BNC RESEARCH

The State of Digital Publishing in Canada 2013

03.2014

PREPARED BY BOOKNET CANADA STAFF

BOOKNET CANADA

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Introduction

In the fall of 2013, BookNet Canada embarked on an initiative to determine the size and scope of the digital publishing market in Canada. More than eighty publishing houses and distributors responded to the first annual State of Digital Publishing in Canada survey, often representing numerous publishers.

This study confirms that in the almost five years since Kobo's predecessor, Shortcovers, launched in Canada, and just four years after the Amazon Kindle ebook reader was made available north of the border, Canadian publishers have rapidly adapted to the Canadian consumer's appetite for digital reading and embraced ebook publishing as a new norm.

BookNet Canada also conducts consumer research, including two annual surveys that measure adoption of digital content. *The Canadian Book Consumer* measures trends in adult book-buying behaviour, including digital adoption. *Measuring Attitudes and Adoption of Digital Content for Kids and Teens* explores how children and teens spend their reading time, and examines how new behaviours and technologies are transforming the way families find, access, and consume the written word.

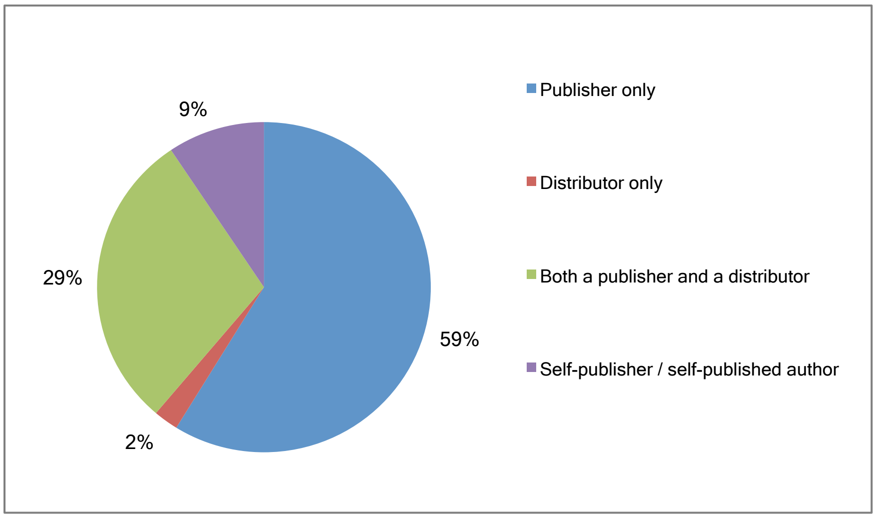
There is ample evidence of consumer demand for ebooks in Canada. Recent BookNet research found that 58% of people who had read at least one book last year had read a book in ebook format. The 2013 edition of *The Canadian Book Consumer*, available Spring 2014, revealed that 20% of book-buyers bought one or more ebooks in 2013, up from 18% in 2012. And 41% of parents and 27% of teens surveyed in *Measuring Attitudes and Adoption of Digital Content for Kids and Teens* stated that they currently read ebooks.

Respondents to our 2012 edition of *The Canadian Book Consumer* identified portability and instant availability as key reasons for buying ebooks. Some of the factors discouraging ebook purchasing for Canadian readers include restrictions on lending and borrowing, restrictions on transferring ebooks between devices, the limited availability of books in ebook format, and the fact that ebooks aren't great for gift giving.

This report serves as a benchmark of the state of digital publishing in Canada in 2013. BookNet Canada will conduct an annual survey to gauge how publishers and distributors adapt to new technologies, consumer demands, and other factors affecting digital publishing.

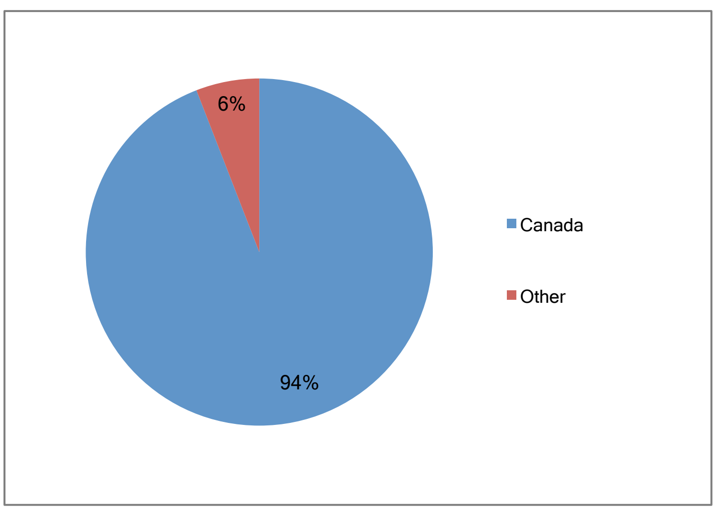
Respondent Profile

COMPANY TYPE



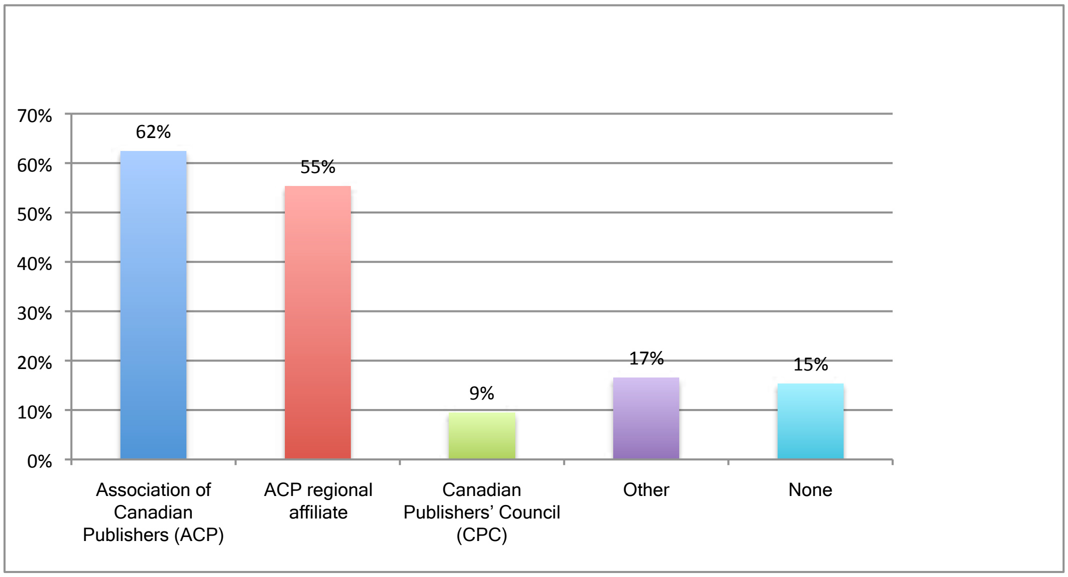
Question: Type of firm
(N=85)

COMPANY HEADQUARTERS



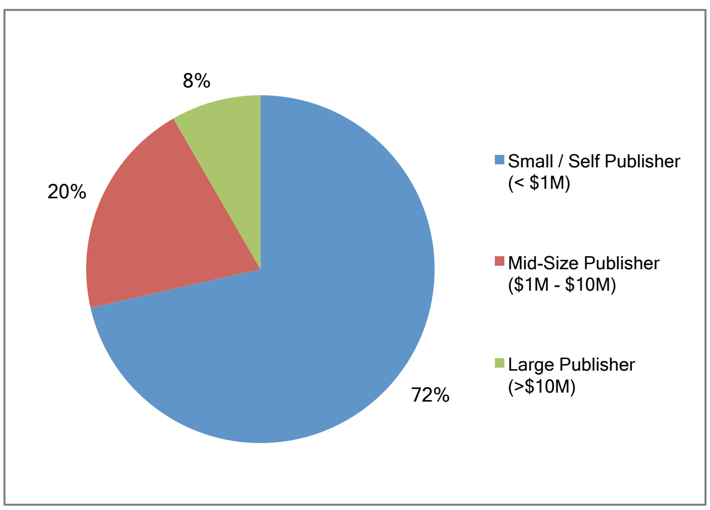
Question: Is your firm's headquarters located in Canada?
(N=85)

ASSOCIATION MEMBERSHIP



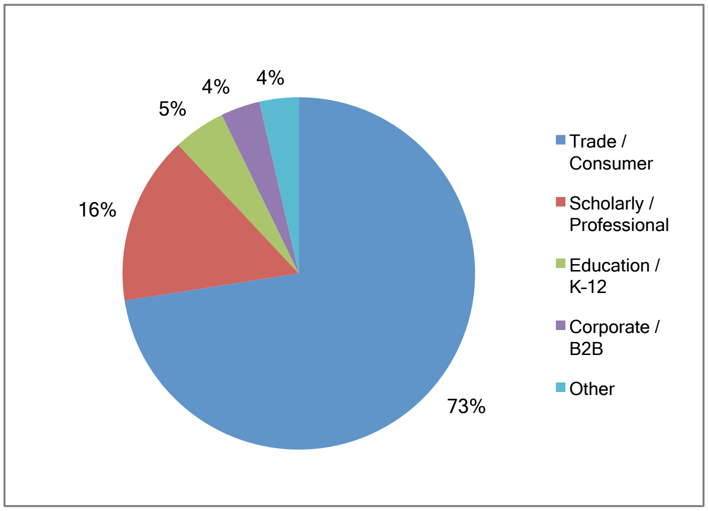
Question: Is your firm a member of the (following associations)?
(N=85)

COMPANY SIZE



Question: Size of firm (Canadian revenue)
(N=84)

MARKET FOCUS



Question: What industry segment best describes your firm's market focus? (N=84)

85%
of respondents belong to a publishing association

HIGHLIGHTS:

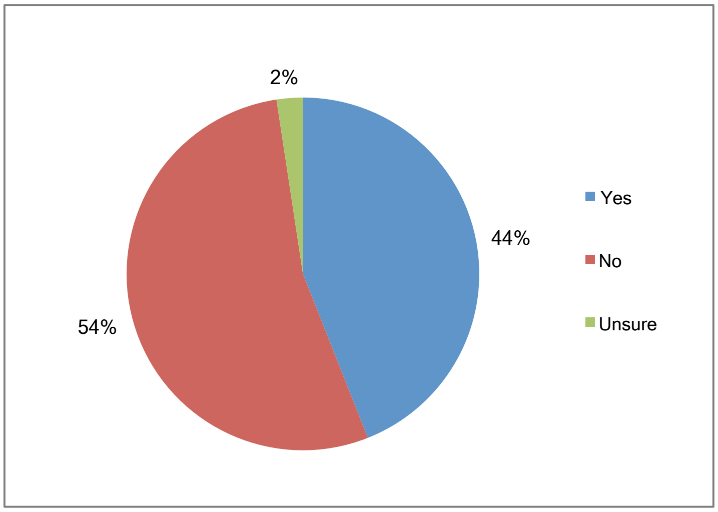
For the purposes of this study, we have defined the size of company based on publisher-reported revenue as small (<$1M), mid-size ($1M–$10M), and large (>$10M). Using these parameters, 72% of respondents represent small publishers.

