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Analyse ↻ Idee ↻ Strategie ↻

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The Many Many Books – for Whom?

**Sustaining diversity, embracing innovation,
and developing corporate behaviour .**

Three key challenges to the book industry.

The 3rd International Conference on the Book.

Oxford Brookes University, 11 September 2005

Books are just like the rest of it

- France: Half of French publishing changed hands in 2004
- Germany: Springer acquires TV channels to merge books, newspapers, TV and online
- Google print: Organizing the „information of the world“ - and books are just a part of it
- iUniverse ad: searching Art director for China

No, books are not!

- “The work on an economic policy for the book is inseparable from a cultural agenda.”
(mission statement, Börsenverein, Germany:)
- “...support the entire book chain (writers, publishers, booksellers, libraries, promoters of the book and of reading), and especially the creation and the distribution of the highest literary value”
 (“National Centre for Books”, France.
Some €25 million are spent through this policy through loans and subsidies.
- Fixed book prices in most European countries
(yet with substantial exceptions, e.g. UK, and lots of quarrels, e.g. in Germany)
- Book culture follows mostly national and cultural boundaries.
(Yet, Harry Potter is number 1 bestseller in Germany – in english!)
- Jacques Chirac and Manuel Barroso speak out against world domination through Google.
(yet the Google moratorium expires after only a few months)

**So, both is true,
but the middle ground gets shaky.**

“European Publishing Market Watch” (2004)

Publishing-Watch.org



- A comprehensive new study of the industry in the 25 EU member states, commissioned by the European Commission, found that publishing books in Europe is (and will remain) a key platform to express and reflect cultural identity issues.
- Yet, it faces serious challenges in several critical fields. The lack of good relevant key data for the industry presents particular dangers. The dynamics of book publishing are often poorly understood.

URL: www.publishing-watch.org

Publishing Market Watch (2004)

The scope of the study

A 12 month project analysing the competitiveness of the European publishing industry, undertaken on behalf of the European Commission's DG Enterprise.

The team:

- Rightscom, a specialist consultancy based in London (www.rightscom.com)
- Turku School of Economics and Business Administration (Media Group) in Finland (www.tukkk.fi).
- Rüdiger Wischenbart, consultant in Austria, on diversity (www.wischenbart.com).

Statistics

- The total sales value of books in European book markets totalled 26.6 billion euros in 2000.
- The biggest market by sales value is Germany, where the value of book sales in 2000 and 2001 was around 9.4 billion euros.
- Book sales in the UK were around 5.5 billion euros in 2002.

Publishing Market Watch

Key findings (1)

- The most noticeable aspect of the statistics on European book publishing industry is that it is nearly static in terms of *turnover*.
- This indicates a mature industry rather than one that is in decline.

Books sales per capita are stable across all EU member states:

- Books remain popular with readers and have not lost out to other media:
- However, an important challenge for the industry is develop innovative product and marketing strategies to increase the number of book readers so growth can be renewed.

Publishing Market Watch

Key findings (2)

- The number of titles produced each year in most countries is increasing.
- The number of enterprises is stable. The average size of a publishing enterprise is small: most publish between 20 and 40 titles per year. The industry is therefore very fragmented.

Publishing Market Watch

Key findings (3)

- Books are regarded as both economic and cultural products, attracting financial support in some EU member states. Writers are supported in some states. Support is also provided through reduced rates of VAT in many EU member states. In some countries, book prices are fixed.
- Consolidation in the industry has recently been the subject of government intervention in France and Germany, and cross-border acquisitions have become common. Consolidation has also taken place in the retail channel in some countries.
- Cross-border ownership has long been a feature of book publishing, and this can be seen in the new member states. Foreign investment is common in publishing companies privatised after 1989.

Cultural Diversity

A key value to publishing

Cultural diversity is a key quality for an industry whose products are at the same time commercial goods and expressions of culture.

The traditional diversity on the book market has become the issue of a highly controversial – and contradictory - debate.

“The Union shall respect cultural, religious and linguistic diversity.”

The EU “Charter Of Fundamental Rights”.

Diversity issues:

- The considerable recent increase in consolidation in publishing and distribution of books
- Growing foreign ownership (especially in the new accession countries)
- Growing dominance of the larger languages – and particularly English – against mounting barriers for smaller languages
- Increasing pressure on existing regulatory systems such as fixed book prices due to aggressive market competition

Diversity indicators (1)

The Number of bookshops

The existence of a quality book shop in every town is an important aspect of the cultural landscape.

