The State of Digital Publishing in Canada 2014

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Introduction

In January 2015, BookNet Canada embarked on the second annual *State of Digital Publishing in Canada* survey, looking at the size, scope, and production processes of the digital publishing market in Canada. Seventy Canadian publishers, including all of the large multinational publishers and many of the larger Canadian-owned publishers, responded to our survey, allowing for not only an overview of the digital market but also a year-over-year comparison between 2013 and 2014.

BookNet Canada surveyed publishers directly, ensuring that representatives were included from all sectors of the market, such as the Canadian Publishers' Council (CPC) and the Association of Canadian Publishers (ACP). While the largest number of responses is from trade publishers, educational publishers are also represented.

At a time when media is claiming that ebooks are dead[1] and that "sales of print books are eclipsing digital alternatives"[2] we are also finding increased interest in new sales models such as bundling and subscription services, and for publishers we are finding that digitization of content is strong, with 93% of publishers producing ebooks. Of those producing ebooks, almost half of the publishers have more than 50% of their active titles available digitally. Publishers are also generally digitizing more of their backlist: 24% of publishers have converted over three-quarters of their print collection.
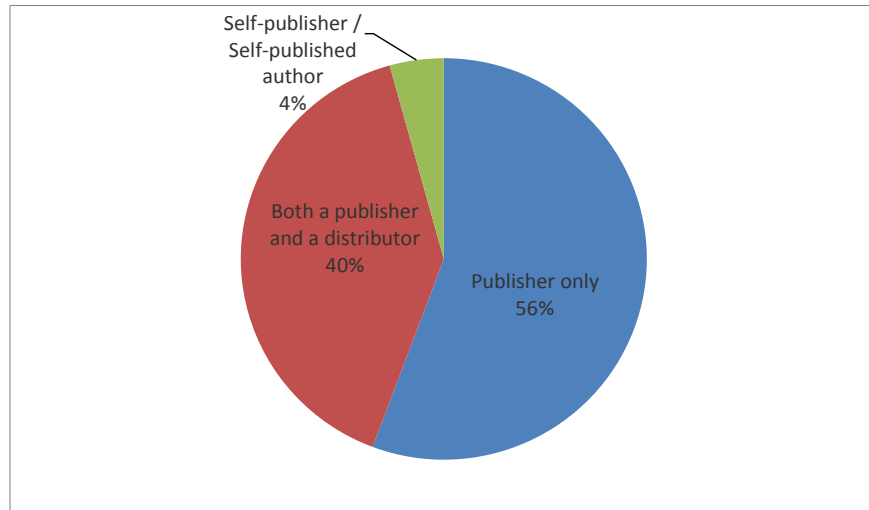
Publishers cite the primary reasons for producing ebooks as "increasing sales" and "meeting customer demand" but creating ebooks as "a mechanism to lower costs" has declined as a motivating factor. The following research shows that digital programs within Canadian publishing houses are strong and continue to grow, with 52% of responding publishers indicating that revenue from ebook sales increased between 2013 and 2014.

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1 Lynch, Gerald. 'Coffin For A Kindle: The Ebook Market Is Dying In The UK'. *Gizmodo UK*. N.p., 2015. Web. 23 Apr. 2015.
2 Langley, William. 'Why Low-Tech Living Is Back'. *Telegraph.co.uk*. N.p., 2015. Web. 23 Apr. 2015.
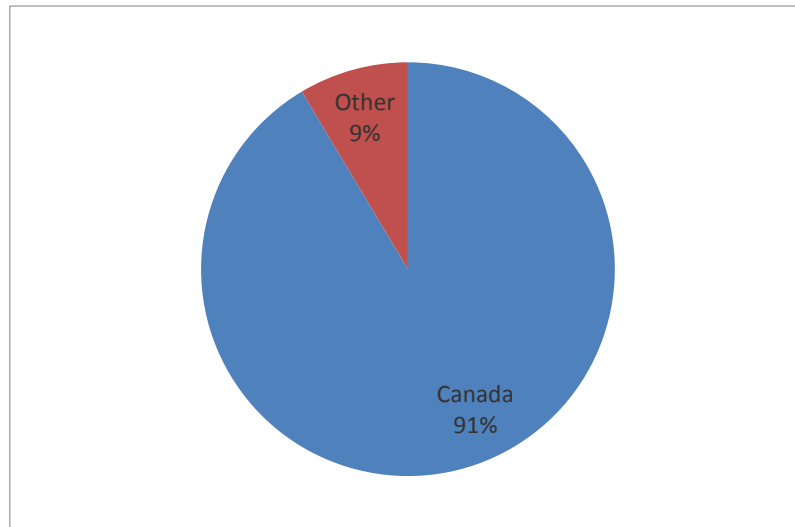
Respondent Profile

COMPANY TYPE
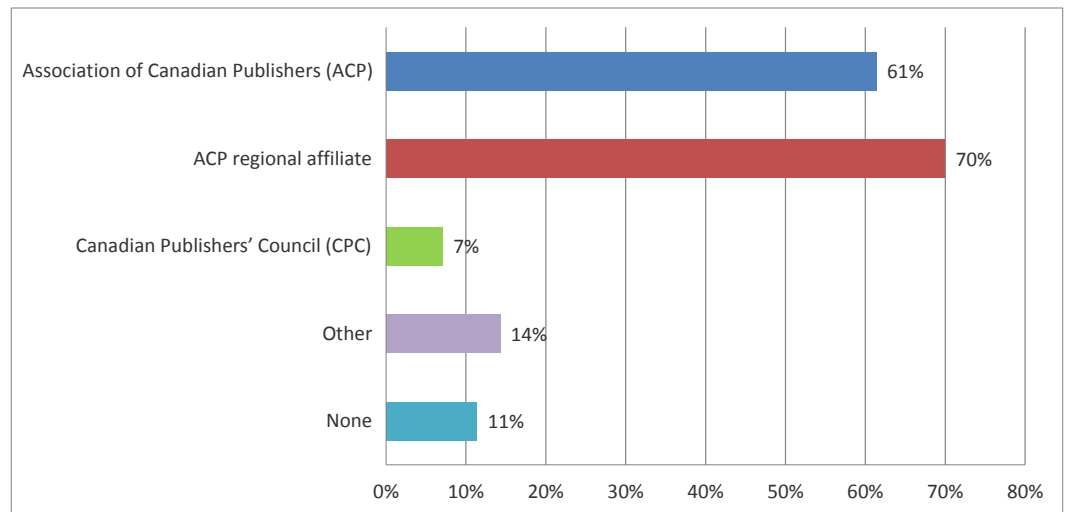
Self-publisher /
Self-published
author
4%

Both a publisher
and a distributor
40%

Publisher only
56%

Question: Type of firm
(N=70)

COMPANY HEADQUARTERS

Other
9%

Canada
91%

Question: Is your firm's headquarters located in Canada?
(N=70)

ASSOCIATION MEMBERSHIP

Association	Percentage
Association of Canadian Publishers (ACP)	61%
ACP regional affiliate	70%
Canadian Publishers' Council (CPC)	7%
Other	14%
None	11%

Question: Is your firm a member of the (following associations)?
(N=70)

COMPANY SIZE

Small / Self-Publisher (<$1M): 68%
Mid-Size Publisher ($1M–$10M): 22%
Large Publisher (>$10M): 10%
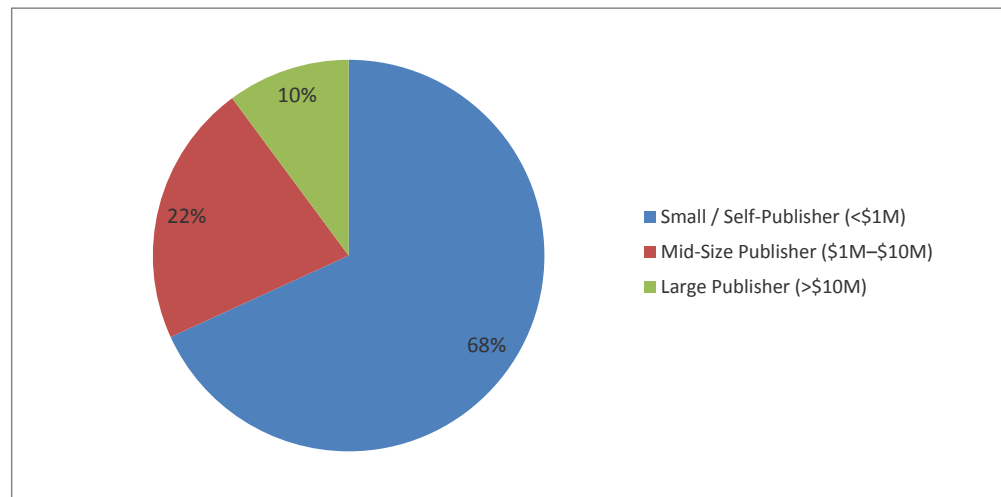
Question: Size of firm (annual Canadian revenue)
(N=70)

MARKET FOCUS
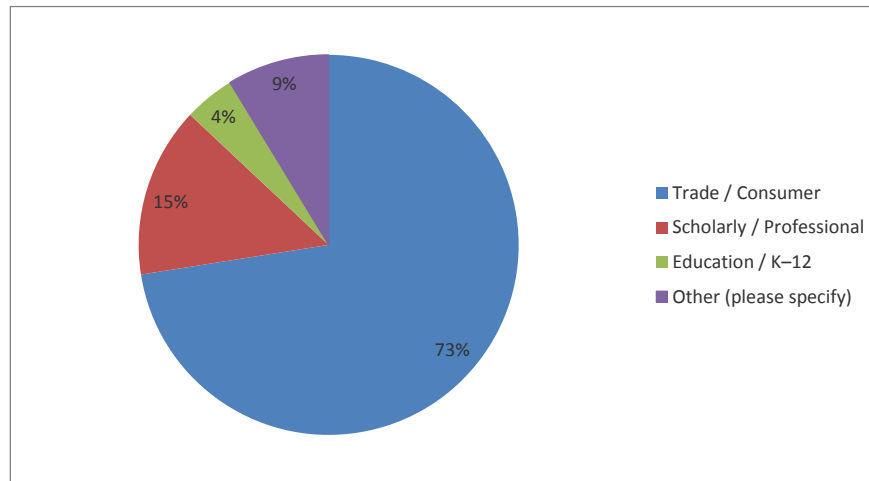
Question: What industry segment best describes your firm's market focus?
(N=70)

89%
of respondents
belong to a publishing
**association**

HIGHLIGHTS:

For the purposes of this study, we have defined the size of companies based on publisher-reported revenue as small (<$1M), mid-size ($1M–$10M), and large (>$10M). Using these parameters, 68% of respondents represent small publishers, 22% mid-size, and 10% large.