85% of respondents belong to a publishing association. In particular, 73% are members of the Association of Canadian Publishers and/or an ACP regional affiliate member, highlighting the importance of trade associations to Canadian publishers.

The majority of respondents (73%) are trade / consumer publishers, followed by scholarly / professional publishers (16%)

Dedicated Digital Staff

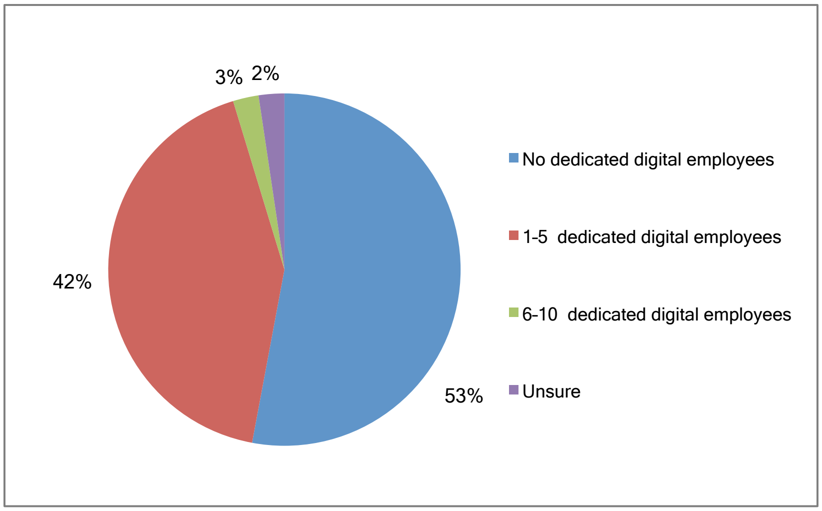
DIGITAL STAFF



Question: Does your organization have a digital staff that focuses specifically on ebooks? (N=84)

Digital staff by size of company	Yes	No	Unsure
Small / Self Publisher (< $1M)	31%	67%	2%
Mid-Size Publisher ($1M - $10M)	71%	24%	6%
Large Publisher (>$10M)	100%	0%	0%

NUMBER OF DIGITAL STAFF MEMBERS



Question: How many employees are strictly dedicated to digital?
(N=84)

45%
of respondents have a dedicated digital staff member

HIGHLIGHTS:

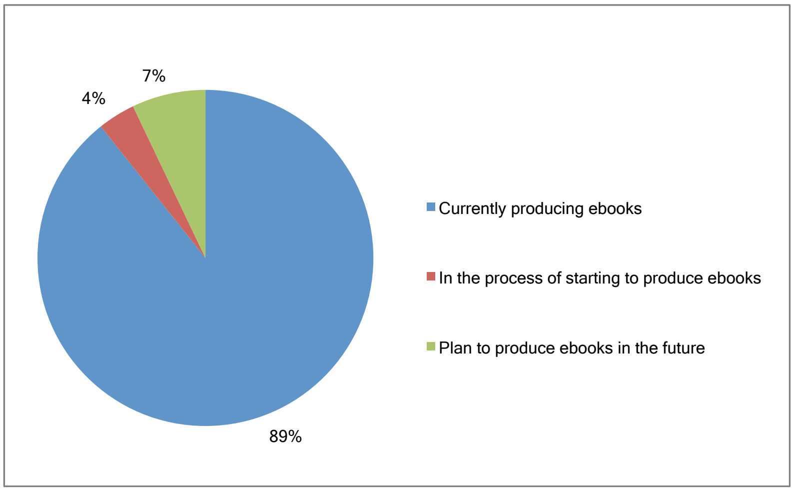
The majority of respondents (53%) do not have a staff member specifically dedicated to digital.

While 100% of large publishers and 71% of mid-size publishers have a dedicated digital staff member, only 31% of small publishers do.

Close to half of respondents employ 1–5 digital staff members who focus specifically on ebooks (42%), and 2% have 6–10 employees strictly dedicated to digital.

Ebook Production & Conversion

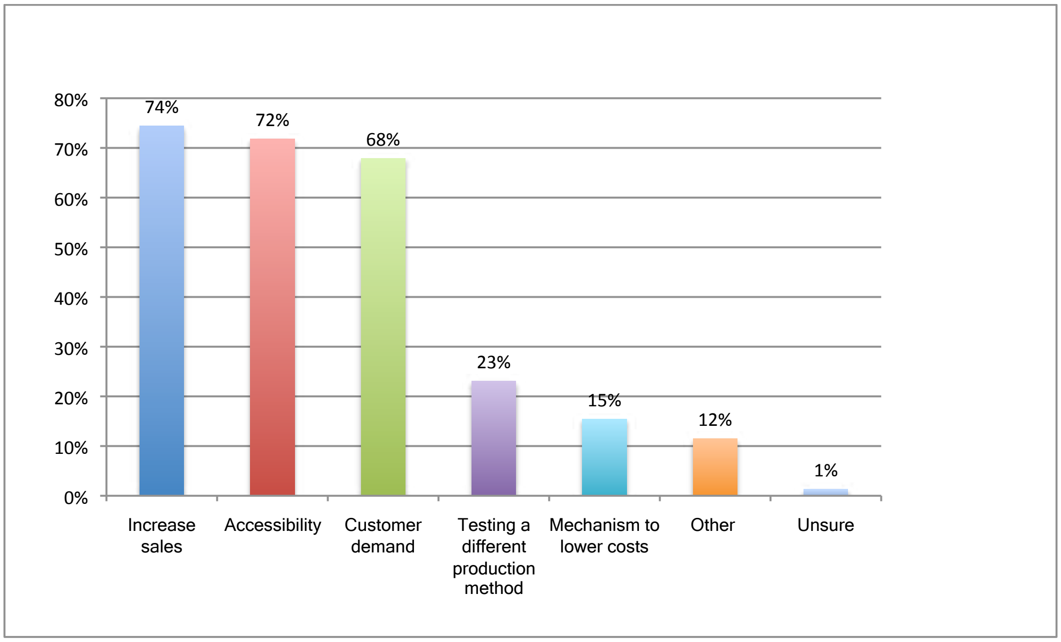
EBOOK PRODUCTION



Question: Does your firm currently publish ebooks?
(N=84)

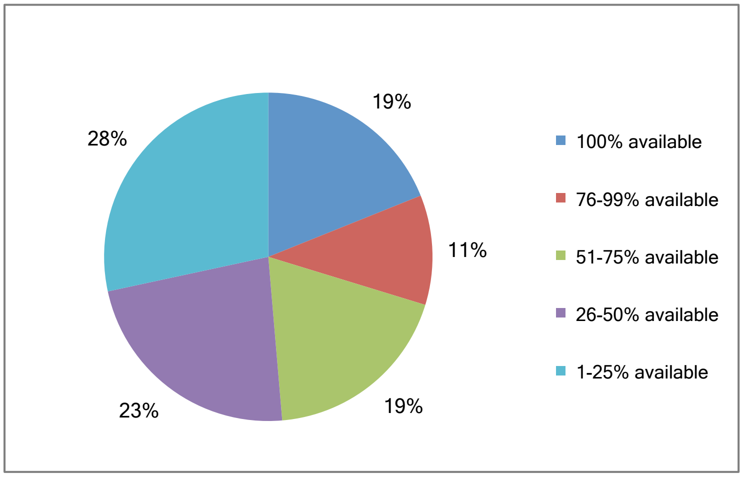
Ebook production by size of company	Currently producing ebooks	In the process of starting to produce ebooks	Plan to produce ebooks in the future
Small / Self Publisher (< $1M)	89%	3%	8%
Mid-Size Publisher ($1M - $10M)	88%	6%	6%
Large Publisher (>$10M)	100%	0%	0%

DRIVING FORCES FOR EBOOK PRODUCTION



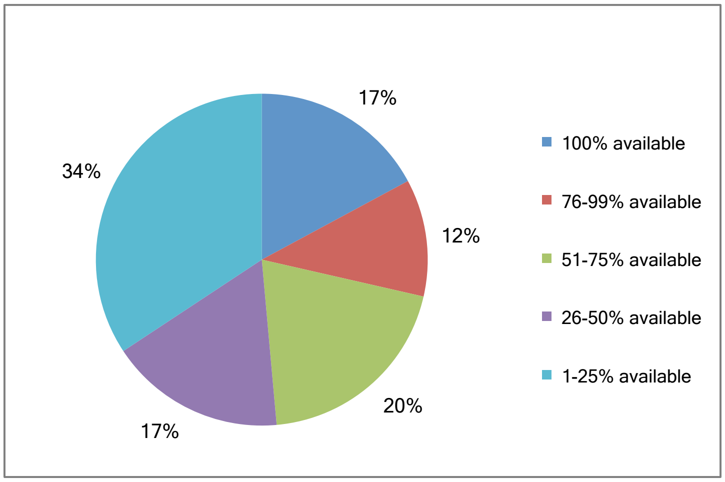
Question: What are your firm's main reasons for publishing ebooks?
This question allowed for multiple responses
(N=78 respondents, N=207 responses)

DIGITAL AVAILABILITY OF PRINT TITLES



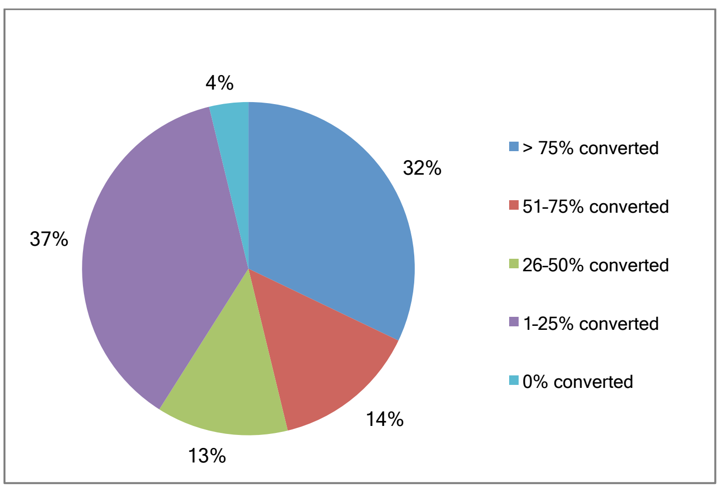
Question: In Canada, how many of your active print titles are you selling? Of these active print titles, how many are available as ebooks?
(N=74)

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?
(N=35)

BACKLIST CONVERSION



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

Backlist conversion by size of publisher	0%	1–25%	26–50%	51–75%	> 75%
Small / Self Publisher (< $1M)	5%	45%	14%	5%	30%
Mid-Size Publisher ($1M - $10M)	0%	13%	6%	31%	50%
Large Publisher (>$10M)	0%	33%	17%	50%	0%

Close to
90%
of publishers produce ebooks

HIGHLIGHTS:

Close to 90% of publishers currently produce ebooks, and the remainder are either in the process of starting to produce ebooks, or plan to produce them in the future.

