAT), 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.

Distribution

According to consumer research, a comparatively high penetration of ereading devices exists in the UK compared to other European markets, with the Kindle accounting for 14 percent, the Sony eReader 6 percent, the Apple iPad 5 percent, and Apple iPhones 12 percent of the device market; according to the BPA, 45 percent of readers use their desktop or laptop computer to read ebooks. Global retailers have a strong presence in the British market. Amazon and Kobo run localized platforms for the UK.

The August 2010 launch of Amazon's localized Kindle Store in the UK is perceived as a key catalyst behind the rapid adoption of ebooks in the UK. Within a five-month period, Amazon sold close to 400,000 Kindle devices and achieved ebook sales in the region of £20 million.

WHSmith is following Amazon's lead by offering customers a similar seamless reading and shopping experience by integrating a catalogue of 100,000 ebook titles with its preferred device, the £179 Iriver Story, which connects via Wi-Fi. The device has been available through physical stores and online since July 2010.

The main distributors are Amazon, Overdrive, and the EBL ebook Library (source: British Publishers Association, *FutureBooks*).

Market Close-ups

Germany

Various media reports in summer 2011 estimated that in Germany, ebooks currently account for about 1 percent of the book market. In March 2011, Börsenverein (the German Publishers' and Booksellers' Association) released a study based on a 2010 survey by the market research firm GfK, identifying an ebook market worth €21.2 million for 2010 or 0.5 percent of the market of book consumers (which obviously refers to 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.

Available Titles

In a subset of the survey, based on a questionnaire answered by 437 publishing professionals in January 2011, revenues from ebooks accounted for 5.4 percent of publishers' revenues, with projections for this value growing to 6.6 percent in 2011 and 16.2 percent in 2012. Meanwhile, a panel of 394 retailers surveyed expected ebooks to represent 1.9 percent of sales in 2011 and 9.2 percent of sales in 2015.

An estimated 25,000 trade titles are available through the various commercial retail platforms, such as ePub, PDF, or Amazon's Mobipocket, with DRM and a retail price. Libri, Germany's largest wholesaler of printed books and a strong player in digital distribution, claims 80,000 available titles. The total number includes various titles without DRM, free books, and self-published (e.g., academic) publications in various formats.

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.

Germany

| Key indicators | Values | Sources, comments |
|--|--|--|
| Book market size (p+e, at consumer prices) | €9,691 m* | Source: Börsenverein (Publishers and Booksellers' Association), 2009. |
| Titles published per year (new and successive editions) | 93,124 | Source: Börsenverein (Publishers and Booksellers' Association), 2009. |
| New titles per 1 m inhabitants | 1,138 | |
| Ebook titles (available from publishers) | ca. 25,000 | Estimated ebook (trade) titles with DRM and a retail price, available through various retail channels. Amazon has announced 40,000 German titles by summer 2011; Libreka has 25,000 commercial German language titles, wholesaler Libri estimates available commercial titles in German at 80,000; titles from other platforms than Amazon are a mix of ePub (for most trade books) and PDF. |
| Market share of ebooks | 1% | Estimate (2010): 0.5%. (Source: Börsenverein/GfK, March 2011.) |
| Key market parameters | Fixed book price for printed books; VAT 7% for print, 19% for ebooks | Börsenverein lobbying for extending fixed pricing to ebooks. |

Pricing

Ebooks are generally sold at a retail price that is only about 20 percent lower than the lowest-priced printed edition.

The trade association Börsenverein, which 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 currently release ebooks, 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.

Several of the largest publishing groups are actively promoting direct downloads from their corporate websites; for instance, Random House, with 4,000 (or 25 percent) of its titles available as ebooks, has announced 750,000 ebook downloads for 2010 (*Börsenblatt*, March 2011 – a sevenfold increase versus 2009).

Distribution

A number of domestic actors compete – and cooperate – in the distribution of ebooks. Among the leading global actors, Amazon was 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 only some rare 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 in Mobipocket.

Libreka (www.libreka.de) is a platform launched by Börsenverein in 2006, offering ebooks since 2009 and with a current (August 2011) catalog of about 80,000 ebook titles, of which 28,000 are in German (including about 25,000 “commercial” ebooks, marketed by publishers, 43,699 of which are in English and 1,833 of which are in French). 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 (www.libri.de), the largest wholesaler for printed books – and claiming to be the lead seller of ebooks – offers a catalog of 450,000 ebook titles as of June 2011 (*Buchreport*), which includes a majority of titles in other languages than German and 80,000 titles in German.

Ciando (www.ciando.com) is an independent retail platform for ebooks, currently with 220,000 available titles from about 600 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.

Textr (www.textr.com) offers a broad range of distribution services on various platforms, notably for retailers, usually under the their customers' brands. In 2011, Textr won an investment from 3M to extend their international strategy.

Bookwire (www.bookwire.de – not to be confused with www.bookwire.com, a service of the US bibliographical service Bowker), is a Frankfurt-based startup offering small- to medium-sized companies, in particular, easy access to the ebook market.

KN Digital (www.kn-digital.de), a branch of the distributor KNA, is a “full-service provider for digital media” (source: company statement), which includes digital distribution, ecommerce solutions, print on demand,

conversion, digital warehousing (or hosting), and e-marketing. KNA has provided these respective services for printed books to a broad customer base for many decades, particularly for various small and medium-sized publishing houses. KN Digital announced the launch of their proprietary ereading device in September 2011.

Skoobe (www.skoobe.de) is a consortium led by Bertelsmann and Holtzbrinck that launched an ebook distribution platform, announced in late 2010, following the model of similar initiatives in France, Italy, and Spain.

The online and brick and mortar retail chain Weltbild (www.weltbild.de) has positioned itself as a forerunner for a multichannel strategy, with its own reading device and 100,000 ebook titles currently available, claiming the "largest popular German-language ebook offerings" and announcing the creation of a strategic Digital Products department in July 2011.

Weltbild's main competitor, retail chain Thalia (www.thalia.de), also launched its own reading device, the Oyo, in fall 2010 in support of a "multichannel" strategy. The Oyo is manufactured by Medion, a German manufacturer of discount entertainment and PC hardware.

Reading Devices

In March 2011 (one month before the launch of a localized German Amazon Kindle shop), a media-control survey found that 450,000 ebook reading devices had been sold in Germany, with consumers preferring it to the printed book, as it is smaller and lighter to carry than a printed book (54.3 percent); 50.6 percent considered it an advantage to buy books for direct download at home.

According to a GfK study, in January 2011, the Sony eReader, with a market share of 35 percent, was leading the market for devices in Germany, followed by the Kindle at 11 percent (yet it should be noted that at time of writing, Amazon has not yet launched a dedicated German Kindle shop with a dedicated German-language title list), and the Oyo (manufactured by Medion and marketed by retail chain Thalia) at 8 percent.

Expectations of consumers in 2010 pointed to a coexistence of ebooks and printed books (48 percent very likely, 42 percent likely), according to a PricewaterhouseCoopers report (<http://www.pwc.com/gx/en/global-entertainment-media-outlook>). A GfK study on a panel of publishing professionals showed that 83 percent expected tablet computers to become relevant reading devices, as compared to 68 percent for laptops and PCs, 55 percent for smartphones, and 54 percent for dedicated reading devices (source: a compilation of various reports by Statista, (de.statista.com/themen/658/e-reader)).

In August 2011, an online questionnaire issued by a reading platform (Lesen.net) and resulting in a panel of 777 submissions found a market share of 25 percent for the Sony eReader; 18 percent for the Kindle; remarkably, a mere 8 percent reading on an Apple iPad; and 3 percent for the Apple iPhone.