89% of respondents belong to a publishing association, with the largest percentage (70%) belonging to an ACP affiliate or regional association.
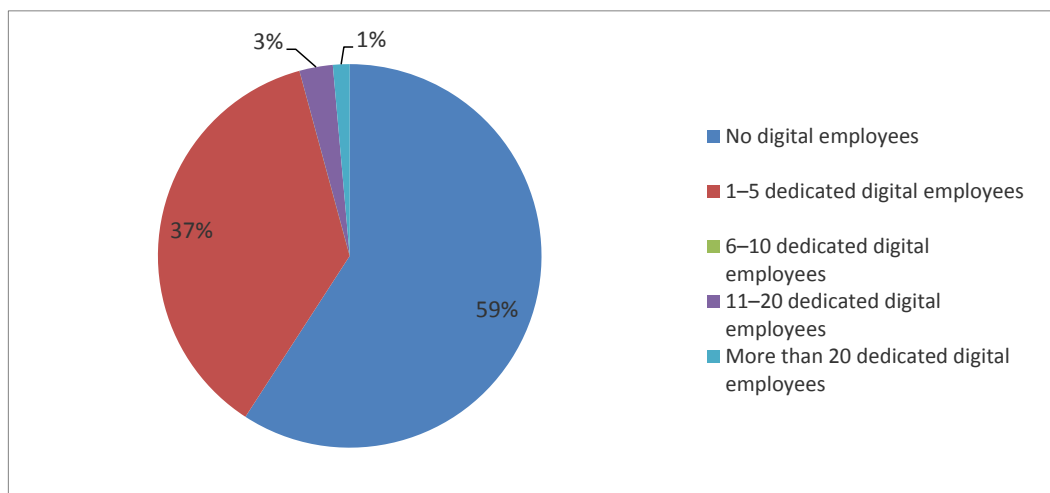
Dedicated Digital Staff

DIGITAL STAFF
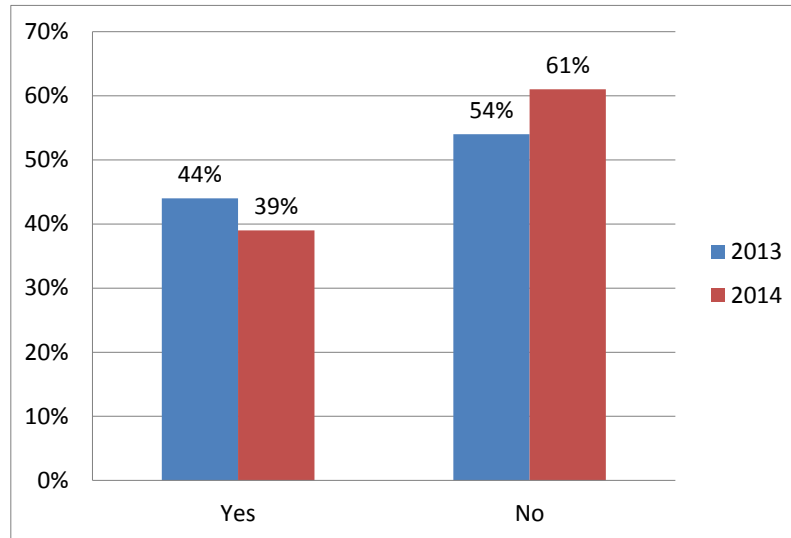
Question: Does your organization have a digital staff that focuses specifically on ebooks? (2013 N=84, 2014 N=69)

Digital staff by size of company	Yes
Small / Self Publisher (<$1M)	17%
Mid-Size Publisher ($1M–$10M)	80%
Large Publisher (>$10M)	100%

NUMBER OF DIGITAL STAFF MEMBERS

- No digital employees
- 1–5 dedicated digital employees
- 6–10 dedicated digital employees
- 11–20 dedicated digital employees
- More than 20 dedicated digital employees

Question: How many employees are strictly dedicated to digital?
(N=71)

52%
of trade publishers
are outsourcing the
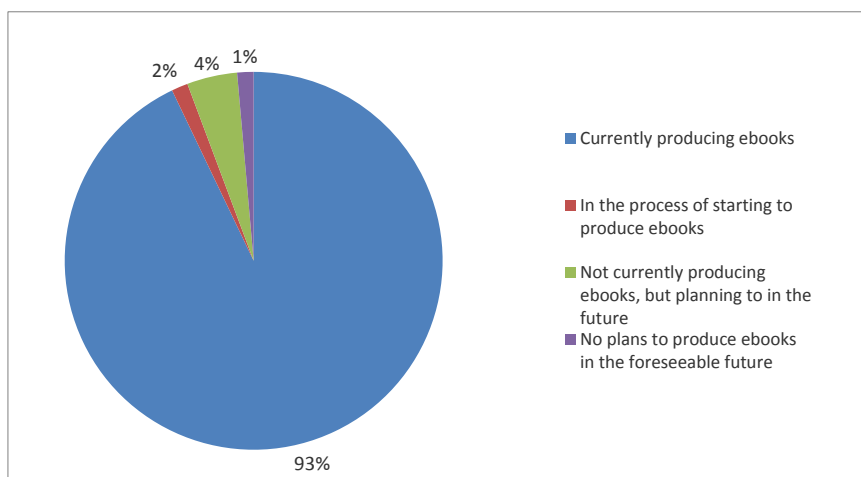production of digital files

HIGHLIGHTS:

Dedicated digital staff has decreased from 44% in 2013 to 39%. As indicated later in this document, 5% more trade publishers are now outsourcing the production of digital files than in 2013, up to 52% in 2014 from 47% in 2013, and this may be contributing to the decline in dedicated digital staff.

37% of respondents in 2014 have between 1 and 5 dedicated digital staff, down slightly from 42% in 2013.

Ebook Production & Conversion

EBOOK PRODUCTION

|	
■	Currently producing ebooks
■	In the process of starting to produce ebooks
■	Not currently producing ebooks, but planning to in the future
■	No plans to produce ebooks in the foreseeable future

2% 4% 1%

93%

Question: Does your firm currently publish ebooks?
(N=69)

Ebook production by size of company	Currently producing ebooks	In the process of starting to produce ebooks	Not currently producing ebooks, but planning to	No plans to produce ebooks
Small / Self Publisher (<$1M)	91%	2%	4%	2%
Mid-Size Publisher ($1M–$10M)	93%	0%	7%	0%
Large Publisher (>$10M)	100%	0%	0%	0%

Ebook production by market force	Currently producing ebooks	In the process of starting to produce ebooks	Not currently producing ebooks, but planning to	No plans to produce ebooks
Trade / Consumer	94%	0%	4%	2%
Scholarly / Professional	80%	10%	10%	0%
Education / K–12	100%	0%	0%	0%

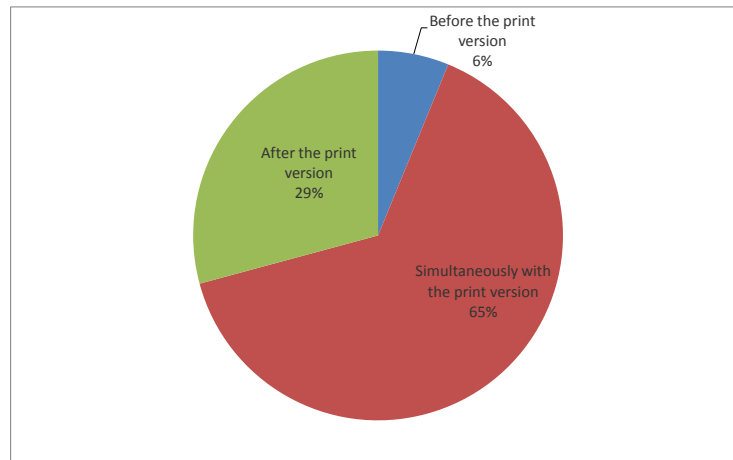## DRIVING FORCES FOR EBOOK PRODUCTION
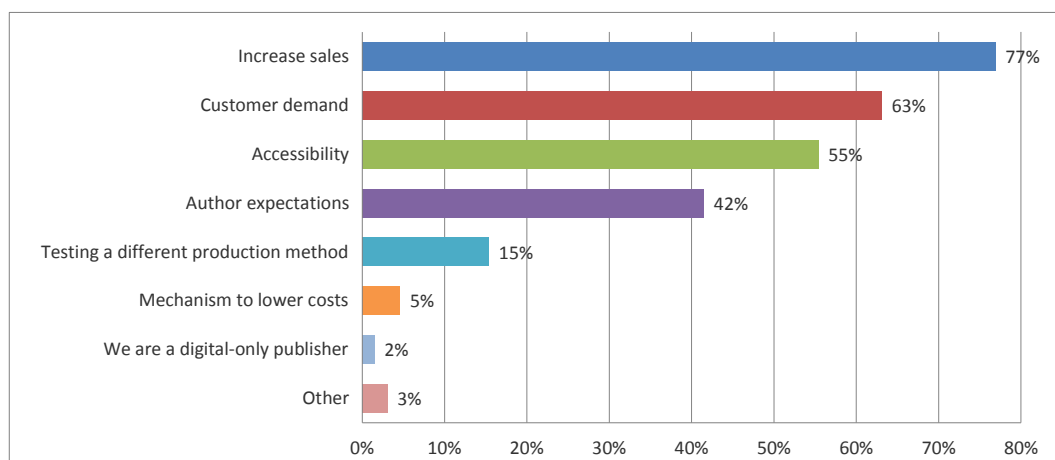
Question: What are your firm's main reasons for publishing ebooks?
This question allowed for multiple responses
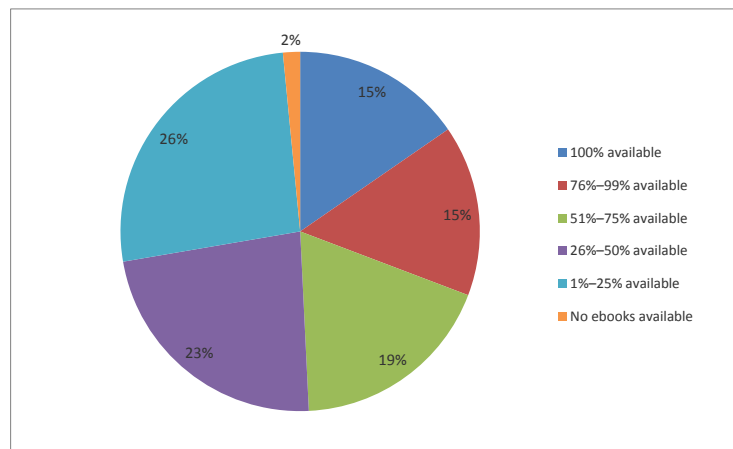(N=65 respondents, N=170 responses)