100% of the country's largest publishers are publishing ebooks, though mid-size publishers, at 88%, and small publishers, at 89%, aren't far behind.

While the top reason indicated for publishing ebooks is to increase sales (74%), the next two most popular reasons are both consumer-driven—accessibility (72%) and demand (68%).

Despite some noise about ebooks being cheaper to produce than print, only 15% of publishers selected "mechanism to lower costs" as a motivation for publishing ebooks.

Almost half (49%) of all respondents have more than 50% of their active print titles available as ebooks, and 19% reported that 100% of their active list is available in a digital format.

For juvenile titles, almost half (48%) of all respondents reported that over 50% of their active titles are available as ebooks, and 17% reported that 100% of their active juvenile list is available in digital format.

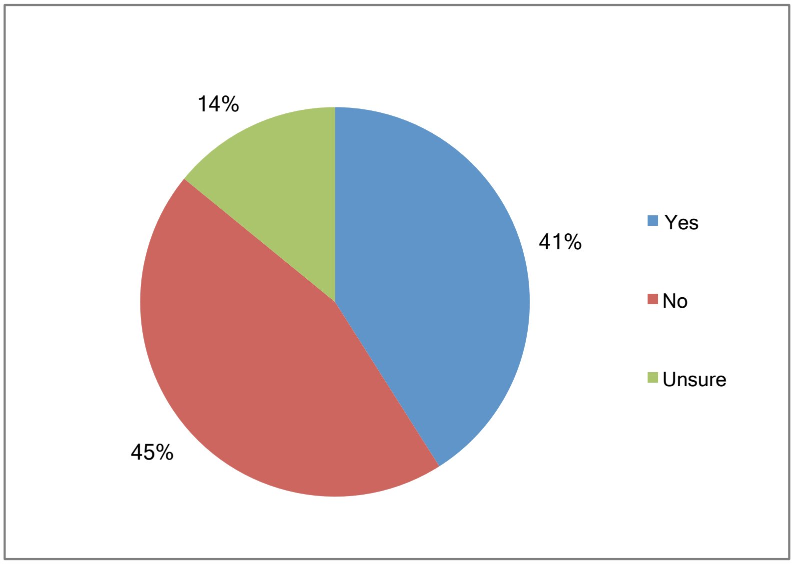
46% of respondents reported backlist conversions of 50% or higher. 37% of respondents have digitized just 1–25% of their backlist.

None of the largest publishing firms in the country reported backlist conversion of greater than 75%.

Mid-size publishers have the highest backlist conversion rates with 50% reporting 75% or more of their backlist has been digitized.

Fixed-Layout Ebooks

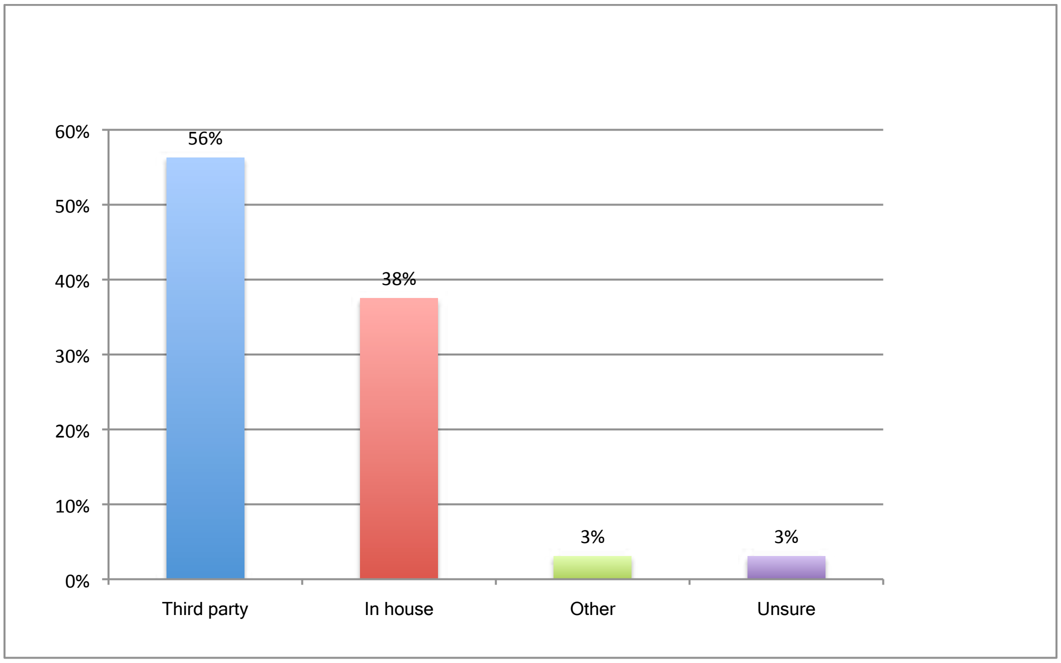
FIRMS THAT PRODUCE FIXED-LAYOUT EBOOKS



Question: Does your organization produce fixed-layout ebooks?
This question allowed for multiple responses
(N=78 respondents, N=128 responses)

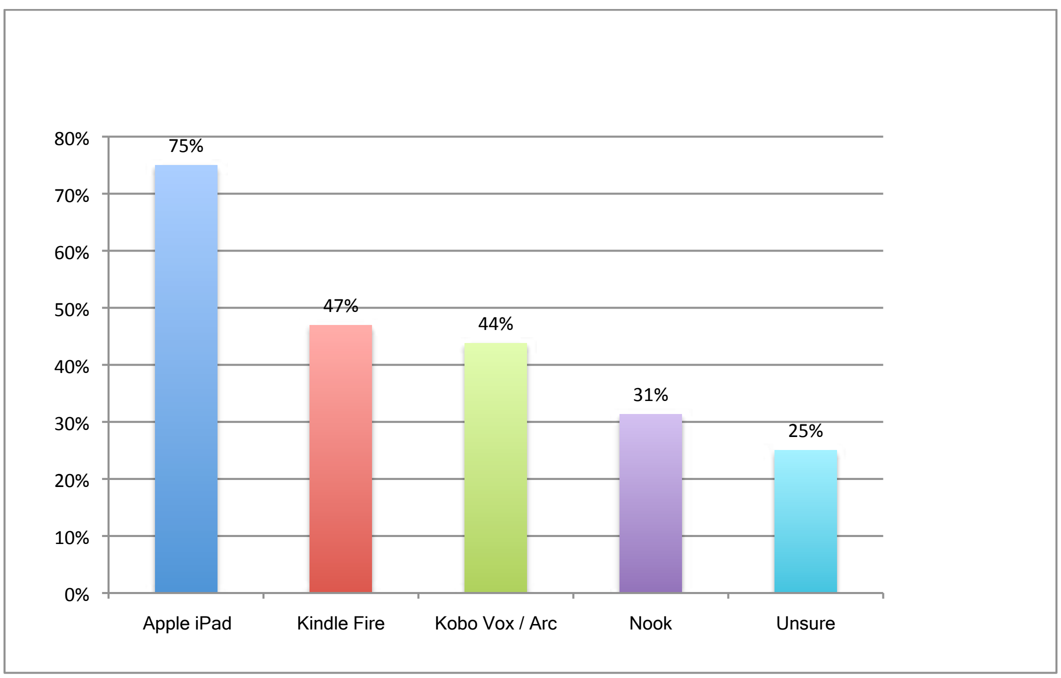
Fixed-layout ebooks by market focus	Yes	No	Unsure
Trade / Consumer	41%	43%	16%
Scholarly / Professional	25%	67%	8%
Education / K–12	67%	33%	0%
Corporate / B2B	100%	0%	0%
Other	33%	33%	33%

FIXED-LAYOUT PRODUCTION



Question: How are you producing your fixed-layout ebooks?
(N=32)

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=32 respondents, N=71 responses)

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

HIGHLIGHTS:

41% of publishers produce fixed-layout ebooks, while roughly the same number, 45%, do not.

Fixed layout ebooks are more popular among the trade / consumer (41%), education / K–12 (67%), and corporate / B2B (100%) segments than they are in the scholarly / professional segment, where only 25% of publishers reported producing fixed-layout ebooks. It is possible that the popularity of the PDF format among scholarly publishers reduces the need to create fixed-layout ebooks.