- Germany has 7,394 bookshops, or one bookshop per 16.667 inhabitants
- There are only 1,600 bookshops in the whole of France.

Source: The European Booksellers Federation.

Diversity indicators (2)

The share of bestsellers

A small number of best selling titles holds an increasing share of the market, thus making it harder for more specialised titles to succeed in reaching an audience.

This trend may reflect the increasing marketing expertise of large companies as much as consolidation.

- In France in 2002, the top 100 best selling titles grew by 25% when compared to 2001, whereas in the same period of time, sales of the top 100 best selling literary novels declined by 5%.
- In 2003 “Harry Potter and the Order of the Phoenix” alone sold 1.1 million copies. All the 50 top selling titles combined accounted for 11 million copies.
(Source: Livres Hebdo)

Case studies:

Main forces driving change in the current environment

- ▶ Consolidation in publishing and retail
- ▶ Regulation
- ▶ Internationalisation as an opportunity
- ▶ Differences in cultural habits and infrastructures
- ▶ Translation politics
- ▶ Innovation & New entrants.

Consolidation in publishing (1)

Half of French publishing changed hands in 2004

- Hachette, the former No. 2, bought half of Editis (the former No. 1), whose other half was taken by the boss of the country's industry association Medef (Mouvement des Entreprises de France).
- No. 5 Le Seuil was taken over by No. 8 La Martinière and is run by the owners of Chanel, who live in Switzerland.
- Further consolidation was halted only by the antitrust authorities of the European Union.
- Vertical integration:
Largest publishing groups hold largest distribution companies and control the market:
Barrier of entry for smaller publishers

Consolidation in publishing (2)

Germany: The top ten hold ,only‘ a quarter of the market

- Germany's ten largest publishers hold 26,6 percent of the sales through book shops.
- In 1989, the top 10 share was only 7 percent.
- Germany's book market is ,flat‘ for several years in a row.
- Steady increase of new titles per year puts pressure on publishers

(Source: Langendorfs Dienst).

Consolidation in publishing and retail (3)

Central and Eastern Europe: Poland

Poland

- PWN (science): privatised in 1991 with a majority of the shares held by US investors (Luxembourg Cambridge Holding Group), and the rest by the employees.
- Harlequin (romantic novels): Subsidiary of a Canadian parent.
- The Bertelsmann Book Club: Subsidiary of the German parent company.
- German Beck (legal) and Urban & Schwarzenbourg (medical) bought into Polish partner companies.
- Wolters Kluwer invested in two small legal publishing houses.
- Reed Elsevier's Butterworths (legal) has a joint venture with PWN
- Most former state publishing houses have been acquired by Polish investors.

Consolidation in publishing and retail (4)

Central and Eastern Europe: Hungary

Hungary

A significant proportion of the Hungarian book publishing market is currently controlled by international publishing groups as a result of privatisation in the 1990s.

- Magyar Könyvklub (Hungarian Book Club - more than 20% of all book sales), owned by the Bertelsmann group.
- Reader's Digest (Hungarian edition) series accounts for an additional 15% of all sales.
- Wolters Kluwers: owner of Akademiai Kiado and three other publishers, and strongest actor in scientific and textbook publishing. With further holdings in the Czech Republic and in Slovakia.

Internationalisation as an opportunity

Bloomsbury (UK, Germany):

- Strong domestic expansion, based on huge success of Harry Potter series
- Internationalisation based on highest quality standards (e.g. acquisition of Berlin Verlag Germany)
- Critically, yet energetically innovative (e.g. Nigel Newton on Google print)

Editions Panama (France)

- Founded by former LeSeuil's Jacques Binsztok after clashing with takeover of Le Seuil by La Martinière as a result of industry consolidation in France
- International acquisition of titles from the very start

Regulation: Value vs. Price (1) Germany

„The book trade is a 400 year old battle ship, yet amazingly far off today's realities.“

Carl Half, CEO of Weltbild
(a discounter with 15 percent of market share in Germany).

Regulation: Value vs. price (2) Germany

Strong regulation

- Fixed book price
(based on federal law)
- Strong publishers' association
as lobbyist
- Halfed VAT
- Subsidies for writers
- Strong reading support.