Reasons for publishing ebooks by size of company	Increase sales	Customer demand	Accessibility – best way to serve consumers	Author expectations	Testing a different production method	Mechanism to lower costs	We are a digital-only publisher	Other
Small / Self Publisher (<$1M)	70%	52%	45%	36%	18%	5%	2%	5%
Mid-Sized Publisher ($1M–$10M)	93%	86%	86%	57%	14%	0%	0%	0%
Large Publisher (>$10M)	86%	86%	57%	43%	0%	0%	0%	14%

SCHEDULE FOR FRONTLIST EBOOK RELEASE

Before the print
version
6%

After the print
version
29%

Simultaneously with
the print version
65%

Question: When do you generally release your ebooks for new titles (frontlist)?
(N=65)

DIGITAL AVAILABILITY OF PRINT TITLES

2%

15%

26%

15%

23%

19%

- 100% available
- 76%–99% available
- 51%–75% available
- 26%–50% available
- 1%–25% available
- No ebooks available

Question: In Canada, how many of your active print titles are you selling?
Of these active print titles, how many are available as ebooks?
(N=65)

DIGITAL AVAILABILITY OF JUVENILE PRINT TITLES
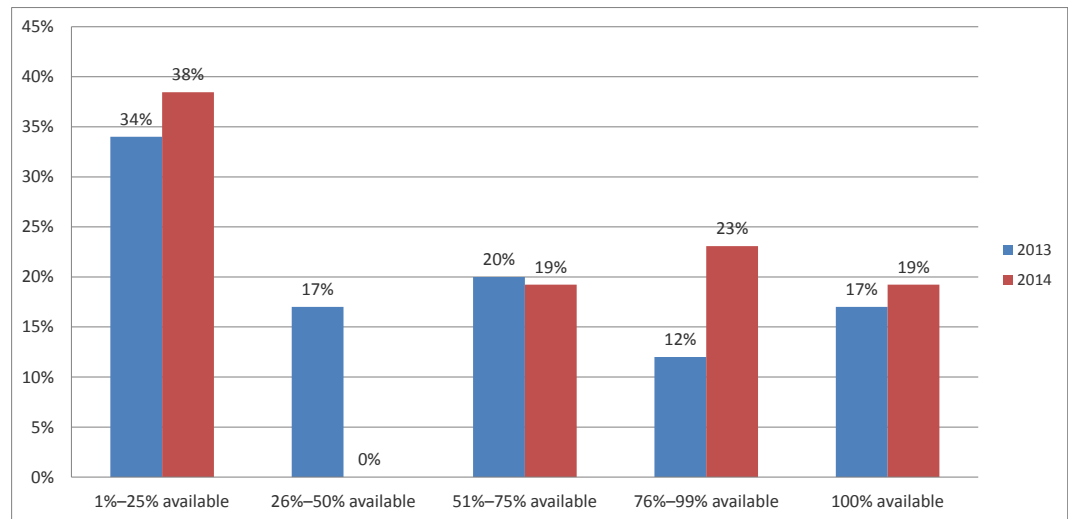
Question: How many active juvenile print titles are you selling?
Of these active juvenile print titles, how many are available as ebooks?
(2013 N=35, 2014 N=26)

BACKLIST CONVERSION
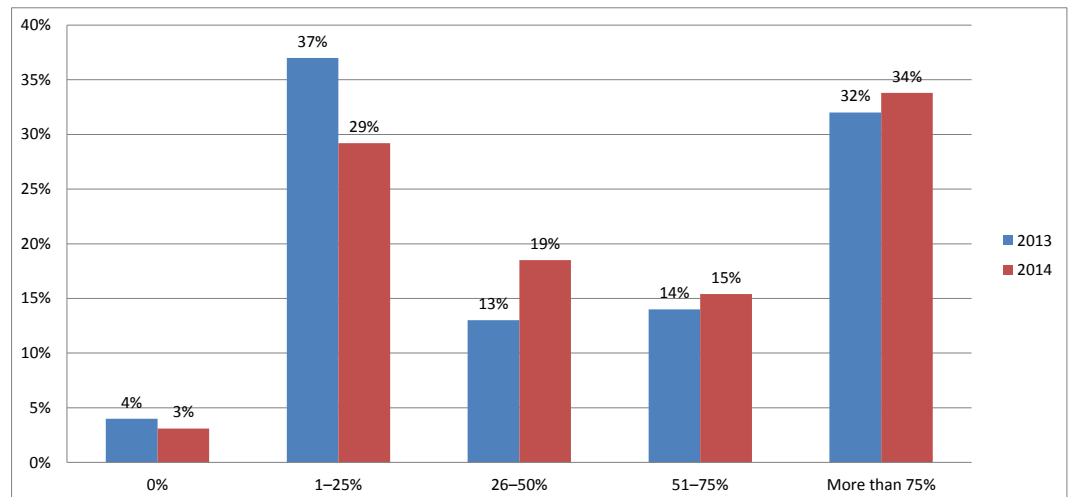
Question: What percentage of your backlist (greater than six months past publication date) has been converted to ebook format?
(2013 N=78, 2014 N=65)

Backlist conversion by size of publisher	0%	1–25%	26–50%	51–75%	> 75%
Small / Self Publisher (<$1M)	2%	37%	16%	12%	33%
Mid-Size Publisher ($1M–$10M)	7%	20%	20%	20%	33%
Large Publisher (>$10M)	0%	0%	29%	29%	43%

Backlist conversion by type of publisher	0%	1–25%	26–50%	51–75%	> 75%
Trade / Consumer	0%	32%	19%	17%	32%
Scholarly / Professional	11%	22%	11%	11%	44%
Education / K–12	0%	33%	67%	0%	0%

49%
of publishers have more than half of their titles available digitally

HIGHLIGHTS:

93% of firms are currently producing ebooks, up slightly from 89% the previous year. Only 1% of respondents have no plans to produce ebooks in the future.

49% of publishers have greater than half of their active titles available digitally.

The driving forces for creating ebooks remains to increase sales (77%), and to meet customer demand (63%) and accessibility needs (55%). Focus on accessibility dropped, however, from 72% in 2013. Producing ebooks as a "mechanism to lower costs" is even lower than in 2013 (15%), dropping to only 5% of respondents in 2014.

29% of publishers hold back the release of digital editions until the print version is released, while 65% of publishers release formats simultaneously.

One-third of publishers have greater than 75% of their collection available digitally, whereas just over one-quarter have from 1–25% available.

When it comes to juvenile titles, publishers tended to have more digital content available in 2014. 61% of publishers have over half of their collection available digitally; this is up from 49% in 2013. 19% of publishers have all of their juvenile titles available digitally.

Publishers are generally digitizing more of their backlist: 24% of publishers have converted over three-quarters of their print collection.

Large publishers were busy in 2014, with more than 40% of them converting more than 75% of their backlist to digital formats.
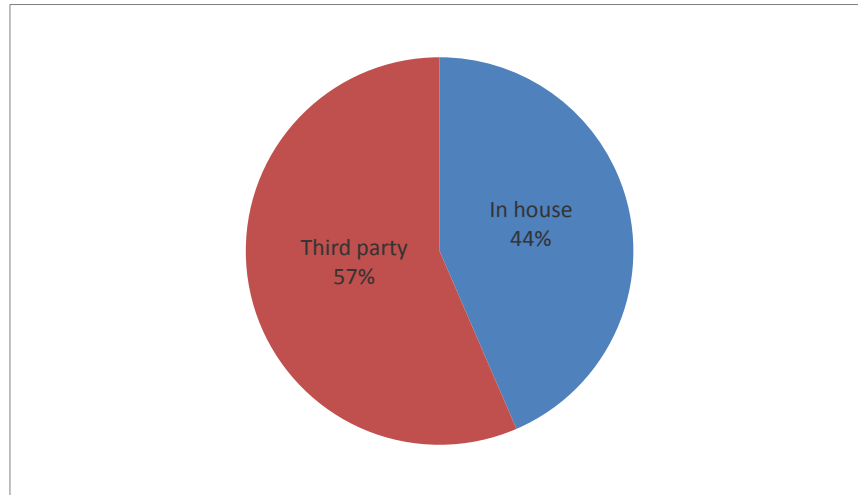
Fixed-Layout Ebooks

FIRMS THAT PRODUCE FIXED-LAYOUT EBOOKS

- 36% Yes
- 52% No
- 12% Unsure
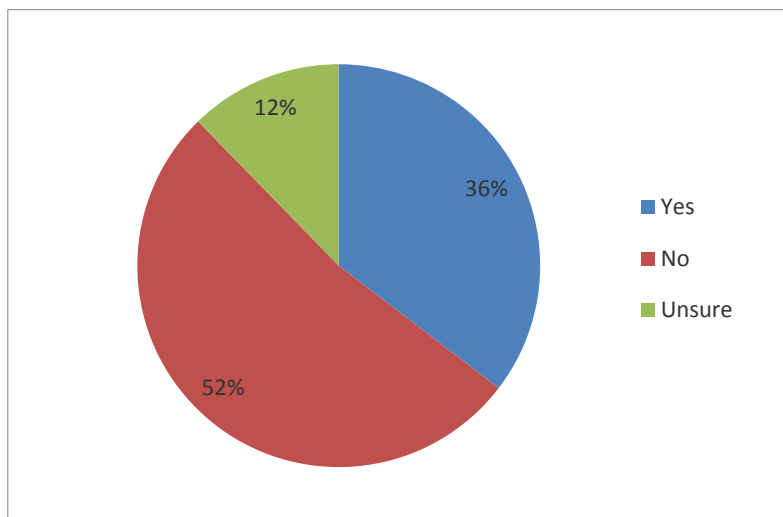
Question: Does your organization produce fixed-layout ebooks?
(N=65)

Fixed-layout ebooks by market focus	Yes	No	Unsure
Trade / Consumer	45%	43%	13%
Scholarly / Professional	0%	100%	0%
Education / K–12	0%	100%	0%

FIXED-LAYOUT PRODUCTION

Question: How are you producing your fixed-layout ebooks?
(N=47)

PREFERRED PLATFORMS FOR FIXED-LAYOUT DISTRIBUTION
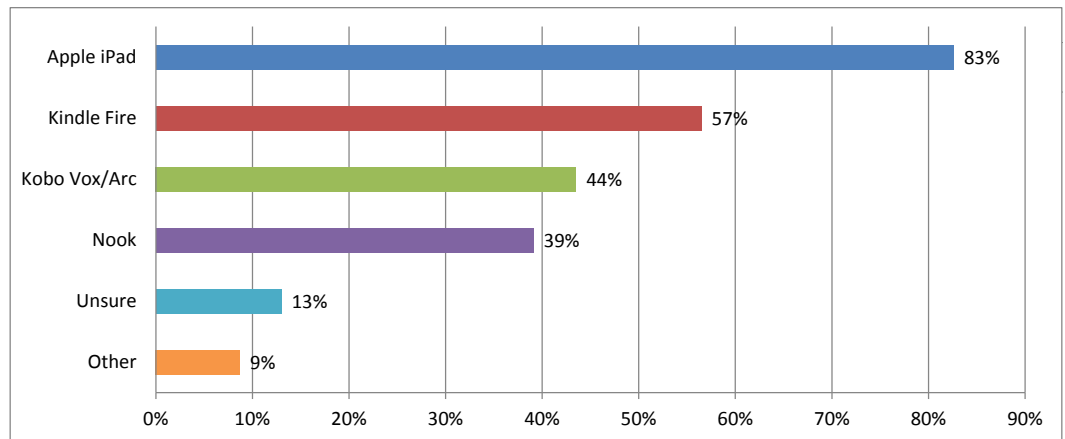
Question: On what platforms are you targeting your fixed-layout development efforts?
This question allowed for multiple responses
(N=23 respondents, N=56 responses)

The iPad is the most popular platform for fixed-layout ebooks

HIGHLIGHTS:

Slightly fewer firms are producing fixed-layout ebooks (36% in 2014, down from 41% in 2013) with the only market producing fixed-layout books being trade publishers. Both the scholarly and educational markets are not producing fixed-layout ebooks, which may be due to the popularity of the PDF format within those market segments.