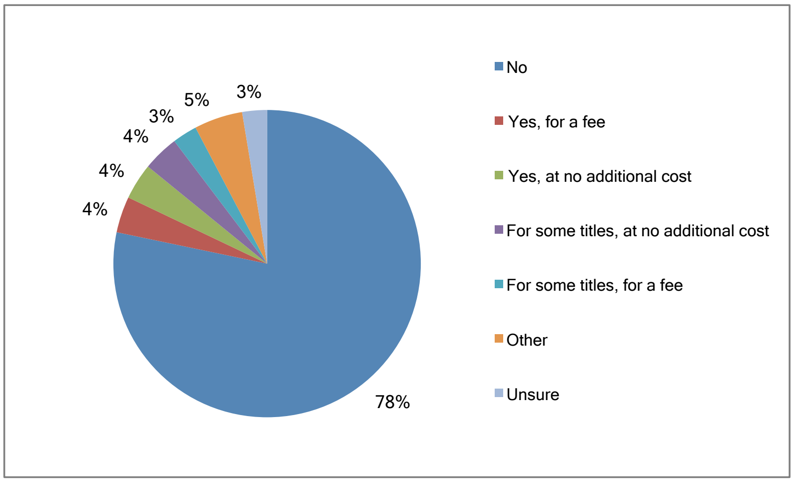
Publishers outsource the production of fixed-layout ebooks to third parties (56%) slightly more often than they do for standard ebooks (47%) (view graph on p. 26).

The Apple iPad is the preferred device for publishers producing fixed-layout ebooks, with 75% of respondents targeting their efforts toward that tablet.

The Kindle Fire is the second choice among publishers, at 47%. Although Kobo is the most popular retail channel for regular ebooks (view graph on p. 32), Kobo Vox / Arc is the third most popular platform for fixed-layout ebooks.

Ebook Bundling

BUNDLING PRACTICES



Question: Do you bundle digital with print book purchases?
(N=78)

15%
of publishers offer bundling

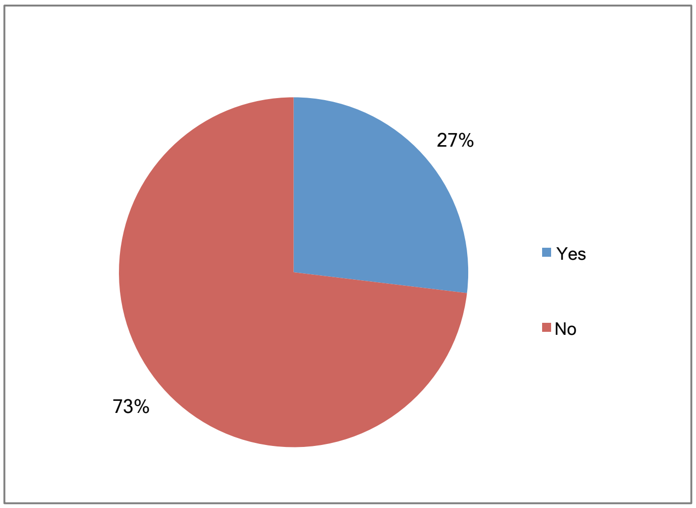
HIGHLIGHTS:

Bundling, free or for a fee, is offered by only 15% of publishers. This is despite evidence in BookNet's *Canadian Book Consumer 2012* study that 20% of book buyers would pick a bundled print book over a non-bundled one, and 12% would be willing to pay a slightly higher price to get the bundled version.

Publishers who do bundle digital and print books are divided evenly over whether they charge consumers an extra fee for the package.

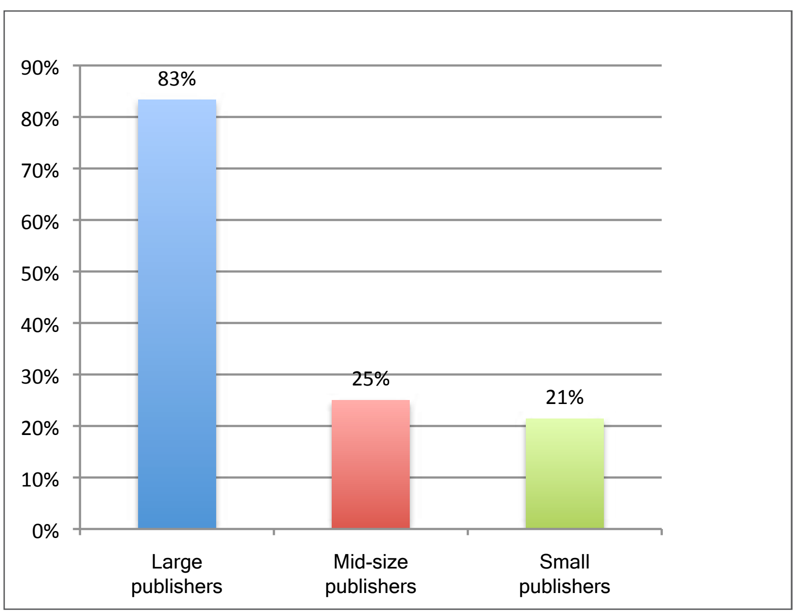
Digital 2.0 – Digital Originals, Enhanced Ebooks & Apps

DIGITAL ORIGINALS



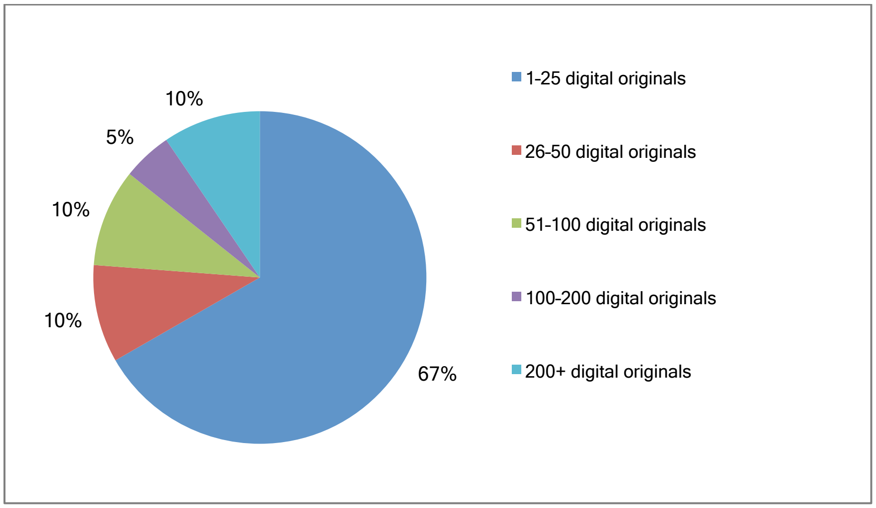
Question: Do you have a digital-only publishing program where, for certain titles, you produce only digital editions?
(N=78)

COMPANIES WITH DIGITAL-ONLY PROGRAMS, BY COMPANY SIZE



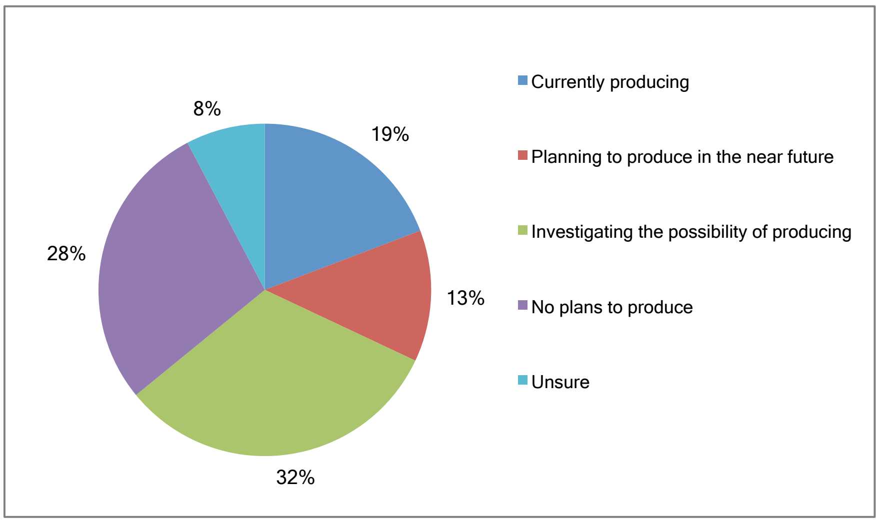
Question: Do you have a digital-only publishing program where, for certain titles, you produce only digital editions? Response = Yes
(N=78)