By the end of 2011, 1.5 million tablet devices are expected to be sold in Germany, but ereaders also show solid growth (33 percent since 2010) according to a joint statement of Frankfurt Book Fair and the professional association of the digital industry BITKOM released in August 2011. Sales of ereaders are expected to be worth €31 million by the end of 2011; for tablets, expected worth is €770 million.

The growing importance attributed to the German ebook market is clearly mirrored in Amazon's decision, at the launch of a new generation of devices on September 28, 2011, to include a German localized version with a German navigation and pricing (at €99.00), to coincide with the US launch.

Analysis

With 78 percent of Germans claiming to not want to read from a screen, and 85 percent “loving printed books too much, and a device not providing the same reading experience,” ebooks at this point have a difficult stand against a cultural tradition that places (printed) books and reading high on the scale for defining a person’s cultural identity. Although those indicators are going down continuously (“not reading from a screen” from 83 percent in 2009; “loving printed books too much” from 88 percent in 2009), the Börsenverein study concludes that overall acceptance of ebooks has not improved recently.

Looking back at public and expert debates on ebooks over the past several years, a number of elements and parameters framing both the debate and the landscape come into view.

For over a decade, German book professionals – including both publishers and retailers, led by their association, Börsenverein – strongly positioned the “book” and “reading” as a key cultural practice, considered to be under pressure from various changes. The initial campaign aimed to defend the principle of the fixed book price against various discounting models. In a subsequent move, the established broad cultural consensus was mobilized again, starting around 2007, in an outcry against Google’s digitization of copyrighted works in (initially, primarily US) libraries and also (to a lesser degree) lobbying against policies favoring “open access” publishing models for publicly funded research.

Compared to the US, no significant market (or consumer) pressure came from the retail or device side, as Amazon’s Kindle and the attached catalog of available titles was, in theory, open to German readers from 2009, yet offered almost exclusively English-language books.

Not until fall 2010 did two major domestic retail chains – Thalia and Weltbild – launch their own reading devices in time for the holiday season, with initial limited success.

With such a strong focus on defensive measures, incentives were very limited for publishers to invest in digital initiatives and to release (and promote) their most attractive new titles in digital formats. The traditional strong consensus over the “cultural value” of books helped in adapting the pricing framework to ebooks, resulting in very modest discounts of ebooks over printed editions, thereby introducing a considerable hurdle for early adopters of ebooks, who – with other digital content such as music or movies – were used to a much lower pricing standard than that offered with books. Even though no regulation on ebook pricing exists at this point, all market actors and platforms informally sell their new releases at the price set by the publishers.

However, this situation can change quickly; several factors make for a more complex perspective in the future, as the penetration of digital reading devices and tablets is showing significant growth and the reading audience is getting accustomed to a book title coming in various formats – increasingly often including an English edition – each with a different retail price. Since the launch of a German Kindle store by Amazon (their first non-English platform) in spring 2011 and with Apple working on improving its iBook offerings and working with Google Editions to localize and make these available in Germany as well, these powerful global brands are expected to have a significant impact on German readers in the near future.

Libreka, to quote just one example, expects ebooks to have a market share of 15 percent by 2015, hence playing a major role for the future of the publishing industry with a massive impact on all actors and elements of the value chain.

France

In early 2011, the market share of ebooks in France was estimated at 0.5 percent, with sales of €13 million annually (SNE/*The Bookseller*). In July, the Syndicat National de l'Édition (SNE) claims an ebook market share of 1.8 percent, or sales of €54 million for the preceding year. However, as Antoine Gallimard, president of SNE and publisher of Gallimard, pointed out, there is “a real gap between the fascination for digitisation and its commercial reality.” (TheBookseller.com, July 1, 2011.)

In July 2011, a GfK survey (based on a panel of 1,000 Internet users) showed that 52 percent of all ebook downloads occurred from public libraries (notably the French National Library and the related French public platform Gallica, but also from Google Books) and that 41 percent of all downloads resulted from (domestic) online retail platforms (notably Fnac, 1001libraires.com, or chapitre.com). In addition, 77 percent of all downloads have been for free-of-charge ebooks, and 27 percent came from pirate sites.

The French publishing market environment is stable, yet flat, with growth of 3 percent in 2010 in publishing revenues yet a decline of 2.7 percent in sold copies.

A recent study on the legal and illegal availability of ebooks in France (LeMotif.fr, May 2011), based on a broad panel of bestselling titles from various genres (trade, children, graphic novels), found that overall, 35.3 percent of the surveyed titles were available as ebooks on legal platforms (versus 17.3 percent in 2010) and roughly the same percentage (36 percent) were on illegal sites (versus 27.9 percent in 2010). Roughly half of the surveyed trade books (fiction and nonfiction) were legally available as ebooks in 2011 (versus 36.6 percent for fiction and 13.3 percent of nonfiction in 2010). Around 86 percent of the legal trade ebooks came in ePub format. The researchers understand the illegal offers as direct competition to the legal catalogs, with the legal catalogs rising in prominence against the illegal sites.

The average retail price for ebooks, according to the LeMotif study, was €12.2 (€13.6 when BD – “bande dessinée,” or graphic novels and comic books – were excluded).

A VAT of 19.5 percent means that ebooks are discriminated against versus printed books (with a VAT of 5.5 percent), as is the case in all European countries with

France

| Key indicators | Values | Sources, comments |
|---|---|---|
| Book market size (p+e, at consumer prices) | €5,600 m | 2009 estimate, based on SNE* data for publishers' annual revenues. |
| Titles published per year (new and successive editions) | 66,595 | SNE |
| New titles per 1 m inhabitants | 1,064 | |
| Ebook titles (available from publishers) | ca. 22,000 | French titles on Numilog. 70,000 titles available, including 10,000 free and public domain. |
| Market share of ebooks | 1.8% | SNE, July 2011 |
| Key market parameters | Fixed book price; VAT of 5.5% on printed books versus 19.5% on ebooks | |

reduced VAT rates for books. However, Jacques Toubon, as an ambassador at large for the French government, is currently negotiating with the European Commission over extending the reduced VAT to e-books and, in a communication on September 28, 2011, said he was convinced that such a regulation will be effective by January 1st, 2012. (Livres Hebdo, Septmber 29, 2011)

Political and Cultural Context for eBooks in France

The ebook (or “livre numérique”) faces a tough as well as complex environment in France, characterized by various critical factors from politics, culture, and trade.

On the one hand, France – through its National Library (www.bnf.fr) and its national digital library Gallica (gallica.bnf.fr, with currently 1.5 million digital documents on display) – has gotten an early start on the digitization of its *cultura*. 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 (www.europeana.eu).

On the other hand, industry representatives – led by the industry trade association SNE, together with the French government – regularly stand up to defend French culture and its national book industry against what are seen as threats from global market forces and players. This controversy – which was fostered by Hachette Livres, among others, from the very beginning – did not however hinder the largest publishing group by far 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 by mid 2011, despite significant opposition from some other French publishers involved in the opposition of the Google settlement. 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 (source: *Livres Hebdo*, September 7, 2011).

Overall, France has kept a high profile in opposing Google’s library digitization of copyrighted works and the proposed Google settlement. To also strengthen copyright nationally, respective 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. Strong regulatory efforts are also directed at the emerging ebook market, especially by the initially controversial introduction of legislation to extend the fixed price system from printed books to ebooks in early 2011.