For those firms who are producing fixed-layout ebooks, numbers are steady in 2014 with 44% of those firms producing in-house.

The Apple iPad continues to be the preferred device for publishers producing fixed-layout ebooks, up from 75% to 83% in 2014. The Kindle Fire has gone from 47% to 57%, while Kobo has held steady at 44%.

Ebook Bundling

BUNDLING PRACTICES
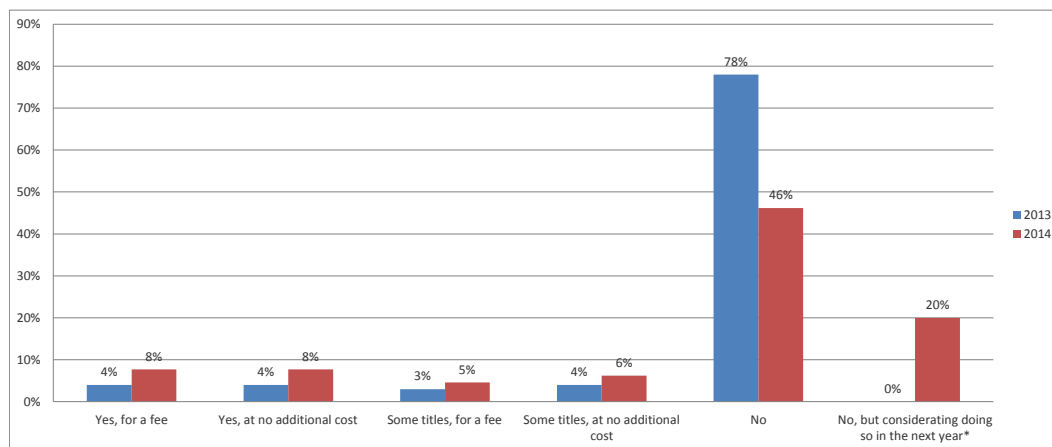
*Not asked in 2013
Question: Do you bundle digital with print book purchases?
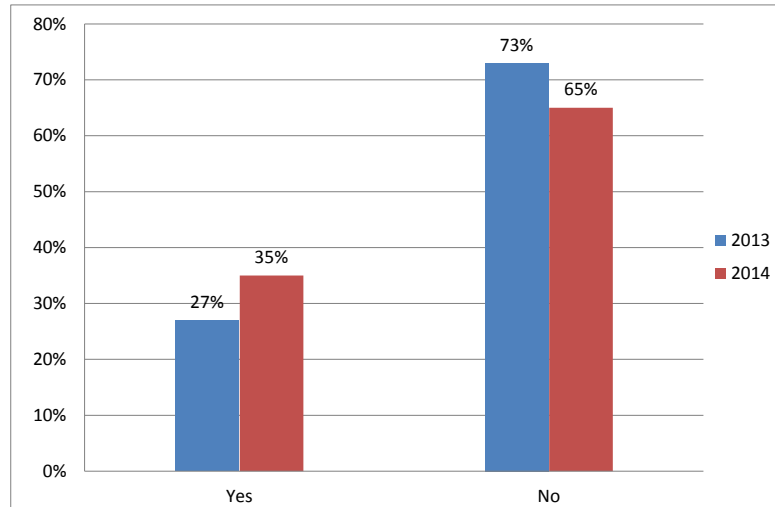(2013 N=78, 2014 N=65)

20%
of publishers are considering the possibility of offering bundles

HIGHLIGHTS:

Though the numbers are not large, more publishers are experimenting with book bundling, either for a fee or at no extra charge. 20% of publishers are considering bundled offerings within the next year.
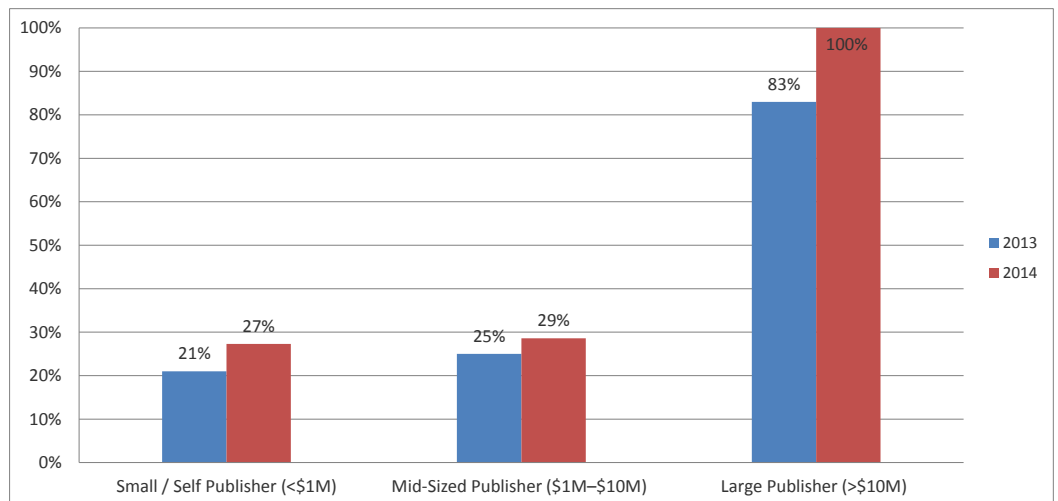
Digital Originals & Enhanced Ebooks
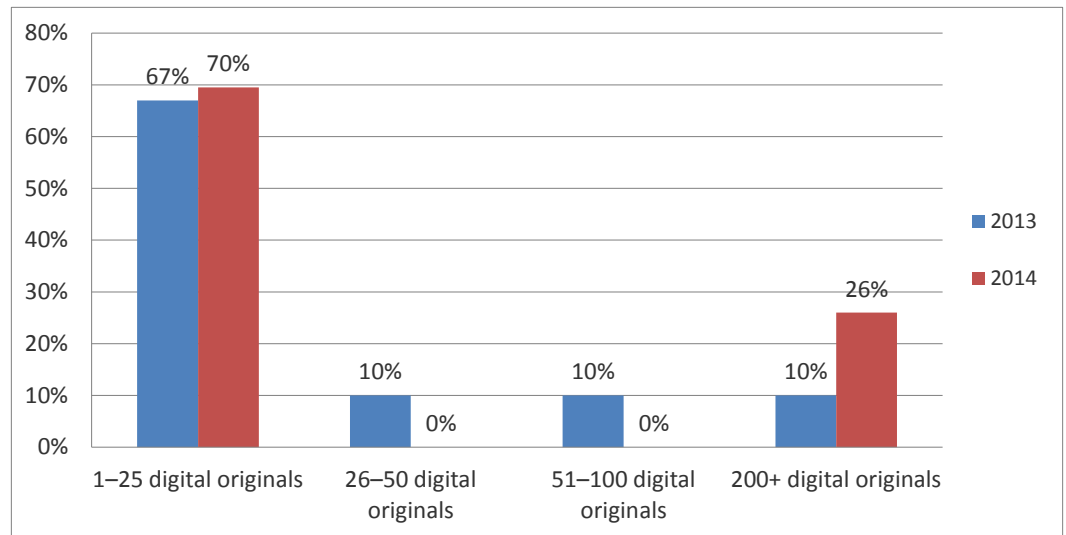
DIGITAL ORIGINALS

Question: Do you have a digital-only publishing program where, for certain titles, you produce only digital editions?
(N=65)

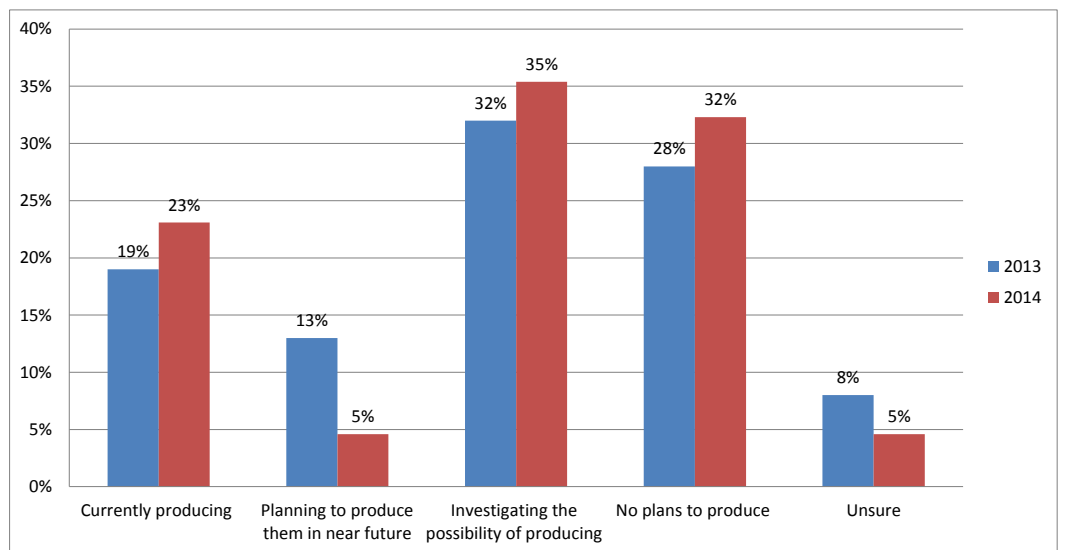## COMPANIES WITH DIGITAL-ONLY PROGRAMS, BY COMPANY SIZE

Question: Do you have a digital-only publishing program where, for certain titles, you produce only digital editions? Response = Yes
(2013 N=78, 2014 N=65)