NUMBER OF ACTIVE DIGITAL ORIGINALS



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

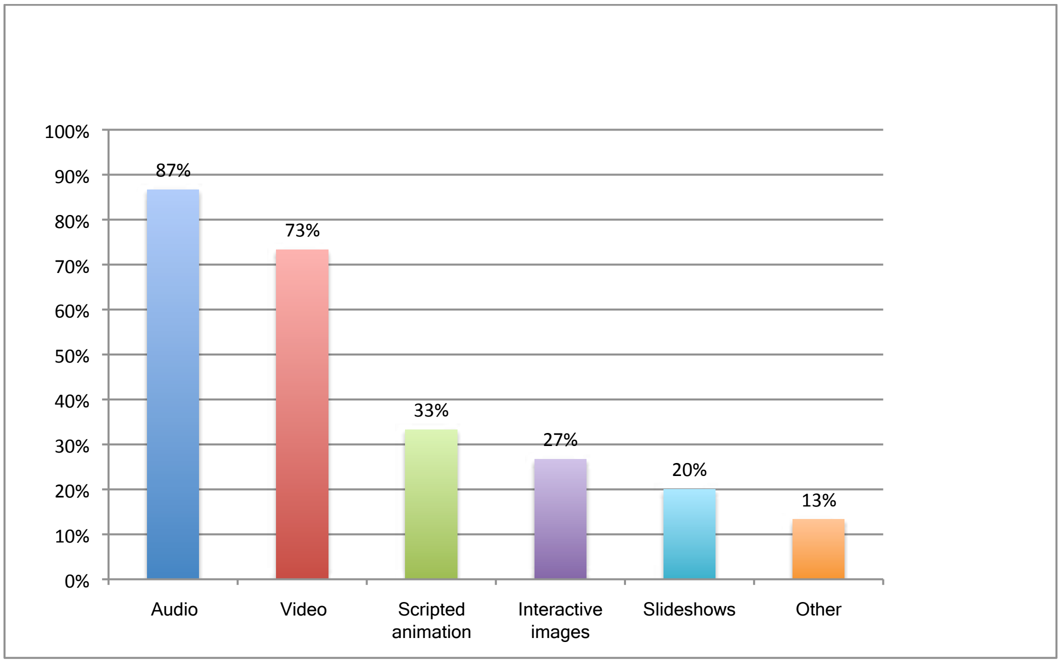
PLANS FOR ENHANCED EBOOK PRODUCTION



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

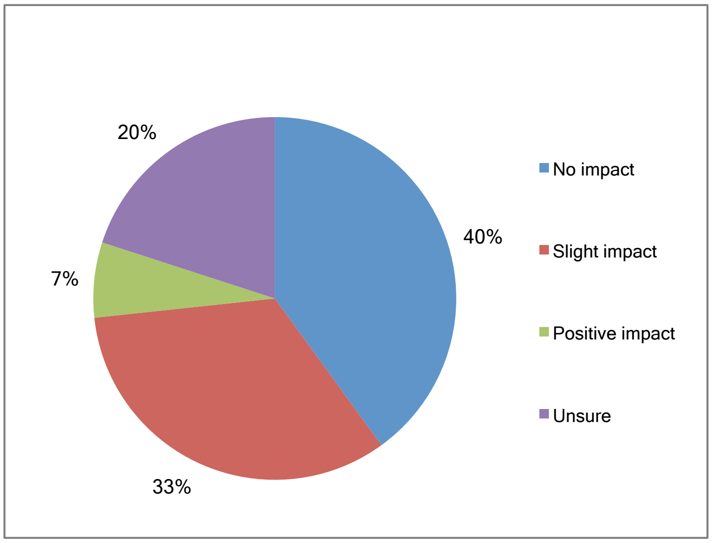
Enhanced ebook production by size of company	Currently producing	Planning to produce in the near future	Investigating the possibility of producing	No plans to produce	Unsure
Small / Self Publisher (< $1M)	9%	9%	36%	38%	9%
Mid-Size Publisher ($1M - $10M)	38%	31%	19%	6%	6%
Large Publisher (>$10M)	67%	0%	33%	0%	0%

EBOOK ENHANCEMENTS



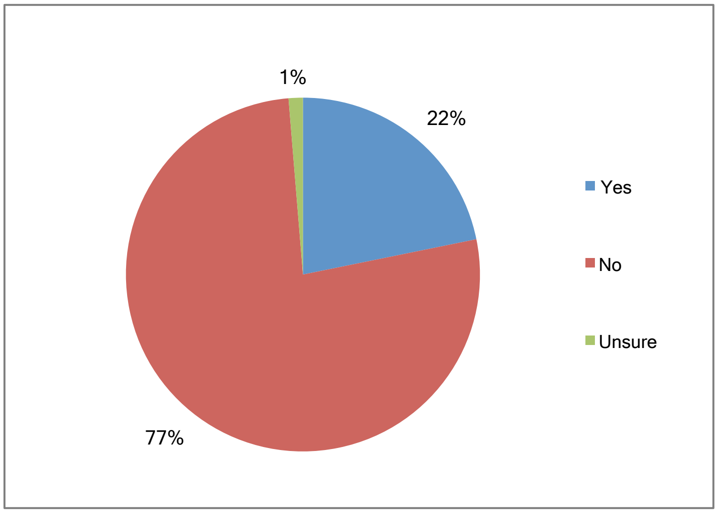
Question: What type of ebook enhancements do you currently employ? (N=15)

ENHANCEMENTS' EFFECT ON SALES



Question: Have you seen any correlation between enhancements and an increase in ebook sales? (N=15)

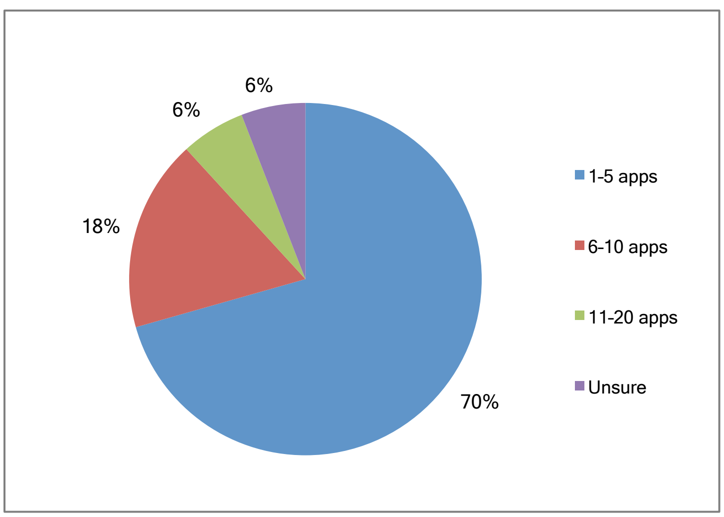
PRODUCTION OF MOBILE APPS



Question: Have you developed any apps for mobile devices?
(N=78)

App development by size of company	Yes	No	Unsure
Small / Self Publisher (< $1M)	11%	88%	2%
Mid-Size Publisher ($1M - $10M)	38%	63%	0%
Large Publisher (>$10M)	83%	17%	0%

NUMBER OF MOBILE APPS



Question: How many apps for mobile devices have you developed?
(N=17)

19% of publishers are producing enhanced ebooks and **22%** have developed an app

HIGHLIGHTS:

While only 27% of all respondents have a digital-only publishing program, 83% of large publishers (>$10M) produce digital originals.

Digital originals are not yet the norm at most publishing houses. 67% of those who do produce them have fewer than 25 in total. Only 10% of publishers producing digital originals have more than 200.

19% of respondents are currently producing enhanced ebooks, and the majority (64%) are either currently producing, planning to produce, or investigating the possibility of producing enhanced ebooks. Only 28% are not taking any action regarding enhanced ebooks at this time.

Perhaps as a result of the cost of producing and marketing enhanced digital products, small publishers reported the lowest participation in enhanced ebook production, with only 9% currently producing them, compared to 67% of large publishers and 38% of mid-size publishers.

Audio is the most popular enhancement publishers add to ebooks (87%), with video coming in a close second (73%).

The jury is out on the effect of enhancements on ebook sales: 40% of publishers report that they have no impact, while another 40% report a slight to positive impact. 20% of publishers were uncertain, but none reported a negative impact.

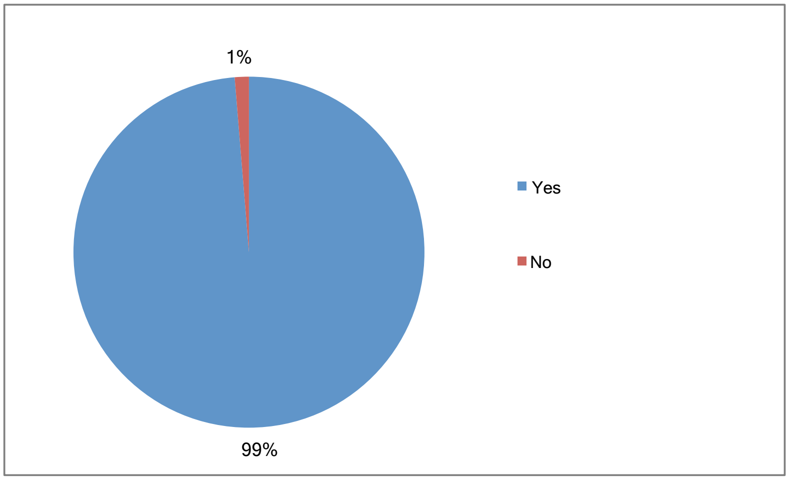
Fewer than a quarter (22%) of publishers in the survey have developed an app for a mobile device.

The relative rate of adoption for apps is similar to what we saw with enhanced ebooks, with small publishers (11%) showing less adoption than mid-size (38%) and large (83%) publishers. Though it is of interest that slightly more small and large publishers are producing apps than enhanced ebooks.

Apps appear to be still in the experimental stage: 70% of publishers producing them have only developed 5 or fewer apps. 18% percent of publishers producing apps have developed 6–10, and 6% have more than 11 apps.

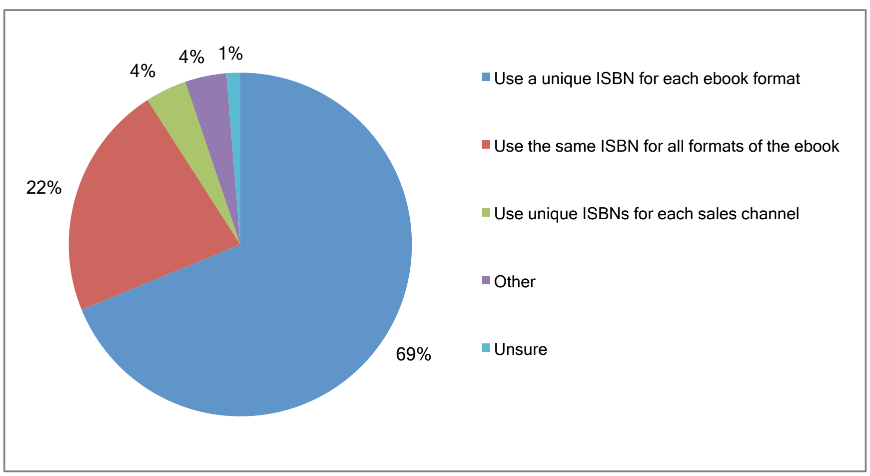
Digital Best Practices

UNIQUE ISBNS FOR EBOOKS



Question: Do you provide unique (i.e. not the same as print) ISBNs for your ebooks? (N=78)

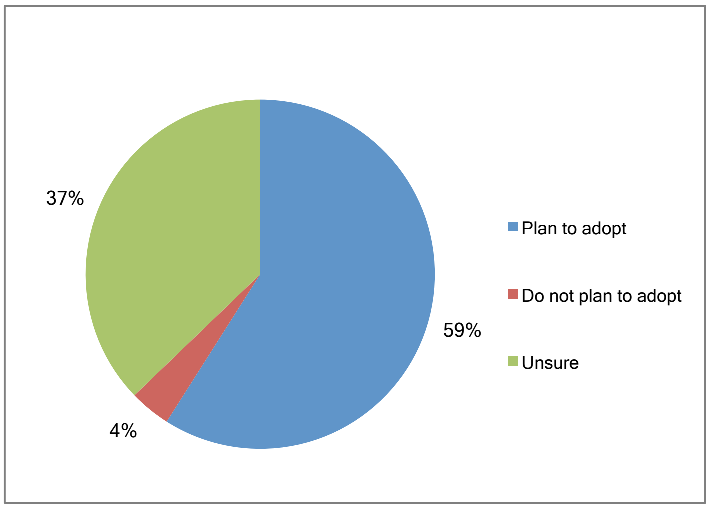
ISBNS BY DIGITAL FORMAT



Question: When providing unique ISBNs, do you: (choose 1 of the following options) (N=34)

ISBN practices by market focus	Unique ISBN for each ebook format	Same ISBN for all formats of the ebook	Unique ISBNs for each sales channel	Unsure	Other
Trade / Consumer	67%	25%	5%	0%	4%
Scholarly / Professional	92%	8%	0%	0%	0%
Education / K–12	100%	0%	0%	0%	0%
Corporate / B2B	0%	50%	0%	0%	50%
Other	33%	33%	0%	33%	0%

EPUB 3 ADOPTION



Do you plan to move to the EPUB 3 ebook formatting standard once it is more widely adopted by mobile device manufacturers?
(N=78)

59%
of publishers plan to move to EPUB 3 in the future

HIGHLIGHTS:

Almost all publishers follow the Book Industry Study Group official best practice, endorsed by BookNet Canada, of assigning a unique ISBN for their ebooks.