Defending a diversified cultural infrastructure – notably, a tightly knit network of bookstores – resonates in various and continuous media reports and political activism aiming at curtailing a supposed negative impact from both online sales of books and the emergence of ebooks, which is seen as an imminent threat to smaller libraries. For example, in July 2011, bestselling author Frédéric Martel spoke out in a strongly worded article in a popular weekly (*Marianne*, July 17, 2011) against the – in his view – likely outlook that up to 50 percent of bookshops might disappear and the foreseeable repercussions for publishers alongside that rupture; the editorial director of the notable publisher Editions Stock, Jean-Marc Roberts, in a TV interview (Europe 1, quoted in Numerama.com, August 17, 2011), bluntly proposed allowing the sale of books through brick-and-mortar bookstores only, banning online retailers from distributing books altogether.

Distributors

At this point, none of the global actors has actively entered the French ebook market, and online book sales are dominated by local platforms, notably Fnac (www.fnac.fr). Amazon operates a dedicated French-language online retail platform, and a localized Kindle store is expected to open in fall 2011, as are localized platforms from Kobo and Google Editions.

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

The current market leader is Numilog (www.numilog.com), launched in 2000 and owned by Hachette since 2008, which 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. Similar to the German market, most ebooks are offered in PDF or ePub formats.

Eden-Livres (www.edenlivres.fr) is a joint venture of the independent publishing houses Gallimard, La Martinière/LeSeuil, and Flammarion, offering a catalog of 5,000 titles in various formats.

Epagine (www.epagine.fr) – which has also a Dutch branch, www.epagine.nl – is a general solutions provider founded in 2008 for (at this point) 177 publishers and bookshops specializing in ebooks.

Eplateforme is a hub controlled by the publishing arms of Editis, Média Participations, and Michelin (see <http://www.editis.com/content.php?lg=fr&id=12> as well as www.interforum.fr).

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

1001Libraires (www.1001libraires.com) is a collective effort launched in April 2011 by the Syndicat de la Librairie Française (SLF) to facilitate the online presence for its members, offering a catalog of about 1 million printed titles and 80,000 ebooks. Currently, 100 independent booksellers have participating websites. 1001Libraires’ list of customers includes Editis, the second largest publishing group, which is owned by Spanish Grupo Planeta.

Fnac (www.fnac.fr), founded in 1954, is the largest chain bookstore, also selling music and movies in France, with revenues of €4473 million. Fnac has further 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 2011 alone – half of which, however, were free titles (LeMotif).

Digibidi (www.digibidi.com) is a service specializing in the distribution of the particularly popular genre of BD (graphic novels and comic books), offering the catalogs of 30 publishers.

Bookeen (www.bookeen.com) 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, 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 enthusiasm in electronic reading devices had just collapsed, and produces its own reading device. In summer 2011, Bookeen opened its digital library Bookeenstore.com to ereading devices other than its own.

A specialty in French ebook publishing is the particularly strong culture and fan base for both domestic comics – notably Japanese 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).

Spain

The Spanish publishing market – and, as a consequence, the ebook market in Spain – are 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, for example. Yet Spanish is the first language for 650 million people worldwide, including a significant number of Spanish speakers in the US. Spanish publishing revenues were strained most recently by shrinking value at consumer prices of about 7 percent, from €3110 million in 2009 to €2680 million in 2010, with more titles published than ever (80,000 in 2010) but each selling fewer copies than before. Yet most of Latin America is served by Spanish publishing enterprises, and exports grew by 3.69 percent to €458 million in 2010, of which €108 million worth of books went to France. Exports to the US meanwhile stayed at modest levels (€18 million in 2005). The 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.

In this environment, ebooks are a new niche segment, which as recently as 2009 was considered more of a perspective for future developments than a present reality. The report “La digitalización del libro en España,” released in November 2009 (www.ediciona.com/la_digitalizacion_del_libro_en_espana-rec-f1060.htm), 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 polled publishers for this study expected that even by 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 Ruiperez 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 catalogue of titles digitized by the end of 2011. According to that report, small publishers showed – at that moment, at

Spain

| Key indicators | Values | Source, comments |
|---|--------------------------------------|--|
| Book market size (p+e, at consumer prices) | €2,890 m | 2010 (Publishers Association FGEE) |
| Titles published per year (new and successive editions) | 80,000 | 2010 (Publishers Association FGEE) |
| New titles per 1 m inhabitants | ca. 1,700 | |
| Ebook titles (available from publishers) | 10,000 | |
| Market share of ebooks | 1% (trade); 2.4% (incl. STM, et al.) | FGEE (Sept. 2011); otherwise estimated at 1% |

least – 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 occurred in both Spanish and Latin American literature under the headline of “Palabras Mayores,” of which first selections are indeed commercially available in the digital formats both Mobipocket and ePub, with DRM, at the platform Leer (tienda.leer-e.es/es/catalogo/ebooks/palabras-mayores).

The first emergence of an ebook market, however, can be dated to 2010, with the launch of the dedicated B2B (business to business) ebook distribution platform Libranda (www.libranda.com). The venture is an initiative of a consortium of the three largest publishing groups, Planeta, Santillana, and Random House/Mondadori, with 15 publishers initially contributing titles and 8 online stores serving the consumers. Libranda distributes titles in ePub format with Adobe DRM protection. By the end of 2010, Libranda had signed up digital content from 23 publishers and 98 imprints, representing more than half of the Spanish book market, plus distribution agreements with 56 retailers in Spain and an “indirect distribution agreement” with Barnes & Noble (US). By September 2011, Libranda’s catalogue contained 5133 titles altogether and was predicted 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 (www.publidisa.com; estimated market share of 20 percent), Leqtor (www.leqtor.com; 15 percent), and Amabook (www.amabook.com, a platform with specifically strong ties to several Latin American markets, including Mexico, Argentina, Chile, and Colombia; 5 percent).

In addition to the three publishing conglomerates that initiated Libranda, several more are proposing

ebook titles, including Maeve (www.maeve.es) and Roca (www.rocaeditorial.com).

For online retail direct to readers, the strongest brands are Casa del Libro, with its dedicated ebook section (www.casadellibro.com/ebooks, offering a current catalogue of 4458 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 (www.elcorteingles.es), 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 (www.amazon.es), the fifth of its kind in Europe and the eighth worldwide, on September 14, 2011, with a catalogue 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 FGEE, about Amazon’s future compliance with the Spanish legislation on regulated prices for both printed and electronic books, which Amazon acknowledges. (See *El País*, September 15, 2011, for the FGEE concerns; www.elpais.com/articulo/cultura/clave/libro/texto/reino/precio/fijo/elpepicul/20110915elpepicul_2/Tes, and for Amazon’s reply, see www.elpais.com/articulo/cultura/editores/espanoles/muestran/aprensivos/mundo/digital/elpepicul/20110915elpepicul_1/Tes).

Other market players from outside the book trade are expected to look for their piece of the ebook pie as well, notably powerful Spanish telecommunications group Telefonica, which introduced its own dedicated reading device called Movistar Ebook bq at the retail price of €169 and a Movistar eBook store in the cloud 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. By June 2011, Libranda started operations in Mexico, Colombia, Argentina, and Chile. On the

other hand, plans exist to include English titles in the Libranda catalogue.

About 80,000 to 100,000 ereaders and 30,000 to 50,000 tablets (as reading devices) had been sold by year end of 2010, according to estimates by Libranda, growing to an estimated 300,000 ereaders and 150,000 tablets by late summer 2011, with the Sony eReader (at 60,000 units) and Kindle (at 40,000 units) being prevalent in electronic ink devices and iPads, at 100,000 units, strongest in tablets.

Two important regulatory parameters frame the current market situation for ebooks. On the one hand, the reduced VAT rate of 4 percent for printed books is not applied to ebooks, which are sold at 18 percent of VAT, being defined by European legislation as a service with a license, not a retail price. However, a debate has been started with the aim of applying the reduced VAT to ebooks as well. On the other hand, the “Ley del Libro” (or “Law on Books”) proposes a fixed retail price for books set by the publisher and, as its definition of the book is based on content, not format, is understood to apply also to ebooks similar to as the new book price legislation introduced in France in 2011.