NUMBER OF ACTIVE DIGITAL ORIGINALS

Question: How many active digital originals do you have?
(2013 N=21, 2014 N=23)

PLANS FOR ENHANCED EBOOK PRODUCTION

Question: Are you, or do you plan to, produce enhanced ebooks (enhanced content such as audio / video)?
(2013 N=78, 2014 N=65)

Enhanced ebook production by size of company	Currently producing	Planning to produce in the near future	Investigating the possibility of producing	No plans to produce	Unsure
Small / Self Publisher (<$1M)	9%	0%	38%	47%	7%
Mid-Size Publisher ($1M–$10M)	47%	13%	33%	7%	0%
Large Publisher (>$10M)	71%	14%	0%	14%	0%

EBOOK ENHANCEMENTS
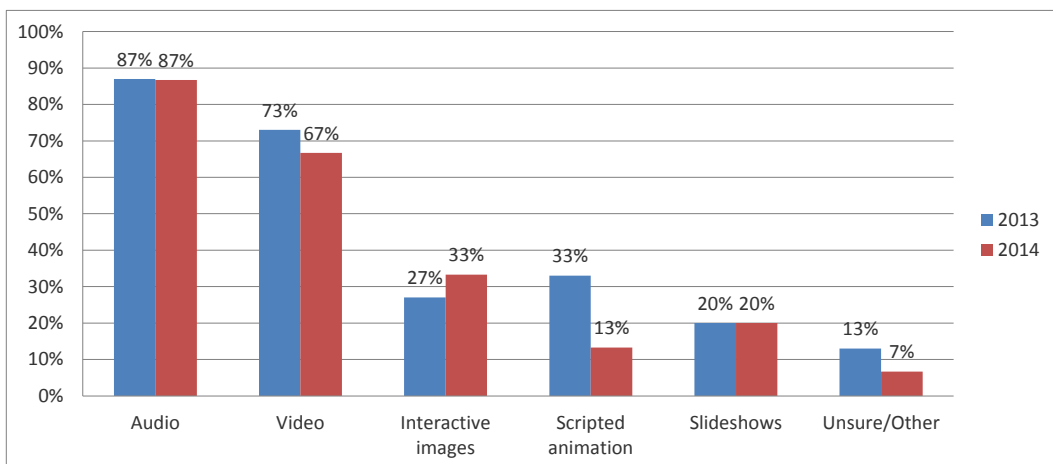
Question: What type of ebook enhancements do you currently employ?
(2013 N=15, 2014 N=15)

ENHANCEMENTS' EFFECT ON SALES
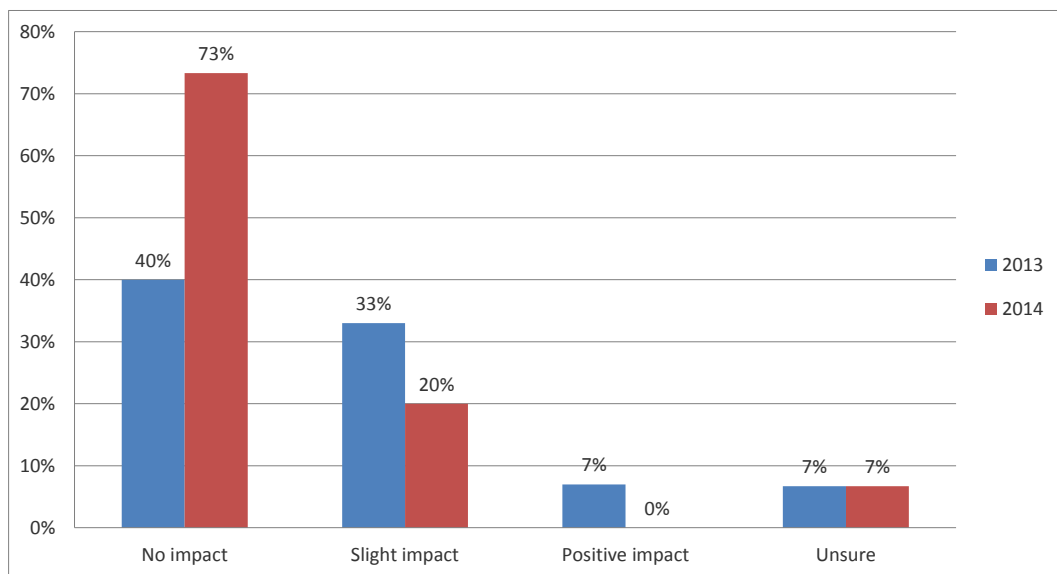
Question: Have you seen any correlation between enhancements and an increase in ebook sales?
(2013 N=15, 2014 N=15)

35%
of publishers are producing digital originals, up from **27%** last year

HIGHLIGHTS:

More publishers of all sizes are producing digital originals. 27% of publishers were producing digital originals in 2013, increasing to 35% in 2014. Of those companies, 100% of large publishers are producing digital originals.

When it comes to the production of enhanced ebooks, while not a lot of additional publishers are producing them, it does appear as if more firms have a set agenda as to whether they will produce enhanced ebooks. Slightly more firms are producing enhanced ebooks (23% in 2014 as compared to 19% the previous year), and more firms are deciding they are not producing enhanced ebooks (32% as compared to 28% in 2013). Small publishers are the ones who predominantly are not planning on producing enhanced ebooks.

For those publishers who are offering enhanced ebooks, most are offering files with audio and video, with a slight increase in interactive images (from 27% to 33%) and a notable decline in scripted animation (from 33% to 13%).

There is a significant increase in publishers' opinions when it comes to whether enhanced ebooks increase sales: 73% feel there is no impact, as compared to only 40% the year before.

Mobile Apps

PRODUCTION OF MOBILE APPS
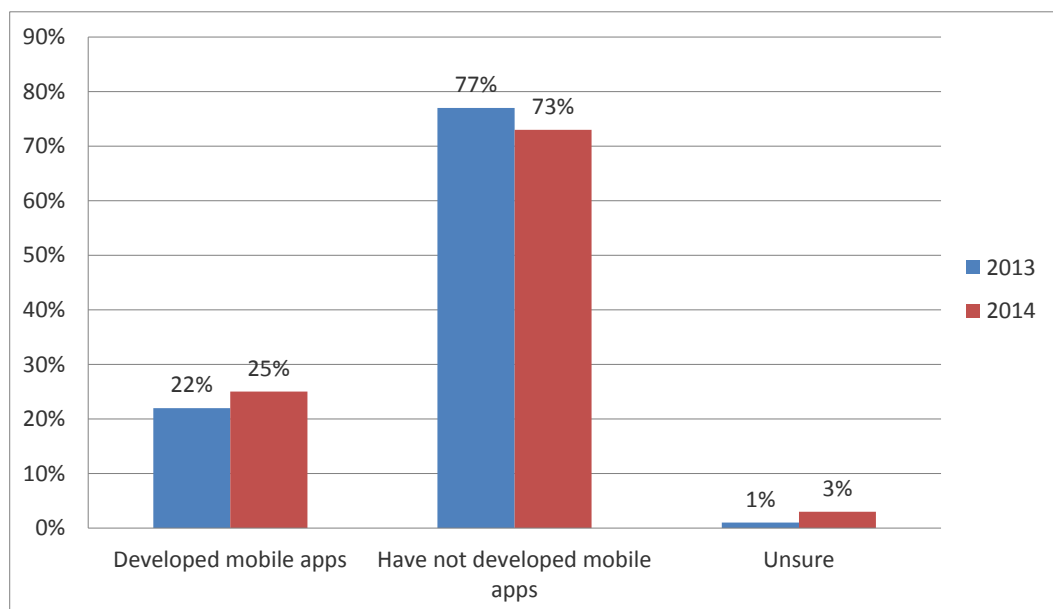
Question: Have you developed any apps for mobile devices?
(2013 N=78, 2014 N=65)

App development by size of company	Yes	No	Unsure
Small / Self Publisher (<$1M)	11%	87%	2%
Mid-Size Publisher ($1M–$10M)	40%	60%	0%
Large Publisher (>$10M)	86%	0%	14%

App development by market focus	Yes	No	Unsure
Trade / Consumer	32%	66%	2%
Scholarly / Professional	11%	78%	11%
Education / K–12	0%	100%	0%

25%
of publishers are developing mobile apps

HIGHLIGHTS:

The development of mobile apps is fairly consistent from 2013 to 2014, with 25% of publishers taking on this development effort. The effort is primarily taking place with larger trade publishers.

The majority of publishers are producing only a limited number of apps. 81% of publishers are producing five or fewer apps and only 6% of publishers are producing more than 20 apps.
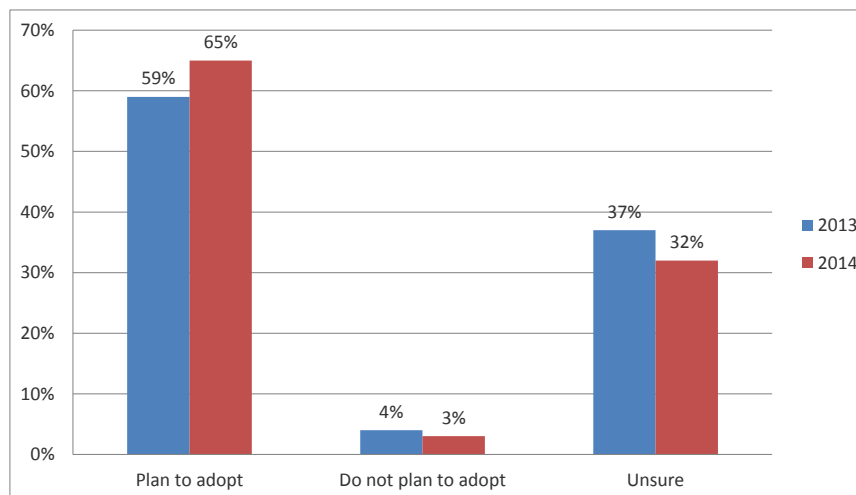
Digital Best Practices