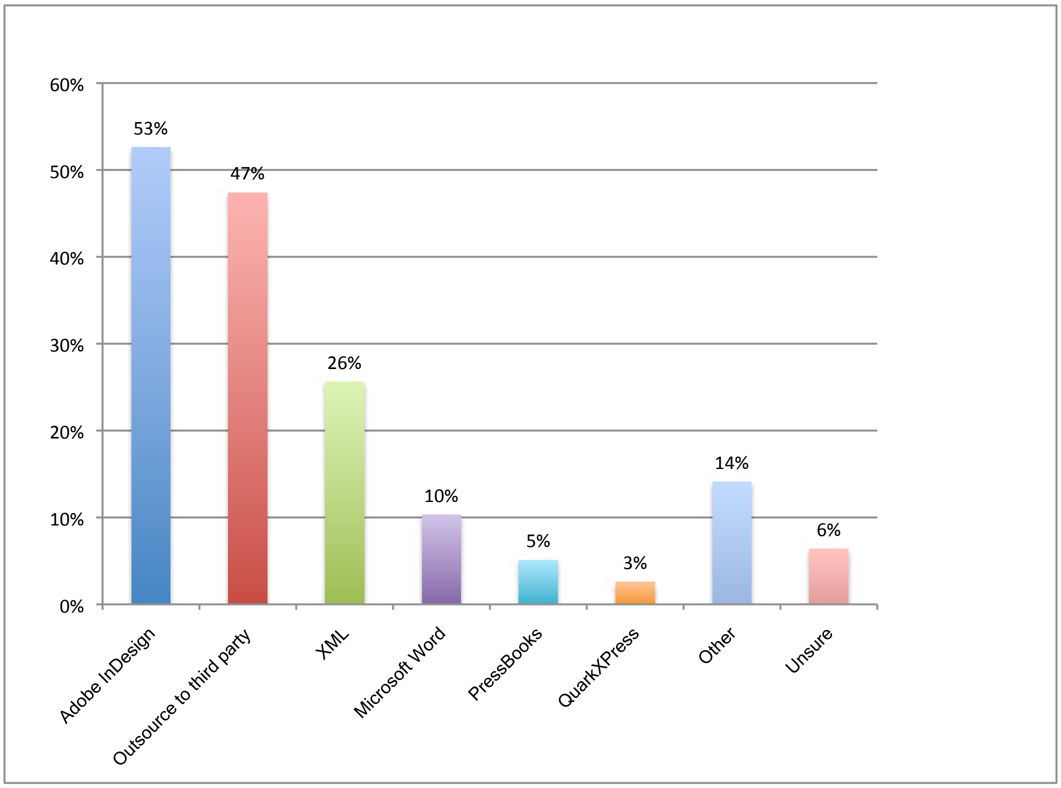
Only 69% of respondents follow the best practice of assigning a unique ISBN for each ebook format. Without unique ISBNs, it is difficult to track sales for different formats and to make decisions on which formats to produce. It also may make it difficult for consumers to be certain which ebook format they are purchasing.

92% of scholarly / professional publishers assign a unique ISBN for each format, compared to 67% of trade / consumer publishers. This may be due to the popularity of the PDF format in scholarly publishing, and the need to be able to definitively cite source material in academia.

Although 59% of publishers responding to the survey do plan to move to EPUB 3, more than 37% expressed uncertainty.

Digital Creation & Management Tools

PREFERRED TOOLS FOR DIGITAL CONTENT CREATION



Question: What content creation and management tools does your company use to produce ebooks?
This question allowed for multiple responses
(N=78 respondents, N=128 responses)

Content creation and management tools by market focus	Adobe InDesign	XML	Press-Books	Microsoft Word	Quark XPress	Outsource to third party	Other	Unsure
Trade / Consumer	62%	29%	5%	14%	3%	40%	16%	7%
Scholarly / Professional	17%	17%	8%	0%	0%	92%	0%	0%
Education / K–12	33%	0%	0%	0%	0%	67%	67%	0%
Corporate / B2B	50%	0%	0%	0%	0%	50%	0%	0%
Other	33%	33%	0%	0%	0%	0%	0%	33%

Most publishers are using Adobe InDesign to produce ebooks

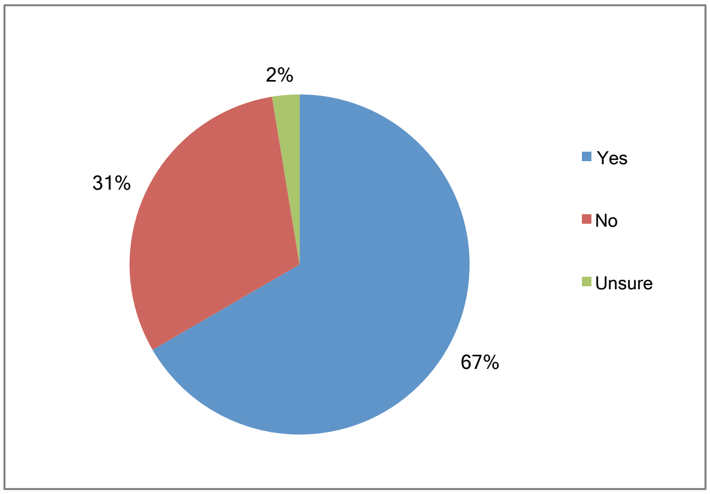
HIGHLIGHTS:

The majority of publishers in this survey (53%) use Adobe InDesign to produce ebooks. This is not surprising, as many publishers following a print-based workflow use Adobe InDesign.

47% of all publishers outsource ebook creation and management to a third party. This is an especially popular choice for the scholarly / professional segment, where 92% of respondents outsource ebook production compared to 40% of trade-focused companies.

Digital Asset Management

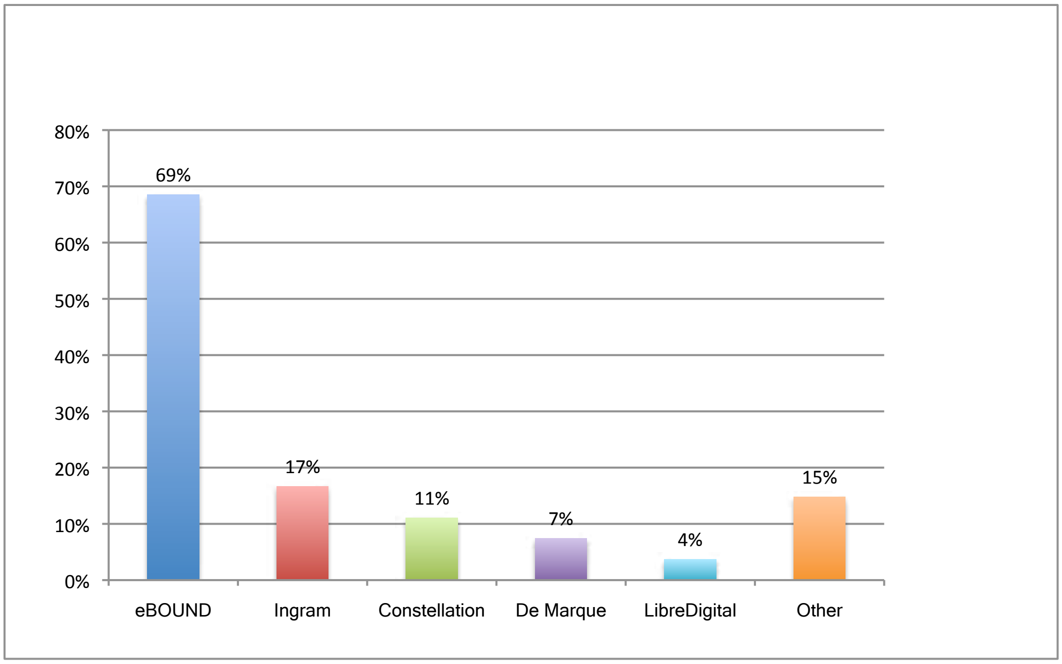
USE OF A DIGITAL ASSET MANAGEMENT FIRM



Question: Are your ebook sales managed by a digital asset manager (digital distributor)?
(i.e., eBOUND, Transcontinental)
(N=78)

Breakdown by size of company	Yes	No	Unsure
Small / Self Publisher (< $1M)	68%	30%	2%
Mid-Size Publisher ($1M - $10M)	69%	25%	6%
Large Publisher (>$10M)	50%	50%	0%

DIGITAL ASSET MANAGEMENT FIRMS



Question: If yes, indicate the name of the firm
This question allowed for multiple responses
(N=54 respondents, N=66 responses)

69%
of respondents use the eBOUND Canada DAM solution

HIGHLIGHTS:

Most publishers, 67%, use a digital asset manager for ebook sales.

Small (68%) and mid-size (69%) publishers enlist a digital asset manager slightly more than large publishers (50%).

The majority of respondents to this survey, 69%, use eBOUND Canada.