On average, ebooks sell at a price that is 30 to 35 percent less than the printed edition of a title.

Ebooks are expected to have a major impact for both publishers and retailers by 2015, with a market share of around 15 percent, yet on a curve rising initially only slowly and with many book professionals considered to be rather skeptical in their anticipation of the market developments ahead.

Italy

Although still in its infancy, with a market share of 1.5 percent expected for 2011, the Italian ebook market seems to be characterized by a positive anticipation of modernity, with nevertheless modest projections for its imminent growth potential (bringing the market share of ebooks to 3 percent in 2012 and 5 to 7 percent in 2015, according to one of the main actors, the distribution consortium eDigita). This small market share may also explain why the critical debate on ebooks as a disruptive force to the traditional publishing industry is barely echoed in the professional milieus of Milan or Rome.

Publisher Carlo Feltrinelli set the tone when, at the launch of the first ebook distribution platform, eDigita, he stated that of course publishers had a strong interest in defending the printed book but the ebook “is a reality, and even if readers are not ready for them as of now, they will be so within a few years” (interview with *Corriere della Sera*, May 19, 2010).

Italy

| Key indicators | Values | Source, comments |
|---|---|------------------------|
| Book market size (p+e, at consumer prices) | €3,408 million | Publishers Association |
| Titles published per year (new and successive editions) | 58,829 | Publishers Association |
| New titles per 1 m inhabitants | 977 | |
| Ebook titles (available from publishers) | 10,000 (commercial and free by end of 2011) | |

2010 saw the start of major organizational and logistics initiatives, with several distribution and retail platforms put in place, leading in 2011 to a significant extension of the ebook catalogs: 10,000 ebooks in Italian are expected to be available by the end of 2011, with all the major publishing groups embracing the new format and the national showcase of the Torino spring book fair, dedicating educational and promotional programs to the cause.

Almost all commercially released ebooks come with DRM protection. Retail prices of ebooks are between 20 and 30 percent below that of a printed edition, with publishers strongly in favor of the “agency model,” which allows the publisher, not the retailer, to exercise control over the price, in an environment of limited price regulation. As in most European countries, there is a hefty difference between the VAT applied to printed books (4 percent) and to ebooks (20 percent).

The most ambitious publishers in the segment of ebooks are Mondadori, GeMS, Rizzoli, and Feltrinelli.

Piracy is at this point not (yet) considered a major issue, nor are imports of foreign language books or exports of Italian books internationally.

Distribution

Amazon opened a localized online platform for Italy in spring 2011, and an Italian-language Kindle store is expected to follow by the end of 2011, as is a localized Kobo site.

eDigita

Three publishing companies – GeMS/Messaggerie, Rcs, and Feltrinelli, representing a combined market share of about 30 percent of Italian trade publishing – took the first initiative in May 2010 and joined forces to create a consortium platform for the distribution of ebooks,

branded eDigita (www.edigita.it), 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, set off another strong spark under the emerging market by announcing a distribution agreement with Italy’s Telecom as early as October 2010, with Telecom and its ebook store Biblet (www.biblet.it), 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, allying Mondadori with Vodafone Italy for the creation of a “digital tablet kiosk.” With Italians being strong and 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 revenues from magazines and newspapers as well as book publishing.

From a consumer’s point of view, the main online stores for ebooks are IBS.it (which is part of the Messaggerie/GeMS group), Mondadori’s bol.it, and Feltrinelli.it, as well as several others, including www.bookrepublic.it and www.ilLibraio.it.

Sweden

Recently, the Swedish book market has come under pressure, with a decrease in January through August 2011 of –5% versus 2010. As this decrease is expected to continue through the end of 2011, this would be the fourth year of continuously dropping sales, a trend not seen since the 1970s, according to the Swedish Publishers Association (quoted from *Svensk Bokhandel*, September 2011).

In Sweden, as in the other Nordic countries, the ebook market is only emerging. Ebook sales have hardly any market share so far, and their growth has so far been challenged by uncertainty about most key parameters, including pricing and availability, as well by factors as a VAT of 25 percent discriminating ebooks against printed editions selling with a VAT of only 6 percent.

The gap in ebook development between Sweden – particularly the English-language markets – is even more remarkable, given Sweden’s significantly high Internet penetration and the affinity of Swedish consumers to broadly embrace digital offers. As a result, observers expect the ebook market to take off quickly after the major initiatives launching in the second half of 2011.

One important factor is supposedly the absence thus far of direct pressure from major global players, notably Amazon, from the Swedish market. Local online platforms prevail instead, with Adlibris as the market leader (www.adlibris.com), owned by the country’s largest publishing group Bonnier, followed by Bokus (www.bokus.com), owned by the Swedish KF (or “Coop” group, www.coop.se).

The publishing and the book selling arm of KF, Akademibokhandeln (which is also linked, through the umbrella of KF, to Norstadts Publishing), and Bokus were also first movers as they launched their Dito (www.dito.se) service at the Gothenberg book fair in September 2011; it will include, according to press releases, a wide range of ebook titles, ereaders (from Samsung, Dell, and Sony), as well as – instead of a proprietary platform – reading and purchasing apps for ebooks on Android as well as Apple devices. At launch, Dito is expected to offer 5,400 titles in Swedish as well as between 75,000 and 100,000 titles in English, in “all formats,” according to the KF release (quoted in *Svensk Bokhandel*, September 11, 2011, www.svb.se/nyheter/kf-media-f-rst-ut-med-stor-e-bokssatsning).

Sweden

| Key indicators | Values | Source, comments |
|---|---|--|
| Book market size (p+e, at consumer prices) | Publishers’ net revenues: ca. 2,492 m SEK* | Publishers’ annual revenues (Publishers Association) |
| Titles published per year (new and successive editions) | 4,077 | Publishers Association |
| New titles per 1 m inhabitants | 463 | |
| Ebook titles (available from publishers) | 4,800 | |
| Market share of ebooks | Ebooks only starting on the market | |
| Key market parameters | Most ebook titles without DRM; no price regulation; 6% VAT for printed books; 25% for ebooks | |

Out of all other major distributors catering to major European markets, Dito is currently alone in distributing watermarked ePub files and will soon add watermarked PDF files. For the broader commercial release later this year, Dito will offer support for DRM-protected ePub and PDF files; the distribution of Mobipocket or Kindle formats will not be available.

Distribution

Scandinavia's largest ebook distributor is Elib (www.elib.se), 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.

Elib's competitor is the smaller, independent platform Publit (www.publit.se).

Bonnier's online bookselling platform Adlibris launched a reading device in 2010: Letto. So far, domestic ebooks have been mostly without DRM, yet it is unclear what the respective policy will be in the new Dito environment.

A localized Kobo platform for Sweden is expected for 2012.

Piracy is an issue, if at all, only for the Swedish Publishers Association and its lobbying policies so far.

Netherlands

In a PricewaterhouseCoopers (PwC) survey carried out among consumers and experts from the publishing industry in 2010, consumers in the Netherlands showed little interest in ebooks and ereaders. In addition, iPads and other tablets had little use as reading devices. The ebook market in the Netherlands shows similar characteristics to that of Germany, with a conservative approach to digital publishing outside of STM. In public professional debates, the threats – rather than the opportunities – are highlighted, such as the risk of sales losses of printed books.

In 2009, consumers in the Netherlands spent €1 million on ebooks – a marginal percentage of the country's book market.