ISBNS BY DIGITAL FORMAT
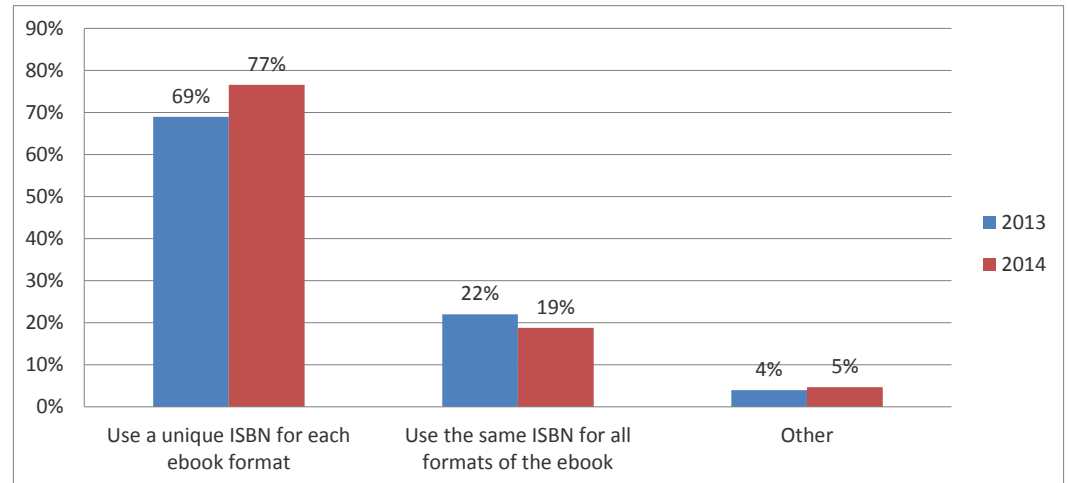
Question: When providing unique ISBNs, do you: (choose 1 of the following options)
(2013 N=77, 2014 N=64)

ISBN practice by market focus	Use a unique ISBN for each ebook format	Use the same ISBN for all formats of the ebook	Other
Trade / Consumer	67%	27%	6%
Scholarly / Professional	89%	11%	0%
Education / K-12	100%	0%	0%

EPUB 3 ADOPTION

Question: Do you plan to move to the ePUB 3 ebook formatting standard once it is more widely adopted by mobile device manufacturers?
(2013 N=78, 2014 N=65)

65%

of publishers (up from 59% last year) plan to move to EPUB 3

## HIGHLIGHTS:

Almost all publishers are following the official Book Industry Study Group best practices by assigning a unique ISBN for their ebooks; 77% are assigning unique ISBNs to each digital format as compared to 69% in 2013 (well done!). Without unique ISBNs, it is difficult to track sales for different formats and to make decisions on which formats to produce. It also may make it difficult for consumers to be certain which ebook format they are purchasing.

Slightly more publishers expect to adopt EPUB 3 (65%), with 32% expressing uncertainty.

Digital Creation & Management Tools

PREFERRED TOOLS FOR DIGITAL CONTENT CREATION
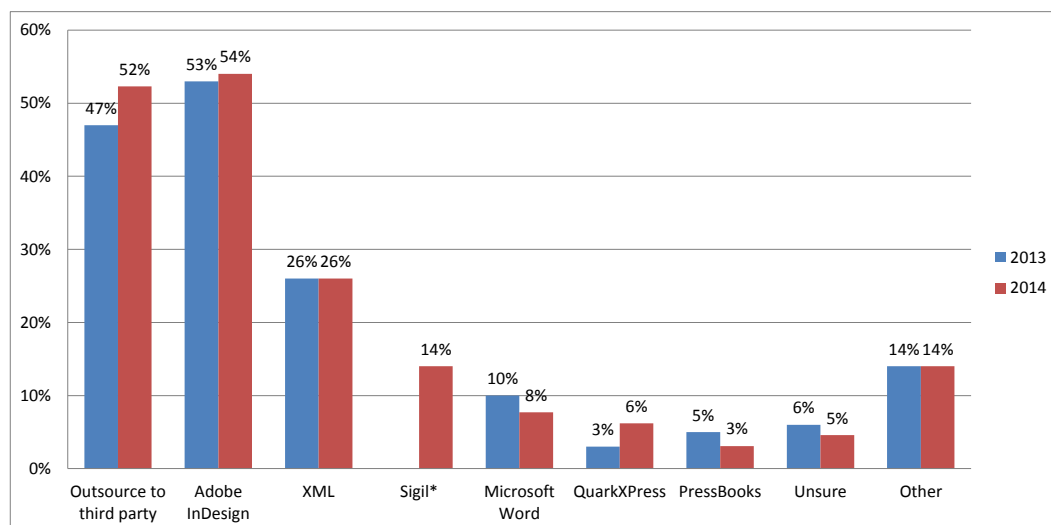
*Not asked in 2013
Question: What content creation and management tools does your company use to produce ebooks?
This question allowed for multiple responses
(N=65 respondents, N=118 responses)

Content creation and management tools by market focus	Outsource to third party	Adobe InDesign	XML	Sigil	Microsoft Word	QuarkX-Press	Press-Books	Unsure	Other
Trade / Consumer	51%	60%	21%	15%	11%	6%	4%	4%	26%
Scholarly / Professional	78%	11%	11%	0%	0%	0%	0%	11%	33%
Education / K–12	0%	100%	67%	0%	0%	0%	0%	0%	0%

**Most publishers are using Adobe InDesign to produce ebooks**

HIGHLIGHTS:

A greater number of publishers are outsourcing their digital content creation (52% as compared to 47% in 2013). Outsourcing is used notably more by scholarly publishers (78%) as compared to trade publishers (51%). That being said, 11% more trade publishers are now outsourcing than in 2013.

The primary tool used for digital content creation is Adobe InDesign (54%), used by 60% of trade publishers.

Digital Asset Management

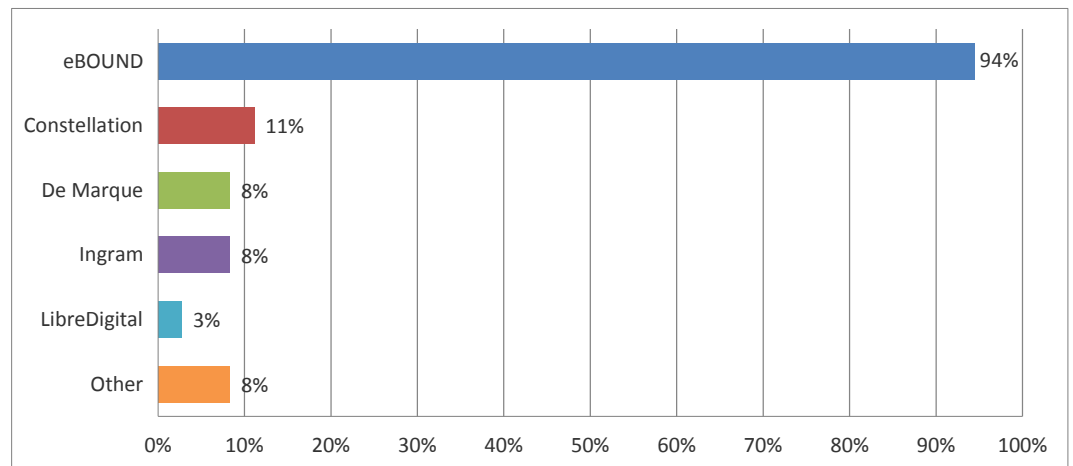**USE OF A DIGITAL ASSET MANAGEMENT FIRM**
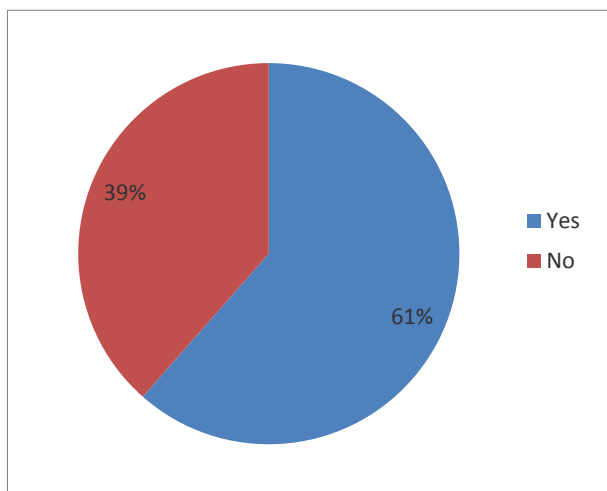
Question: Are your ebook sales managed by a digital asset manager (digital distributor)?
(i.e., eBOUND, Transcontinental)
(N=65)

Breakdown by size of company	Yes	No
Small / Self Publisher (<$1M)	66%	34%
Mid-Size Publisher ($1M–$10M)	71%	29%
Large Publisher (>$10M)	14%	86%

Breakdown by market focus	Yes	No
Trade / Consumer	55%	45%
Scholarly / Professional	89%	11%
Education / K-12	100%	0%

DIGITAL ASSET MANAGEMENT FIRMS

Question: If yes, indicate the name of the firm.
This question allowed for multiple responses
 (N=36 respondents, N=48 responses)

61%
of publishers use
a digital asset
management firm for
ebook sales

HIGHLIGHTS:

61% of publishers use a digital asset management firm for ebook sales, with 71% of mid-sized publishers outsourcing these services. The majority of respondents (94%) use eBOUND Canada.