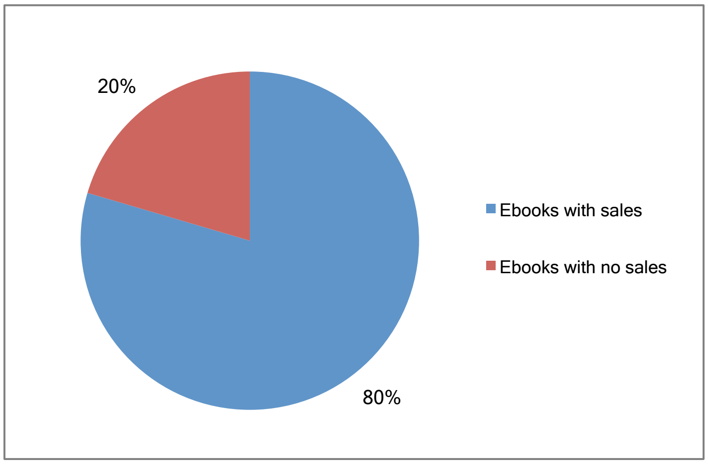
78% of ACP member respondents use eBOUND, an initiative that was formed for use by ACP members.

It should be noted that Ingram CoreSource (17%) is the digital asset manager that eBOUND itself uses, making it, either directly or through eBOUND, the digital asset manager of choice for 86% of respondents.

Constellation, the digital services division of The Perseus Book Group, is the third most popular DAM, used by 11% of respondents. 13% of publishers use a firm not on the list of choices.

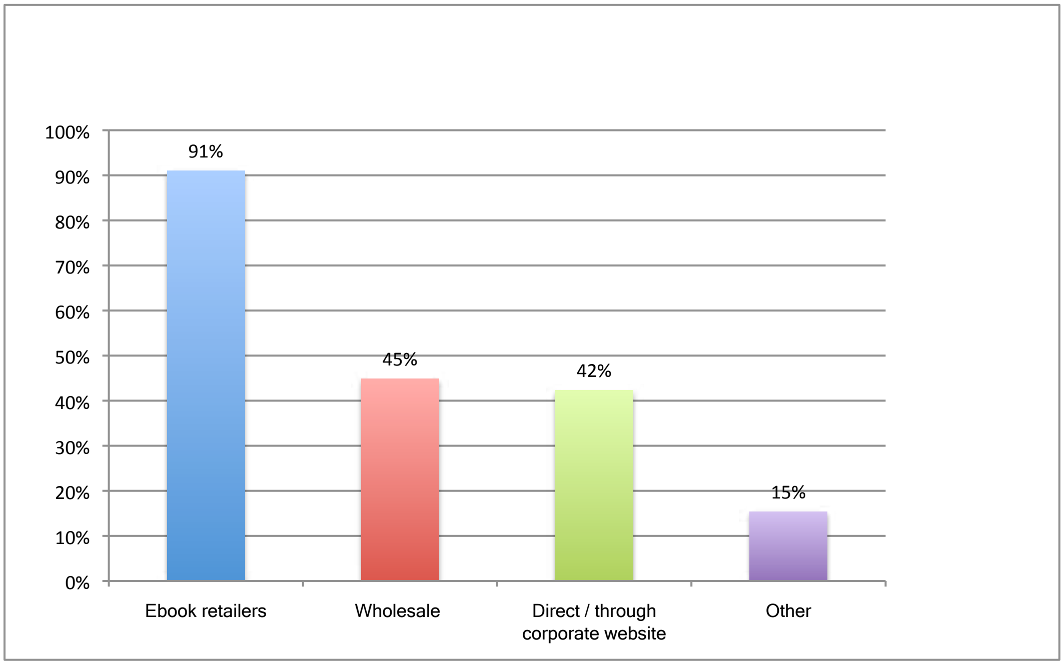
Ebook Sales & Distribution

EBOOK ANNUAL SALES



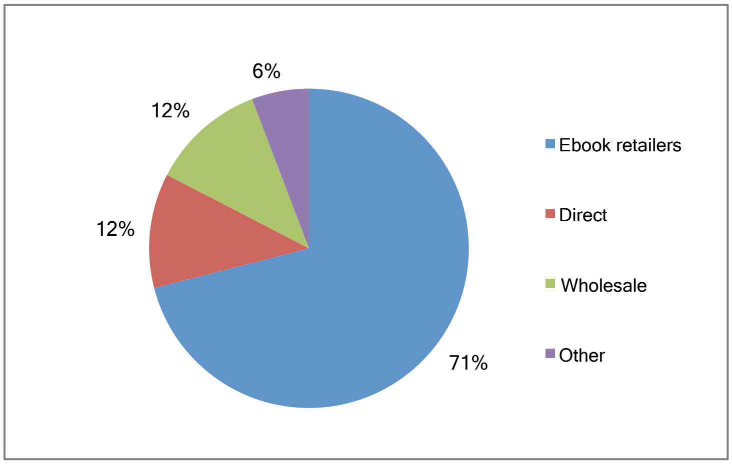
Question: How many ebooks do you have with Canadian sales in the past 12 months? (N=77)

EBOOK SALES CHANNELS



Question: How are you selling your ebooks to Canadian readers?
This question allowed for multiple responses
(N=78 respondents, N=151 responses)

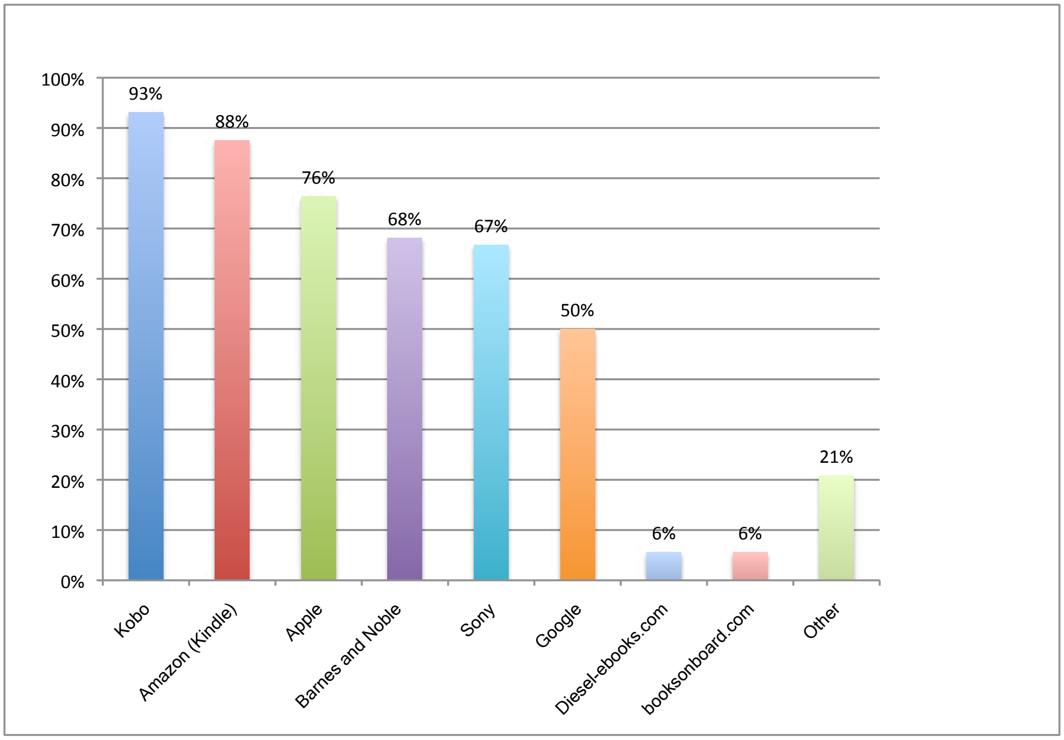
BEST EBOOK REVENUE CHANNELS



Question: If you sell through more than one sales channel in Canada, through which channel do you receive the most revenue?
(N=69)

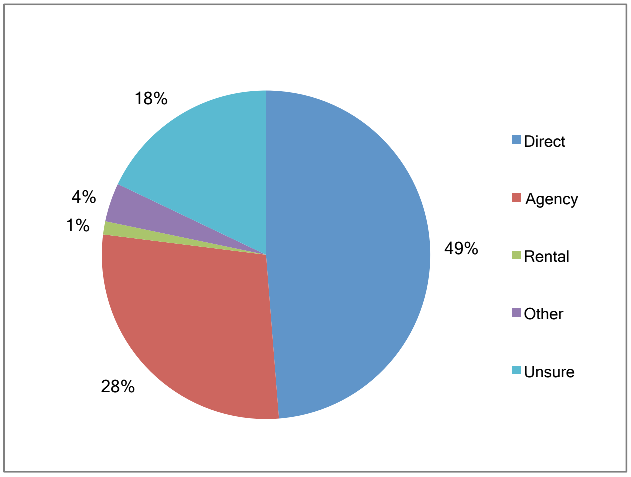
Breakdown by market focus	Direct / through corporate website	Ebook retailers	Wholesale	Other
Trade / Consumer	8%	83%	6%	4%
Scholarly / Professional	18%	27%	36%	18%
Education / K–12	33%	33%	33%	0%
Corporate / B2B	0%	0%	0%	0%
Other	0%	100%	0%	0%

EBOOK RETAIL DISTRIBUTION



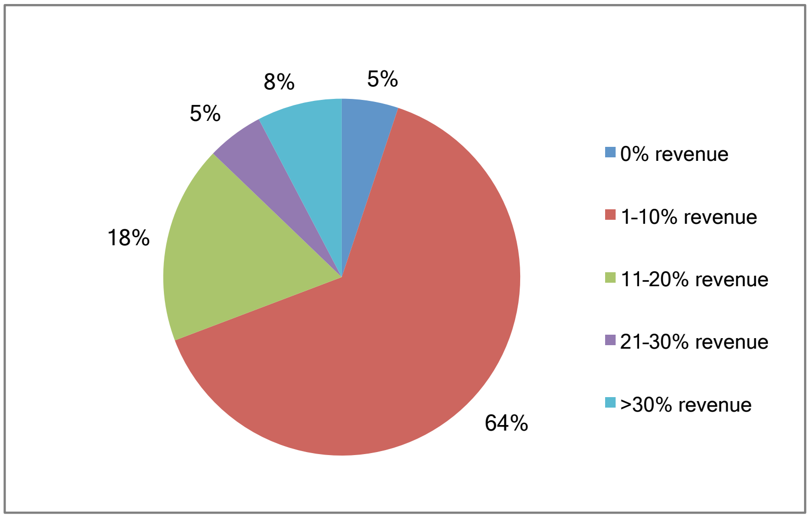
Question: If you are selling through ebook retailers, please tell us which ones. (Q29)
This question allowed for multiple responses
(N=72 respondents, N=341 responses)

PRIMARY PRICING MODEL



Question: What type of ebook pricing does your company utilise?
Some companies may utilise more than one pricing model; however, this question allowed for only a single response.
(N=78)

EBOOK REVENUE



Question: What percent of your firm's overall revenue is derived from ebook sales? (N=78)

Kobo is the most popular retail distribution channel for ebooks

HIGHLIGHTS:

80% of the responding publishers' available ebooks recorded sales in the past 12 months.