However, the situation has changed since then. The trade magazine *Boekblad* recently 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. In the light of the PwC survey, and considering the fact that the Dutch ebook market

Netherlands

| Key indicators | Values | Source, comments |
|---|----------|---------------------------------------|
| Book market size (p+e, at consumer prices) | €1,168 m | Publishers Association |
| Titles published per year (new and successive editions) | 21,337 | Publishers Association |
| New titles per 1 m inhabitants | 1,293 | |
| Ebook titles (available from publishers) | 5,000 | Estimated, based on BOL/Text releases |
| Market share of ebooks | 1.2% | Boekblad; 2010: 0.3% (PwC study 2010) |

started out with only a small supply of available domestic titles and lacking the marketing power of a global player like Amazon, these figures demonstrate an impressive growth.

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

Distributors

Online media store BOL (bol.com) serves over 2.7 million customers, which makes it the market leader in the online selling of media products and the largest online media shop of the Netherlands. The store has a catalogue of over 3.8 million products. As for ebooks, BOL has partnered with German distributor Txtr (www.txtr.com) since 2010.

French-founded B2B distribution platform ePagine (www.epagine.fr) also operates a Dutch platform (www.epagine.nl) 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.

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 midyear 2010, but this was not enough to save 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 (www.coolerebookreader.co.uk) 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 Wi-Fi capabilities, among them the Sony eReader and the BeBook Neo, which was developed in the Netherlands.

Pricing

In the Netherlands, as in Germany or Spain, bookstores must follow 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 (at a VAT of 19 percent) (sources: *Boekblad*; PricewaterhouseCoopers 2010).

Austria

The case of Austria is a good example for 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 of 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.

Yet, with regard to printed books, books from German publishers already reign supreme in Austrian book shops, namely the chain stores as well as the online platforms of Amazon, Thalia (www.thala.at), and Weltbild (www.weltbild.at), 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 at www.wischenbart.com/translation).

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), and in recent years, this imbalance seems to have increased somewhat.

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 Google settlement.

Austrian publishers so far have been very cautious with regard to investing in digitization, with only a very few offering current new print releases in ebook formats; what electronic titles they do release are also difficult to find in the catalogues of German distributors and online retailers.

Some, like general trade publisher Haymon, are preparing titles to be launched as ebooks on all major distribution platforms (in Germany) in time for the Frankfurt Book Fair in October 2011 and plan to add digital editions of their printed releases as a routine procedure as of spring 2012. For distribution of their ebooks, mostly German services have been chosen, such as Bookwire, by Austria's largest trade publisher Ueberreuter.

A first survey on the Austrian ebook market, released on September 29, 2011, by the Austrian publishers' and booksellers' association (HVB – see http://www.buecher.at/rte/upload/pdf/e-book-studie_lang.pdf) showed that just 17 percent of Austrian publishers have sold ebooks as of 2010, and another 21.7 percent are planning to do so in 2011, 30.1 percent at some point in the future, while 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 chapter 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, yet half of the ebooks are made available in 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, yet only 35 percent of the books come with DRM, and 65 percent have digital watermarks built in.

Austria

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

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, not even local branch offices of any of the major German service providers have been opened so far.

No data is available on ebook titles from Austrian publishers, nor are detailed revenue figures available so far. According to the publishers association, ebooks currently account for less than 1 percent of the book market, and the association’s projections are that this share will grow to 5 to 7 percent by 2015. Again according to the professional association, digital platforms are not relevant in education thus far.

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

Slovenia

Slovenia, a small country 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 European Union.

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 or France.

Slovenians are remarkably strong readers and are used to reading books not only in their mother tongue, but also in English or, 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, Apple’s iPad device 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

Slovenia

| Key indicators | Values | Source, comments |
|---|---|------------------|
| Book market size (p+e, at consumer prices) | €90 m | |
| Titles published per year (new and successive editions) | 6,139 (of which 3,500–4,000 are trade titles) | |
| Ebook titles (available from publishers) | 300 (free, noncommercial) | |

gadget of choice to access Amazon's vast catalog of English-language books. So far, only 300 titles are available as ebooks, all free of charge and from the public domain. 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.

The emergence of domestic production of ebooks has stalled so far in anticipation of a pragmatic escape from the digital isolation. To escape the unusual status quo, what is by far the largest domestic player in the field of books and reading, publishing and retail group Mladinska (with holdings, aside from Slovenia, in Serbia, Croatia, Bosnia and Macedonia, and yearly group revenues of 120 million Euros from combined publishing and bookselling) announced the launch of a cooperative venture with Kobo in fall 2011. 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 to export Slovenian production internationally, including to the significant number of Slovenians living abroad – another trait shared by many small populations.

Poland

With an estimated 8000 trade titles available as ebooks and scanning initiatives for public domain book accounting for about 2700 titles (mostly in PDF), the Polish ebook market is in its early stages. However, the topic is widely debated, such as in panels at the 2011 Warsaw Book Fair, and – more important – major domestic actors are committed to develop their strategic position.

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 (www.ksiazka.net.pl).

Empik (www.empik.pl), the largest chain store and online shop for books and for cultural goods in general, which is owned by NFI Empik Media & Fashion, is moving into the emerging niche, currently with 153 stores in Poland and 22 in Ukraine. In May 2010, Empik set up Empik.com to extend their international business, by offering foreign language (primarily English and

Poland

| Key indicators | Values | Source, comments |
|---|--------|--|
| Book market size (p+e, at consumer prices) | €697 m | Renek Mendrun: Polish book market study, 2010. |
| Titles published per year (new and successive editions) | 21,740 | |
| New titles per 1 m inhabitants | 571 | |
| Ebook titles (available from publishers) | 18,000 | 7,000 commercialized titles and 11,000 free/public domain. (Source: EM&F Group/EMPIK/Virtualo/.) |

German) products and by catering to communities of Polish customers internationally. In its online stores, Empik is offering 520,000 Polish and 1,500,000 English-language items. Since November 2010, Empik has promoted its own dedicated ereading device, the Oyo, and in 2011 it added the Boox as well as other devices. By summer 2011, the Empik catalog included 4231 titles in ePub format and 3485 in PDF format, with most (7078) selling under 50 Zloty (or €12), similar to the retail price for printed books. Ebooks have their own prominently flagged section on the website, 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. (www.virtualo.pl), 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 (www.weltbild.pl) is the Polish subsidiary of successful German parent Weltbild, as a chain store, online shop, and ebook platform; Weltbild relaunched its Polish platform earlier in 2011, aiming at strengthening 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”; www.bezkartek.pl) 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 1400 are in Polish. The initiative’s vocation 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 telecommunication and financed through the Dracula Investment Fund, plus private investors from Poland and France.

Libranova (libranova.eu) is a promotional platform for ebooks and digital reading.

“Wolne Lektury” (www.wolnelektury.pl) 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.

Brazil

The Brazilian ebook market had a head start in 2010 from just one ebook shop, Gato Sabido (www.gatosabido.com.br), with 150 titles for sale at the beginning of the year and a broad range available just one year later (publishingperspectives.com/2011/01/brazils-ebook-market-still-crawling/). By early fall 2011, an estimated 4000 commercialized ebook titles in Brazilian Portuguese are available through a variety of distributors and online shops for consumers; educational titles have also shown a significant push from local educational publishing groups such as Abril Educação, with a portfolio from apps to educational portals.

With Amazon, Google, and other global players still absent from the Brazilian market (at least when it comes to localized online platforms), domestic players define the landscape thus far. Only the French retail chain Fnac has a local presence (www.fnac.com.br), yet ebooks have hardly any presence at this site.

But major trade publishers have also started to cultivate the digital niche, notably Saraiva (www.saraiva.com.br) with an estimated 600 ebook titles), Zahar (400 titles), Campus Elsevier (350 titles), Companhia das Letras, and Ediouro.