Constellation, the digital services division of The Perseus Book Group, rose to the second most popular Digital Asset Manager (DAM), with 11% of respondents. Ingram fell slightly from 11% to 8%, but it should be noted that Ingram's CoreSource is the DAM that eBOUND itself uses.
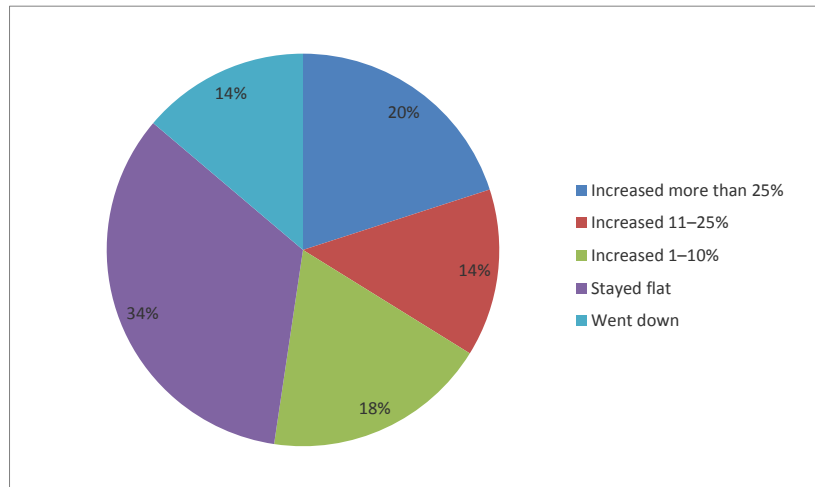
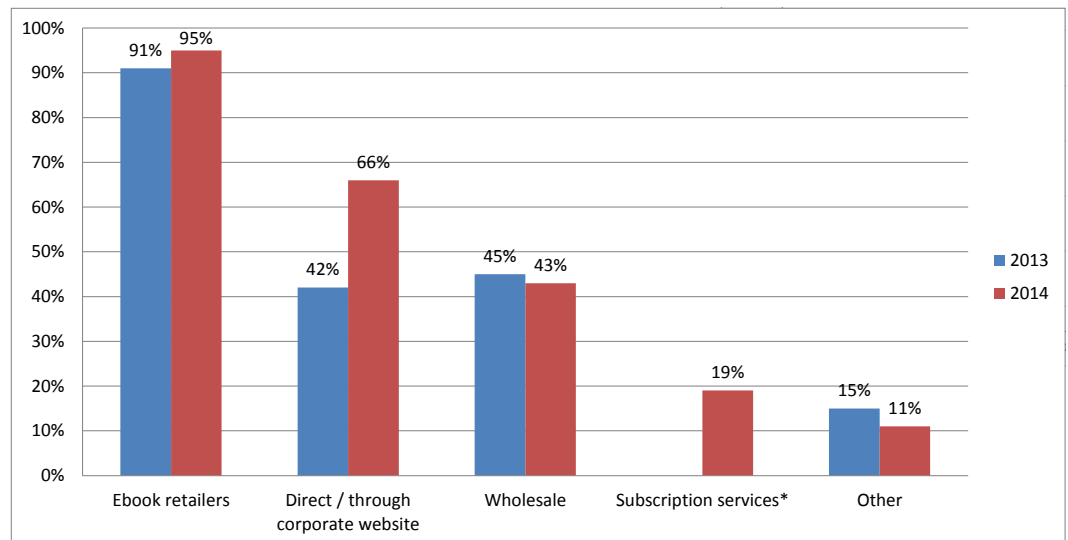# Ebook Sales & Distribution

EBOOKS WITH CANADIAN SALES
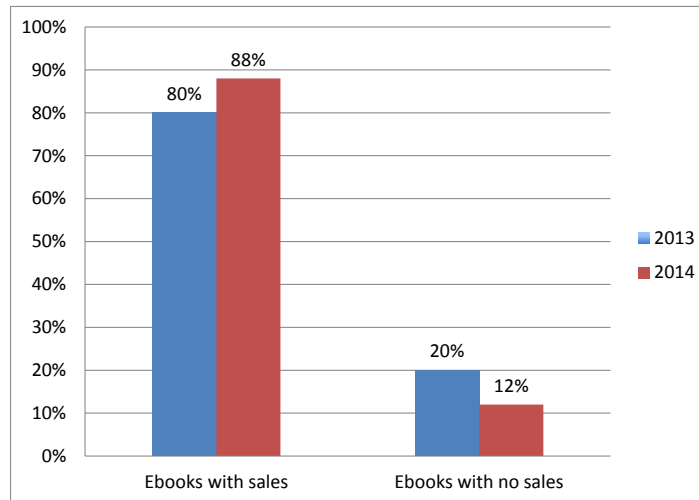
Question: How many ebooks do you have with Canadian sales in the past 12 months?
(N=65)

CHANGE IN DIGITAL REVENUE FROM 2013 TO 2014

Question: Comparing your digital sales revenue in the Canadian marketplace between 2013 and 2014, would you say your firm's digital revenue:
(N=65)
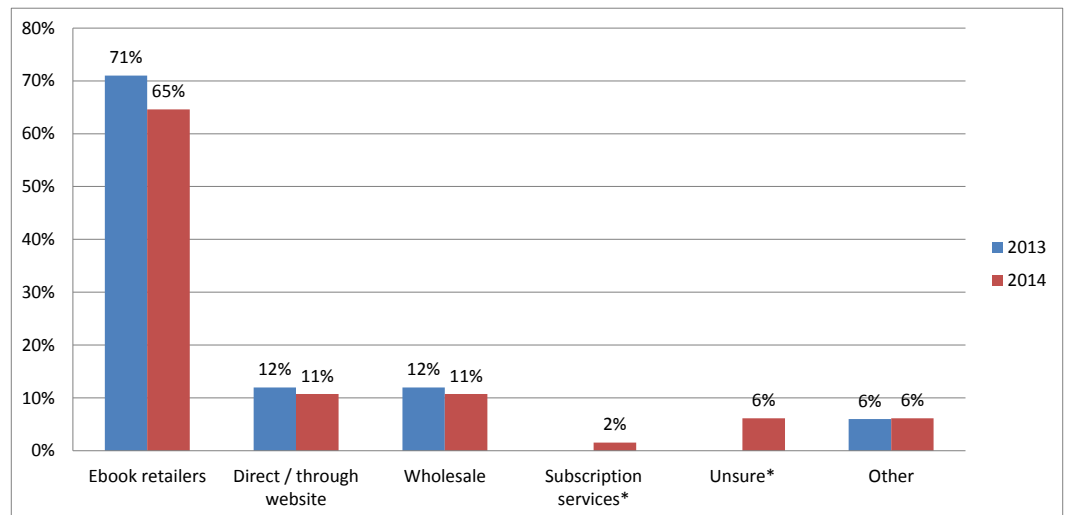
EBOOK SALES CHANNELS

*Not asked in 2013

Question: How are you selling your ebooks to Canadian readers?

This question allowed for multiple responses

 (N=65 respondents, N=152 responses)

## BEST EBOOK REVENUE CHANNELS

*Not asked in 2013

Question: If you sell through more than one sales channel in Canada, through which channel do you receive the most revenue?

(N=69)

Breakdown by market focus	Ebook retailers	Direct / through corporate website	Wholesale	Subscription services	Unsure	Other
Trade / Consumer	77%	11%	6%	2%	2%	2%
Scholarly / Professional	22%	11%	22%	0%	11%	33%
Education / K-12	67%	0%	0%	0%	33%	0%

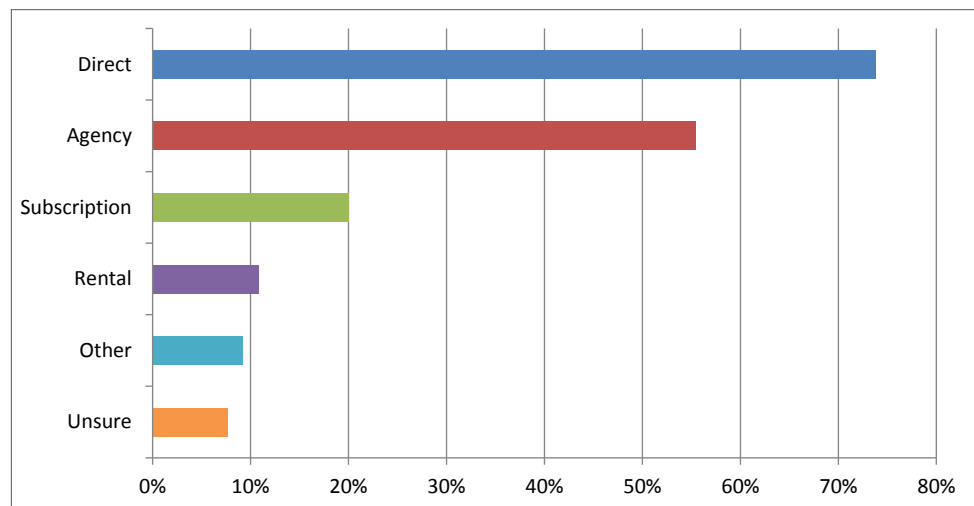**CHANNELS FOR EBOOK RETAIL DISTRIBUTION**
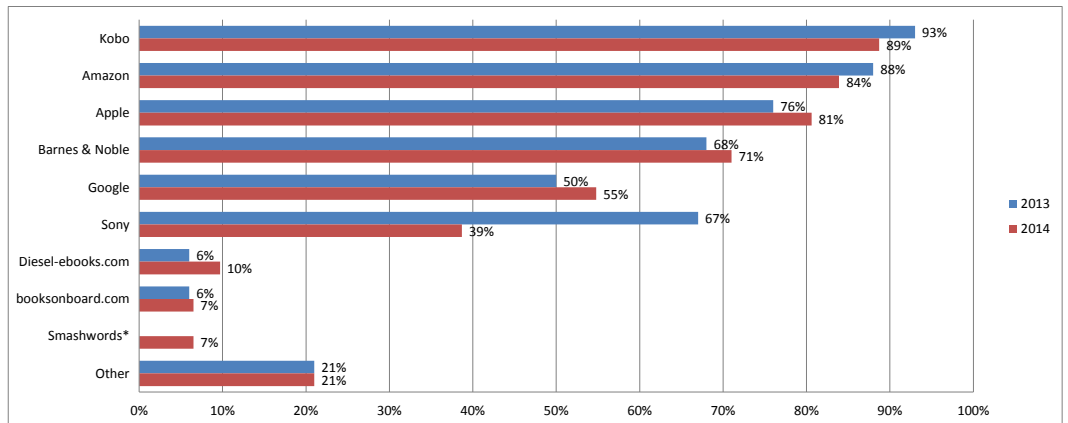
*Not asked in 2013
Question: If you are selling through ebook retailers, please tell us which ones.
This question allowed for multiple responses.
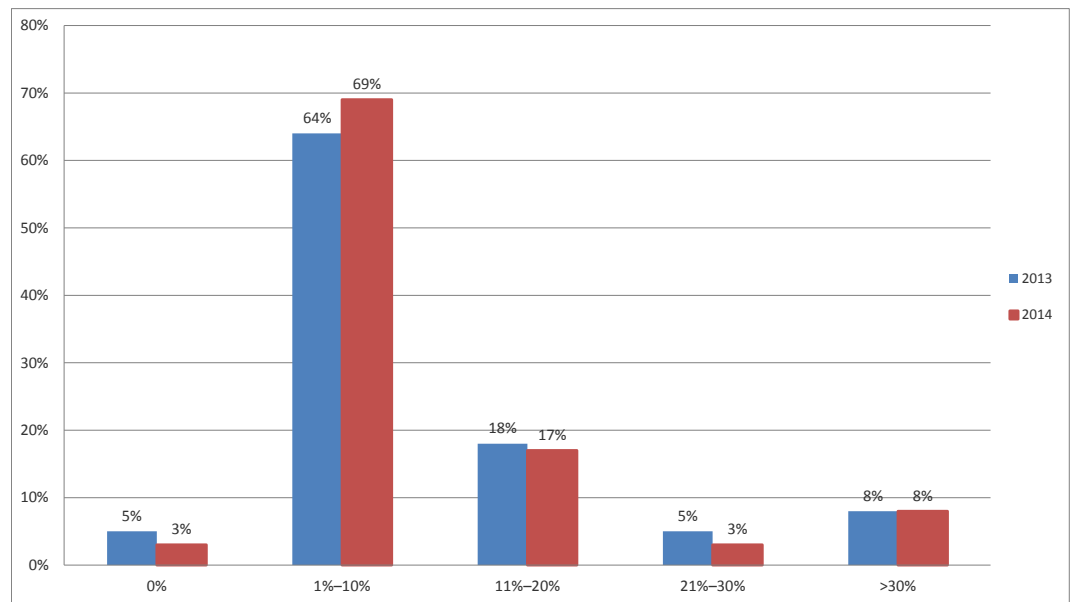(N=62 respondents, N=286 responses)

PRICING MODELS

Question: What type of ebook pricing does your company use?
This question allowed for multiple responses.
(N=65 respondents, N=115 responses)

EBOOK REVENUE

Question: What percent of your firm's overall revenue is derived from ebook sales?
(N=65)

52%

of publishers said that revenue from ebook sales increased between 2013 and 2014

HIGHLIGHTS:

Of the responding firms, on average 88% of their ebooks have sales; this has increased from 80% in 2013. This means that approximately 12% of ebooks from responding firms had no sales in 2014.