However, 20% of available ebooks seem to have languished in cyberspace, available for sale, but with no paid downloads. It is possible that some of these ebooks were available for free download, and not considered a "sale" by respondents.

Other 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 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.

91% of publishers sell through ebook retailers, and close to half, 42%, sell direct to readers. 45% use a wholesaler intermediary. Most use multiple channels.

Ebook retailers generate the most revenue for 71% of respondents, while only 12% reported receiving the most revenue through their direct sales channel.

Ebook sales are greater than

10%

of annual revenue for 1 in 3 publishers

83% of trade publishers report ebook retailers as their top revenue-producing channel, while for scholarly / professional publishers wholesale (36%) trumped the retail channel (27%).

Ebook sales account for 1–10% of revenue for 64% of publishers and over 30% of respondents reported that ebook sales made up over 10% of their revenue.

Kobo is the most popular distribution channel in Canada—93% of respondents sell through the Canadian-headquartered, Japanese-owned e-retailer.

The Amazon Kindle platform is close behind Kobo, with 88% selling through Amazon.

Apple placed a strong third, with 76% of publishers choosing to sell ebooks in the iBookstore.

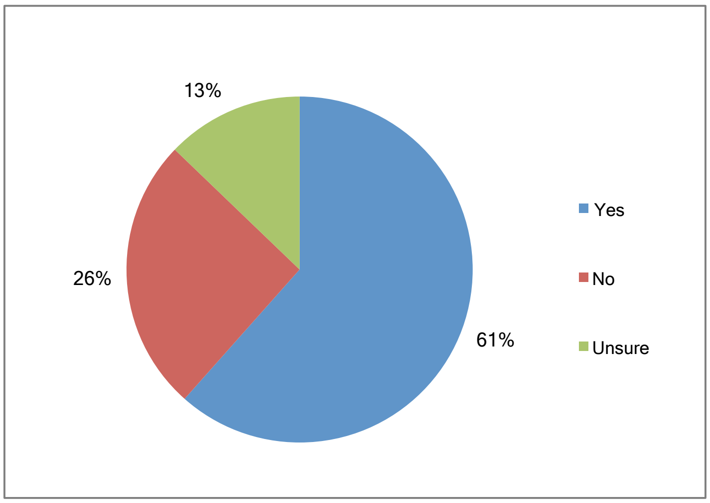
The top three e-retail channels mirror the top three preferred devices for digital reading in BookNet's *Canadian Book Consumer 2012* report, where consumers identified Kobo e-readers as their preferred device, followed by Kindle and iPad. This is in contrast to a recent US Book Industry Study Group survey, *Consumer Attitudes Toward Ebook Reading*, which found that American readers purchase far more ebooks from Amazon than any other e-retailer.

Google may be the top search engine in Canada, but the Google Play Store placed 6th in our ranking, behind Sony and Barnes & Noble, with only 50% of publishers using the retailer to sell ebooks.

Close to half (49%) of publishers use the direct pricing model, mirroring common practice for print book pricing, while agency pricing was the preferred model for 28%.

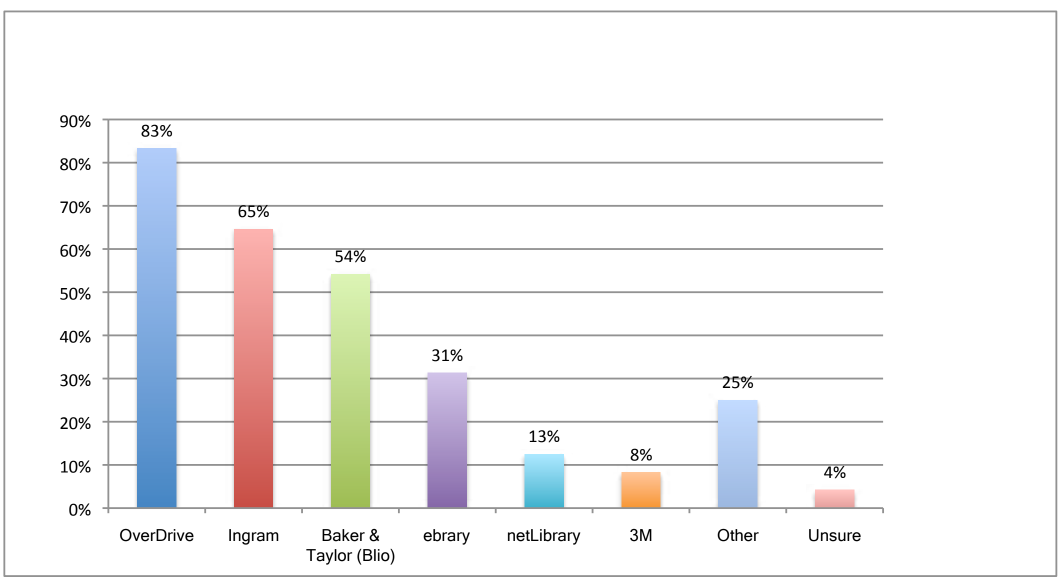
Libraries & Ebooks

LIBRARY EBOOK SALES



Question: Do you sell ebooks to public libraries?
(N=78)

LIBRARY DISTRIBUTION



Question: What library services do you use (for digital distribution)?
This question allowed for multiple responses
(N=48 respondents, N=136 responses)

Library distribution service by market focus	OverDrive	Ingram	Baker & Taylor (Blio)	netLibrary	ebrary	3M	Other	Unsure
Trade / Consumer	86%	64%	56%	11%	25%	6%	17%	3%
Scholarly / Professional	57%	71%	57%	29%	71%	0%	71%	14%
Education / K–12	100%	67%	33%	0%	33%	33%	33%	0%
Corporate / B2B	0%	0%	0%	0%	0%	0%	0%	0%
Other	100%	50%	50%	0%	0%	50%	0%	0%

26%

of publishers do not sell ebooks to libraries

HIGHLIGHTS:

While most publishers sell ebooks to libraries, 26% do not make their ebooks available in libraries.

OverDrive is the most popular library ebook vendor, with 83% of respondents using it to place their ebooks in library collections, followed by Ingram (65%) and Baker & Taylor's Blio (54%).

71% of scholarly / professional publishers use Ingram, and an equal percentage use ebrary, making these services more popular than OverDrive for this segment.

Just prior to the publication of this report, 3M announced the launch of its 3M Cloud Library ebook lending system in Canada. Only 8% of publishers are currently using 3M, but it will be interesting to see if the number of publishers who sell ebooks to libraries through that service grows in next year's survey.

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."

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

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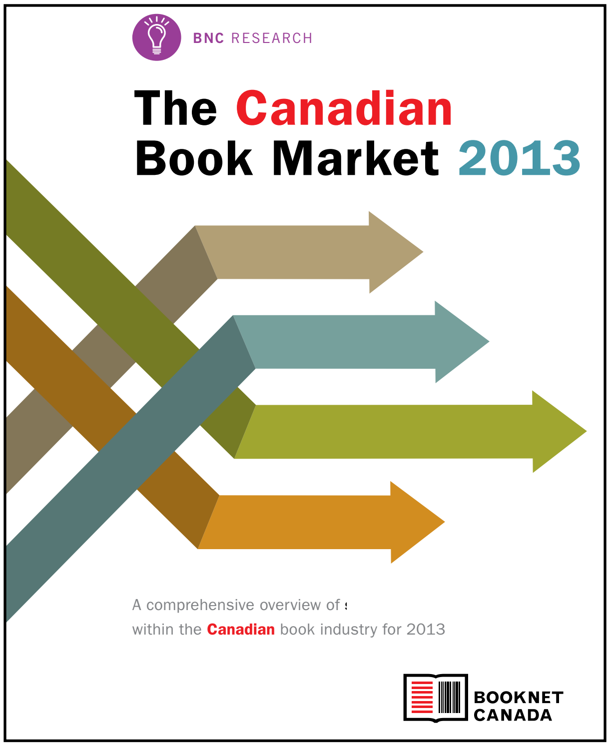

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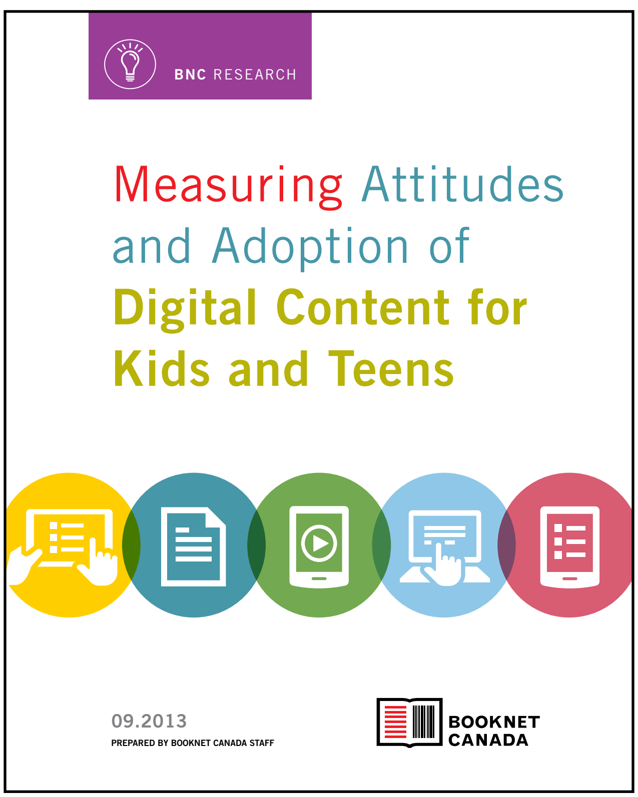

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Take advantage of opportunities in the evolving Canadian juvenile market with our study of consumer attitudes around books, ebooks and apps for kids and teens.

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