Several online retailers cater to the general reading audience, such as Livraria Saraiva (www.livriariasaraiva.com.br, the retail arm of the Saraiva group) or Livraria Cultura (www.livriariacultura.com.br), each presenting ebooks with a dedicated section at their websites and promoting ePub-based reading devices, yet at remarkably high retail prices, such as the iRiver Story at R\$ 799

or the British Cool-er, but also tablets from Apple and with the Android OS. Fnac was chosen by Apple as their initial launch pad for the iPad in Brazil (currently at R\$ 2.599 for the 64GB Wi-Fi 3G iPad). Nevertheless, a recent study by Accenture saw Brazil as an extraordinarily promising market for all kinds of digital devices (micro-site.accenture.com/landing_pages/EHT/Documents/Accenture_GlobalConsumerTech_2011.pdf).

The ebook catalogues have 2,000 to 3,000 domestic titles listed and are complemented by much wider English language lists, mostly provided by Overdrive. In January 2011, *Publishing Perspectives* reported 2800 Portuguese titles for Gato Sabido, backed up by 130,000 English titles and 2,000 Portuguese ebooks for Cultura and Saraiva, with an additional 205,000 English titles (publishnewsbrazil.com/2011/01/brazils-e-book-market-one-year-on-still-crawling/; publishingperspectives.com/2011/08/brazil-ebook-market-slow-progress/).

Ebook B2B distribution is handled by several companies, most prominently the consortium Distribuidora de Livros Digitais (DLD; dldweb.com.br). DLD was founded in March 2010 by six Brazilian publishers – Objetiva (partially owned by Santillana), Record, Sextante, Rocco, Planeta, and L&PM, with a similar mode of operations as

the Spanish Libranda, with Roberto Vaz Moreira serving as CEO. Roberto Feith, CEO of Objetiva and chairman of DLD's board, announced in spring 2011 that DLD would launch distribution with some 350 ebook titles, mostly bestsellers, aiming at a list of 1500 titles by the end of 2011 and serving several online stores, including Saraiva and Cultura. According to Roberto Feith, DLD's outlook is based on a forecast that "by 2015, the sales of e-readers will reach 1 million devices per year, over 8 million e-books will be sold on a yearly basis, and digital sales will represent 7% of the Brazilian book market" (www.facebook.com/note.php?note_id=10150215934515505).

Other ebook distribution and service providers include Xeriph (xeriph.com.br), Singular (www.singular-digital.com.br), and Simplissimo (www.simplissimo.com.br).

Average retail prices of ebooks are 25 percent below that of a printed copy, and no VAT applies for books, print or digital. Commercially published titles usually have DRM, and are released in the ePub format.

Industry experts expect rapid growth over the coming years, resulting in a relevant impact from ebooks on both retailers and publishers by 2015 at the latest.

Brazil

| Key indicators | Values | Source, comments |
|--|---------------------------------|--------------------|
| Book market size (p+e, at consumer prices) | €1,352 m (publishers' revenues) | <i>PublishNews</i> |
| Titles published per year (new and successive editions) | 52,510 | |
| New titles per 1 m inhabitants | 271 | |
| Ebook titles (available from publishers) | 4000 | |

China

Status Quo and the Ambitious Plan Ahead

China claims to be among the global market leaders when it comes to digital publishing and defined the goal of “fully embracing digital trends” as a key ambition for its 12th Five-Year Plan, which took effect in 2011. With this goal in mind, Liu Binjie, Minister of both the General Administration of Press and Publication (GAPP) and the National Copyright Administration, used his opening address to the 2011 Beijing International Book Fair to make more specific his country’s ambitions for the years ahead.

For 2010, the total revenues of the Chinese “publishing industry” – a term combining all segments, from newspaper to books and all other forms of publications – accounted for ¥1270 billion (€144 billion), of which about €105 billion comes from “digital publishing,” showing a 31.97 percent growth from 2009.

With a book market worth about €8 billion at consumer prices (2006), China is the third largest market for books, behind the US and Germany, topping Japan and the UK, although it must be added that the average retail price for a book is between €1 and €3.

Yet a comparison of the publishing market in China to that of North America or Europe must take into account not only highly different levels of income and standard of living but also significant differences in the structure of the market and in consumption patterns.

As Minister Liu highlighted in his address, at least three specifics shape the Chinese environment in digital publishing and reading: hugely popular online reading platforms, with 200 million Chinese Internet users who have opened respective accounts; the prevalence of mobile devices when it comes to reading on screens, with publishing revenue from the mobile market reaching ¥34.98 billion in 2010 (representing roughly one-third of the overall output in digital publishing) and with 43.3 percent of mobile Internet users reading “literary works through apps”; and with digital publishing strongly fostered by the Chinese government, which has established nine “national digital publishing bases” since 2008 to speed up the development of the sector. The specified goal is to have digital publishing constitute 25 percent of the overall output of the industry by the end of the current Five-Year Plan (2015).

Such ambitions, however, must confront significant challenges, notably the difficulties of an economically

China

| Key indicators | Values | Source, comments |
|---|-------------------------------|---|
| Book market size (p+e, at consumer prices) | €8.2 b | ¥84,000 m (GAPP, 2006) |
| Titles published per year (new and successive editions) | 168,296 | GAPP |
| New titles per 1 m inhabitants | 126 | |
| Ebook titles (available from publishers) | ca. 200,000 titles (estimate) | Not including “online literature” titles, which are not comparable, e.g. 5.2 m titles available from Shanda/Cloudary websites |

smooth transition from print to electronic, the paramount threat to the industry's value creation from piracy, and the lack of or relative weakness of technological standards. To overcome those hurdles, the Chinese government now very actively promotes strategies for Chinese publishing companies to "go out," or partner with international brands, and encourages international key holders of market and technological know-how to engage in cooperative and joint venture projects with domestic players. Here, the overall concept is based on a growing "convergence" between all media channels and formats, including books, magazines, newspapers, television, websites, wireless Internet, and telecommunication, and on the simultaneously emerging coming together of value creation between publishers, technology providers, aggregators, platform service providers, and reading device manufacturers.

The Book Publishing Environment

Over the past decade, China has made considerable efforts to grow and professionalize its (printed book) publishing sector. Although all of the approximately 580 publishing houses are currently under direct state ownership and control by GAPP, more recently some 10,000 "cultural ateliers" have been created, of which many act as publishing units but with cooperative contracts with the state-owned houses for ISBN assignment. By acquiring more than 10,000 titles' foreign rights per year, Chinese publishers aggressively broadened their lists with internationally competitive works. The Beijing International Book Fair (BIBF) became a professional hub of global significance, with the international sector and seminars growing especially rapidly.

Most recently, the government has played an active role in encouraging the best-performing groups to form larger entities and to compete internationally under the guideline of its "going out" policy. By November 2010, 435 of 528 officially listed state-owned publishing houses have 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 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.

Domestic ebooks are most commonly published in CEB, or China Ebook Format, promoted in particular by Apabi (www.apabi.cn, 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 2000 titles into CEB in 2009 and distributing them via Founder Apabi; www.pearson.com/about-us/consumer-publishing/announcements/?i=109).

Key Players in the Digital Environment

Over the past 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 retailer DangDang.

All these platforms have – each in their respective field of action – in recent years 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 con-

troversial. (For a detailed account, see a recently published study by Octavio Kulesz for the International Alliance of Independent Publishers titled "Digital Publishing in Developing Countries"; alliance-lab.org/etude/archives/346?lang=en).

As for publishing, a premier role is expected to be played by China Mobile, by far the country's largest communications provider and a Fortune Global 500 company (ranked no. 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.