Factors that could contribute to the lack of sales for some titles include discoverability issues—which may result from missing metadata in publisher ONIX feeds, such as cover images, descriptions, and reviews—and lack of availability in the desired consumer format (ePUB vs. PDF vs. Kindle formats). The more formats and platforms a digital product is made available in, the more potential for sales.

60% of publishers who had greater than 50% of their titles digitized saw a year-over-year revenue increase.

52% of responding publishers outlined that revenue from ebook sales increased between 2013 and 2014. Of those publishers, 20% said their revenue increased more than 25%.

<div style="background: purple; color: white;">

19%
of publishers are selling via subscription services

</div>

48% of respondents said their revenue either stayed flat or went down from 2013 to 2014.

95% of publishers are selling through retail channels and more publishers are engaging with direct sales—direct sales have increased notably, going up to 66% from 42% in 2013.

19% of publishers are selling via subscription services. In early 2013, consumers indicated that just over 8% of their ebook acquisitions were made via subscription services.[3]

Publishers appear to be trying an increasing number of pricing models, with increases to direct sales (74%), agency (55%), and rental (11%).

The majority of publishers by far (69%) derive from 1% to 10% of their revenue from digital sales. 17% of publishers derive between 11% and 20% of their revenue from digital sales.

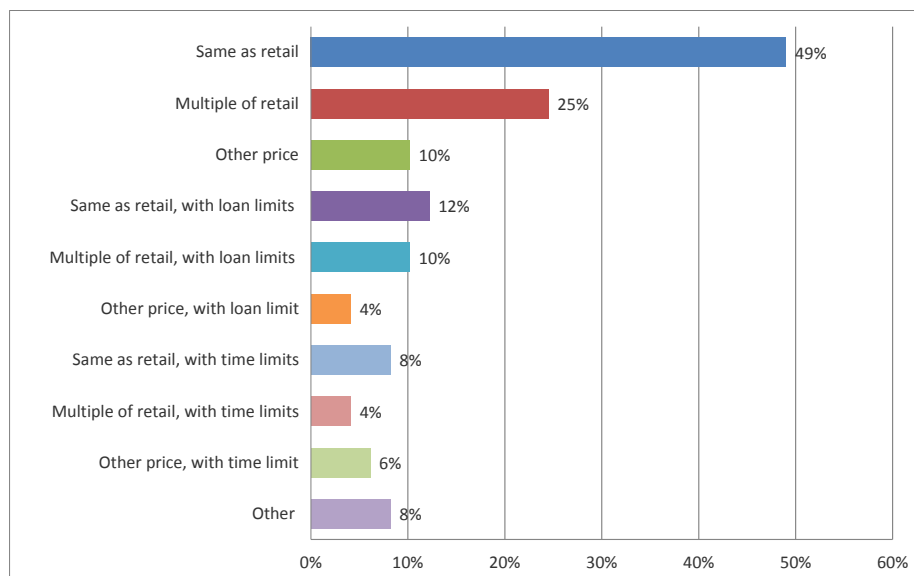3 BookNet Canada, The Canadian Book Consumer: Digital Sales and Trends, June 2014 p.10

Libraries & Ebooks
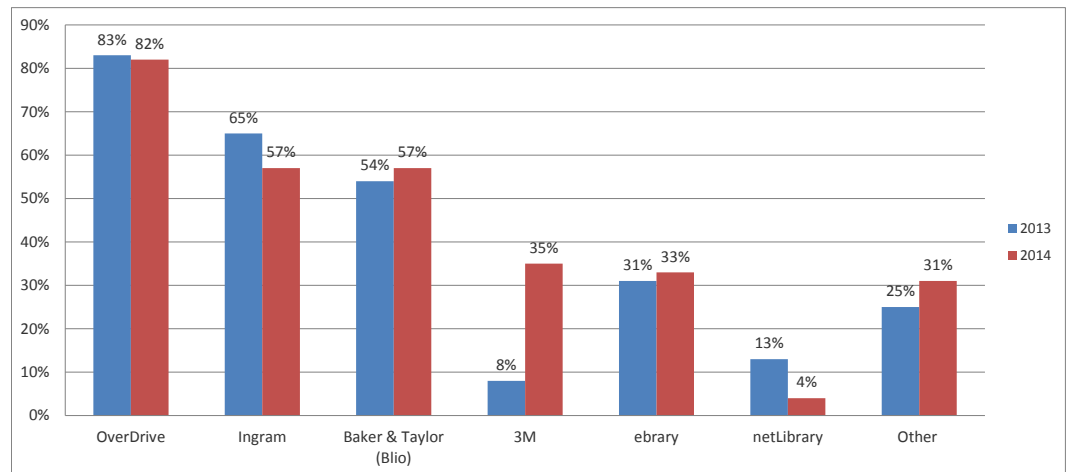
LIBRARY EBOOK SALES
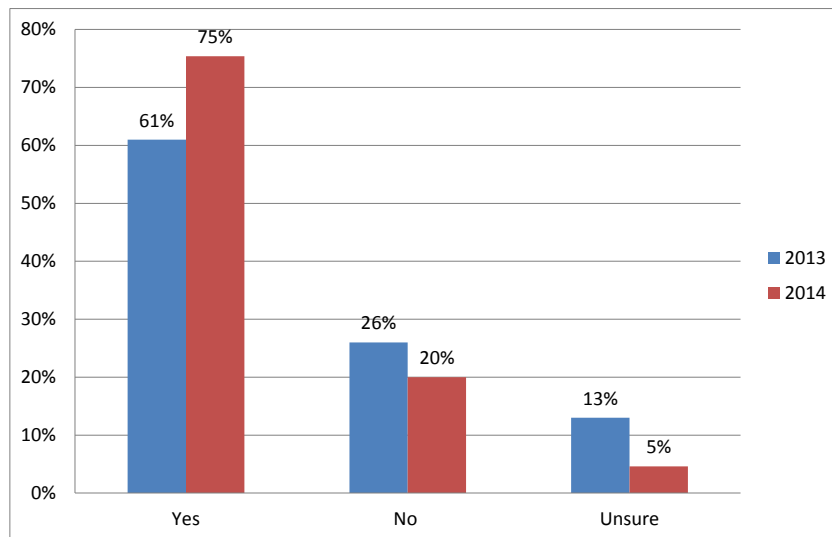
Question: Do you sell ebooks to public libraries?
(N=65)

PRICING FOR LIBRARIES

Question: How are you pricing digital books for library sales? (Please select all that apply)
This question allowed for multiple responses.
(N=49 respondents, N=67 responses)

LIBRARY DISTRIBUTION

Question: What library services do you use (for digital distribution)?
This question allowed for multiple responses.
(N=49 respondents, N=146 responses)

Library distribution service by market focus	OverDrive	Ingram	Baker & Taylor (Blio)	3M	ebrary	World Public Library (netlibrary.net)	Other
Trade / Consumer	79%	54%	56%	36%	23%	3%	33%
Scholarly / Professional	67%	67%	50%	17%	83%	17%	67%
Education / K-12	100%	100%	0%	0%	0%	0%	0%

49%
of publishers are selling to libraries at the same price as retail

HIGHLIGHTS:

Three-quarters of publishers sell ebooks to libraries (up from 61% in 2013).

Almost half of publishers (49%) are selling to libraries at the same price as retail, with an additional 25% of publishers selling for a form of multiple pricing.

OverDrive continues to be the most popular ebook vendor with 82% of publishers, however 3M made a significant jump in 2014, going from only 8% of publishers in 2013 to 35%.

Acknowledgements

ABOUT BOOKNET CANADA

BookNet Canada is a non-profit organization that develops technology, standards, and education to serve the Canadian book industry. Founded in 2002 to address systemic challenges in the industry, BookNet Canada supports publishing companies, booksellers, wholesalers, distributors, sales agents, and libraries across the country.

BookNet Canada's services and research help companies promote and sell books, streamline workflows, and analyze and adapt to a rapidly changing market. BookNet Canada sets technology standards and educates organizations about how to apply them, performs market research, and tracks 85% of all Canadian print book sales through BNC SalesData.

Industry-led and partially funded by the Department of Canadian Heritage, BookNet Canada has become, as The Globe and Mail puts it, "the book industry's supply-chain nerve centre."

To learn more about BookNet Canada Research visit BNC Research and Education.

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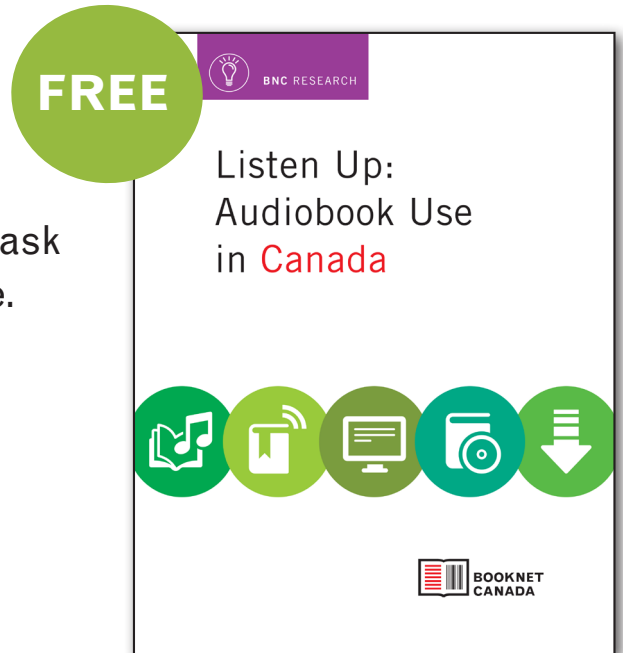
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