Although the ambitions of China Mobile to shape the complete 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, that 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 their 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 (www.cbi.gov.cn/wisework/content/100675.html).

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 at www.hwebook.cn, Hanvon claimed in March 2011 to have 130,000 ebook titles available for download and to soon be expanding that number to a

catalogue of 200,000 titles (www.cbi.gov.cn/wisework/content/96524.html). In June 2011, Hanvon signed an agreement with Shanda to gain access to Shanda's ample list of online titles on its "Cloudy Bookstore." Shanda's own device, the Bambook, introduced in 2010, is generally assumed to come in second, at a low double-digit market share (german.beijingreview.com.cn/german2010/mic/2011-08/16/content_384652_2.htm).

Online Literature and eBook Distribution

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. Cloudary supposedly controls some 70 percent of the booming online literature market in China and, according to Reuters, is currently preparing a \$200 million IPO at the New York Stock Exchange (Reuters, May 24, 2011, www.reuters.com/article/2011/05/24/us-cloudary-idUSTRE74N81H20110524). "Cloudary" is a branch of Shanda Interactive Entertainment Ltd. (NASDAQ: SNDA), currently 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.

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 initially published online into printed books under a revenue sharing agreement with Cloudary.

Cloudary claims to have published on its websites by mid 2011 some 5.2 million titles from about 1.4 million authors, at a rate of 6 million characters being written and published online every day.

A survey by iChinaStocks.com for the fiscal year 2010 stated that by December 2010, Cloudary had over 950,000 paying users in the fourth quarter of 2010. And 50 percent of the net online revenues derive 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). Clouday was the largest paid content provider for China Mobile's central reading station in 2010.

In October 2010, Clouday/Shanda Literature launched its ebook platform Yun Zhong Shu Cheng (www.yuncheng.com), meaning "Library in the Clouds" (source: news.ichinastock.com/2011/07/the-clouday-ipo-china%E2%80%99s-user-generated-literature-websites/).

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

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.

International Cooperative Ventures

Over the past 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 through their "going out" policy. This list includes, to name just a few examples, companies such as Penguin, which has 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.

Key Drivers and Debates

A comparative analysis of international ebook markets shows an abundance of different parameters that result in variations between the markets, of which some may be temporary and others which most likely will persist and remain relevant for the mid-term (three to five years) and the long-term (five to ten years) periods ahead.

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
- Key market parameters, including:
 - Regulatory frameworks
 - Pricing strategies for ebook receptiveness for foreign (English) reading
 - Receptiveness for foreign (English) reading
- Preferred ereading platforms and related reading habits
- Choice and comfort of present-day ereading methods

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 and France but also China are centers of gravity in their own right, for distinct domestic developments. These markets reflect a distinct national cultural tradition and identity resulting in strong national

framing conditions, and such markets foster the emergence or, even 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 a strong defense of the respective 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 notably 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 second leader in the digital service environment. Such is the case in France, Germany, Spain, Italy, and Sweden.

These same markets, plus China, are now targeted by the few global brands (or, in the Chinese term, "super players") of ebook globalization, namely Amazon, Google, Apple, and Kobo.

Amazon – foremost, its Kindle platform – prepare localized versions of its 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. Google Editions also comes 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. Canadian firm Kobo seems to have a strategy of teaming up with localized platforms in major markets,

whether ebook channels (like Libreka in Germany) or general retail platforms from outside the traditional book business, such as Redcoon, which has a presence in a number of markets throughout Europe.

At this initial point of expansion beyond the Anglo-Saxon sphere, it is difficult to seriously assess the future impact of those global networks on the various local markets.

Google – via its digitization efforts with libraries and the scanning of copyrighted works – has become a catalyst, 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 is considered to be a threat to citizens’ freedom and Europe’s difficult stand in a globalizing world.

Books, in such a context, 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 identified with readers – the majority of whom are well-educated and media-savvy urbanites – who are largely open to the offerings of the Web, probably including ereaders and ebooks. Yet it is the same cultural elite that is preoccupied with losing local “cultural identity.”

At the other end of the scale, 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 and open to other cultures and travel widely.

BRIC countries (Brazil, Russia, India, and China), because of their size and dynamic as emerging markets, must be addressed separately, as was done for Brazil and China in the scope of this study.

China, because of the size of its market, has developed not only publishing, distribution, and technological entities of significant scale but also, for example, a domestic ebook format and a device industry. Perhaps more important is that China has started to explore the staggering explosion of mobile Internet usage through smartphones for content distribution; thus reading books as well as the singular formula of “online literature” have started to form genuinely unique evolutionary patterns.

In addition, Brazil and Russia – not to speak of Korea or Japan – have encouraged, most often with significant public support, the emergence of relevant local actors, particularly in educational publishing. These groups have grown to local or regional giants, who mostly have strong ambitions for the digital future by preparing themselves as local hubs. As a result, they become the preferential partners for the swiftly expanding leaders of the globalizing educational industry. It must be added, though, that electronic education follows different pathways and patterns than trade publishing, for a mix of economic, cultural, and political reasons, and necessitates a separate study altogether. In major European markets, for instance (e.g., Germany), digital educational content and platforms have barely started to take off.

Key Market Parameters

Regulatory Frameworks

In several European countries, book prices are regulated and are subject to reduced VAT, yet these regulations do not automatically apply to ebooks. In France, legislation to extend fixed prices to ebooks 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 to be 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; www.fep-fee.be/documents/FEPsubmissiontotheEuropeanCommissionGreenPaperontheFutureofVAT.pdf).

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, and politics, to the point of the conflict of the “book professionals”

with Google being broadly identified with the broader topic of emerging ebooks.

Although a ruling on the case or an acceptance of the “Google settlement” was postponed several times in 2010–2011, all of the French publishing houses involved in the battle have as of 2011 dropped the case. Hachette and then La Martinière decided to sign separate agreements with Google to have their backlists digitized by the US company and to in return abandon legal prosecution. Gallimard, Flammarion, and Albin Michel in August 2011 stopped pursuing legal action as well.

From a strategic perspective, these developments can be understood as a change of tides. Until 2010, the efforts of the book industry representatives were aimed primarily at containing as much as possible the American ebook and digitization tsunami from spilling over all too rapidly into major European book markets. During the second half of 2010 – and even more so in 2011 – as domestic infrastructure for handling ebooks were set up, with European retailers betting more and more on ebooks (such as Fnac, Thalia, Weltbild), and with Amazon’s opening of a German Kindle shop in April 2011, the defensive measures were ripe for abandonment and replacement by policies implemented to embrace the new digital world.

The next frontier in the battle over change, obviously, is pricing.

Pricing Strategies for eBooks

How much should an ebook cost? Due to the prevalence of fixed prices in most of continental Europe (with Sweden as an exception), publishers usually set the retail price, and competition in books is not driven by pricing.

In Germany, France, Italy, and France, publishers strongly defend the calculation of ebook prices in relation to print as the most relevant benchmark, and according to this concept, ebooks come at a discount of an average 10 to 20 percent, with a trend closer to the 20 percent discount.

This status quo still mirrors a largely traditional concept of publishers marketing (electronic as well as print) books as well as setting the price and readers purchasing ebooks from sources and in a context similar to the traditional book market. Yet this context of book selling is facing serious change.

As ebooks travel more easily, across markets and even linguistic borders – as will be highlighted shortly – and because early adopters of ebooks are conceivably strong and well-educated readers who are ready to embrace books in languages other than their native language, international price comparisons for ebooks will become more and more relevant as benchmarks.

Even a brief, exemplary analysis across four key markets reveals a complex picture indeed. We compared, for this study, the top ten fiction bestsellers for the US (*Publishers Weekly*), the UK (*The Bookseller/Nielsen*), France (*Livres Hebdo/Ipsos*), and Germany (*Der Spiegel/buchreport*) on different platforms and in both printed and digital formats for the first week of September 2011. Germany and France have fixed prices, no discounts are allowed for Germany, and up to 5 percent is allowed for France.

The comparison clearly shows that average prices on bestsellers are lower in the UK or US, as in Germany and France.

There is also a likelihood that once ebook prices go down, which is widely expected, the average retail price of printed editions may go down as well.

The dynamics of change and pressure on average pricing will increase further, as books are currently migrating beyond the traditional book trade to general retail channels, for example, those rooted in electronics and entertainment, like Redcoon, and as nontraditional business models arise, like subscription models or Amazon's alleged rental model (which was instantly critically reviewed by Börsenverein for Germany).

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 more and more popular with readers, and 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

| Country | Avg. list price (€) | Avg. discounted print price (€) | Avg. discount (%) | Avg. ebook price (€) | Avg. ebook price against discounted print price (%) |
|---------|---------------------|---------------------------------|-------------------|----------------------|---|
| UK | 18.73 | 10.68 | 43 | 9.71 | 9 |
| US | 19.49 | 11.33 | 42 | 10.13 | 11 |
| FR | 20.98 | 19.93 | 5 | 15.80 | 21 |
| DE | 16.35 | 16.35 | 0 | 12.66 | 23 |

Table: Average prices, in euros, for the top ten fiction bestsellers in the US, first week of September 2011 (sources: *Publishers Weekly*, *The Bookseller/Nielsen*, *Livres Hebdo/Ipsos*, and *Der Spiegel/buchreport*).

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 catalogues with an increasing number of titles, even in countries like France, Italy, or Spain, which had been 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 catalogue 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 catalogue, with the Kindle reading platform, plus an increasingly uniform pricing policy ready to flatten the differences in what an ebook costs a consumer across markets.

As the previously mentioned close-up on current fiction bestsellers in the US, the UK, France, and Germany illustrated clearly, price levels for printed as well as for ebooks differ widely, with average top ten bestsellers costing between €10.68 in the UK, and almost double, or €19.93 in France. The top ten of the US list in the Kindle format, however, are sold at almost the same price in Germany as in New York, at €11.24 on average.

Surprisingly, the price level is not all that far from the average Kindle price of a German fiction title from the top-selling segment, €12.70. Print prices meanwhile remain far apart, with €11.30 on Amazon.com versus a regulated €16.35 for a German book.

Another issue of strategic relevance is, of course, availability. Unsurprisingly, ten out of the current top ten in fiction in both the US and the UK are available as ebooks for the Kindle and in the ePub format. In France, Fnac has seven of the French top ten in ePub, and in Germany, seven out of ten can be purchased for the Kindle and eight out of ten in the ePub format, with both editions sold at identical prices.

But in Germany, ten out of the UK top ten and nine out of the US top ten are available on Amazon.de, even though pricing carries some unexpected marks, such as *The Comeback Girl* by UK's Katie Price, which costs 176 percent more on Amazon.de, as in the heavily discounted British Kindle edition (although with one exception, German and US Kindle editions carry approximately the same price tag when converted into euros).

At the French Fnac site, and at Libri.de, things are quite different: not one of the US top titles is available, and just four out of ten are available on Libri, with none on Fnac. But even Amazon.fr currently lists only one title from the US top ten.

These few selected samples certainly do not produce enough evidence for a complete picture of how – through ebooks and global retailers, notably Amazon – a new global map of reading emerges. But the findings allow the identification of powerful driving forces that will most certainly shape the industry as well as the reading culture in the years ahead.

Preferred eReading Platforms and Related Reading Habits

The example of China (or Japan or Korea) indicates that more than just one or two ways are conceivable for digital reading. Mobile platforms seem to create altogether different ecosystems for using digitized content, including books, than ereaders and tablets in the US and Europe.

In present-day continental Europe, tablets – which so far largely means Apple's iPad – is a successful and increasingly popular platform, yet intended more (by its designers) for a broad mix of usages and media formats. Often, with a reference to a highly focused culture of intense reading, dedicated devices with an E Ink screen are the first choice for books.

However, with Amazon rolling out localized catalogs and Kindle shops and adding new reading devices such as the Kindle Touch, promoted with pricing dedicated to specific European markets (as is the case for Germany, with the new device priced at €99.00, when launched in late September 2011), and with many new tablet devices ready for release in time for Christmas 2011, as well as price wars in China having a heavy impact on manufacturers, the current situation is extremely fluid.

Choice and Comfort of Present-Day eReading Offerings

As a rule of thumb, most new releases – at least in fiction – in the larger European book markets now tend to be published as ebooks along with printed editions. But backlist titles are still very scarce.

In France, the recent deals of Hachette and then La Martinière with Google and in-house efforts in Germany at Random House will broaden the available catalogues quickly, yet they are a long way from the much richer offerings in English.

First reports from public libraries in Europe with regard to lending ebooks hint that this approach has significant potential to familiarize some of the strongest readers with the concept of reading on screens.

The expected entrance of Google Editions, with its huge stock of digitized books in many languages, is bound to have an impact on the situation as well, as is the prospect of a next generation of reading devices with E Ink screens and as tablets.

Although most surveys on user appreciation highlight that DRM is hardly popular with readers, rights protection is such a high priority for publishers (with few exceptions, such as the Netherlands) that at least for the moment, books seem to come with these protective strings attached.

Outlook and Projections

Emerging ebook markets outside of the US and the UK are all estimated to currently represent at best 1 percent of the overall book market, making projections of future dynamics of growth extremely difficult. (And China is a different case altogether, with the prominent placement in China of mobile platforms.)

Another factor for differentiation is the role of digital educational publishing, which plays a much more central role in Brazil; even in Germany, education is considered to be thus far the exclusive turf of books and materials on paper.

Furthermore, feedback from a questionnaire sent to (mostly) market representatives for the purpose of this study, collecting both data and opinion, hint at different speeds of market development for Germany, for example, as compared to Italy or Spain, which is very much consistent with respect to Internet penetration.

In 2015 in Germany, ebook penetration of between 10 and 15 percent of the book market is conceivable; this number is considerably lower – around 8 to 10 percent – for Italy or Spain. But the same low expectations of digital growth are found among local publishing professionals in Austria, with a book market that is largely governed out of Germany.

Interestingly, when asked if ebooks will have a relevant impact on retailers and publishers by 2015, a much broader consensus is expressed that this is most likely; hence this anticipation is seen independent from the actual market share of ebooks.

From a bird's-eye perspective, 2010 and 2011 can easily be seen as a period of changing tides in all of the surveyed European markets, at first with the technical and logistical infrastructure for the distribution of ebooks being put in place and consumers being made aware of ebooks not through publishers but retailers. The discussions about pricing and piracy have been contained largely to the professional milieu. Probably most significantly, all of the largest players in the arena – publishing groups as well as retail chains – are investing significantly in the digital future and hence preparing the ground, while a small yet powerful group of global actors – Amazon, Google, Apple, and new entrants Kobo and soon probably also Barnes & Noble – are also entering the field.

How the American market picked up speed all of a sudden in fall 2010 to achieve the first double-digit market share in the key segment of bestselling fiction is a lesson to bear in mind for 2012 and 2013 – not for all of Europe, but at least for Germany and France. Yet with both specific factors shaping markets and reading cultures, a simple rerun of the American experience seems rather unlikely. In a global perspective, and with a horizon of the next three to five years, a more complex picture seems more realistic, with a handful of different patterns emerging, some more closely connected to global integration, and others – by cultural separation and through regulations – going digital at a slower pace.

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