Strong forces changing the market environment

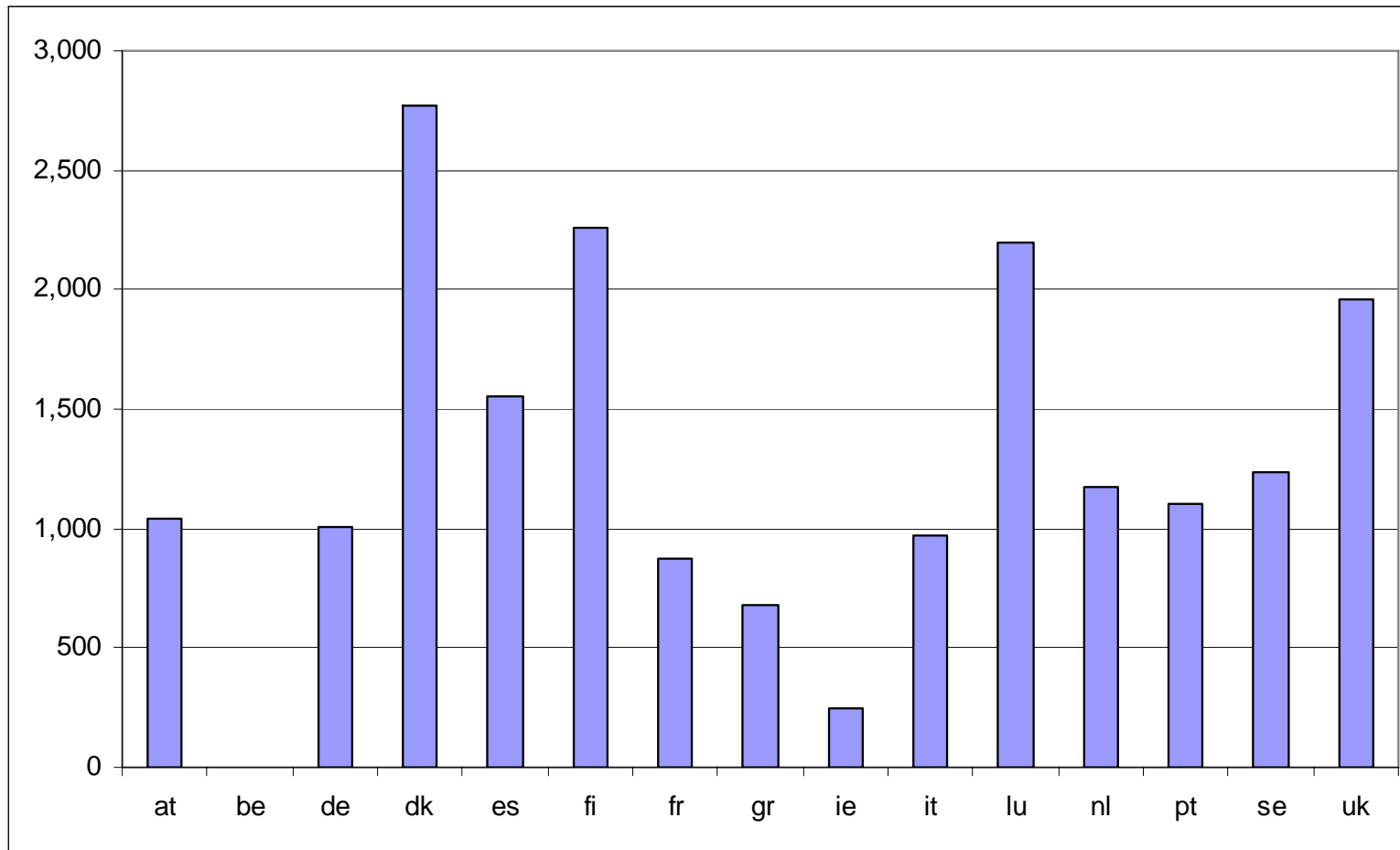
- Permanent quarrels over price
policies of publishers and retail
chains
- Consolidation in retail (chain
stores, discounters, online) puts
pressure on publishers by
demanding larger discounts
- Hugely successful bestseller
series – fiction, youth, non
fiction, reference - at
significantly lower prices (5 €
instead of 10€) increase
competitive challenges.

Differences in cultural habits and infrastructures: Book country is no level playing field.

Substantial regional differences
even within Europe for

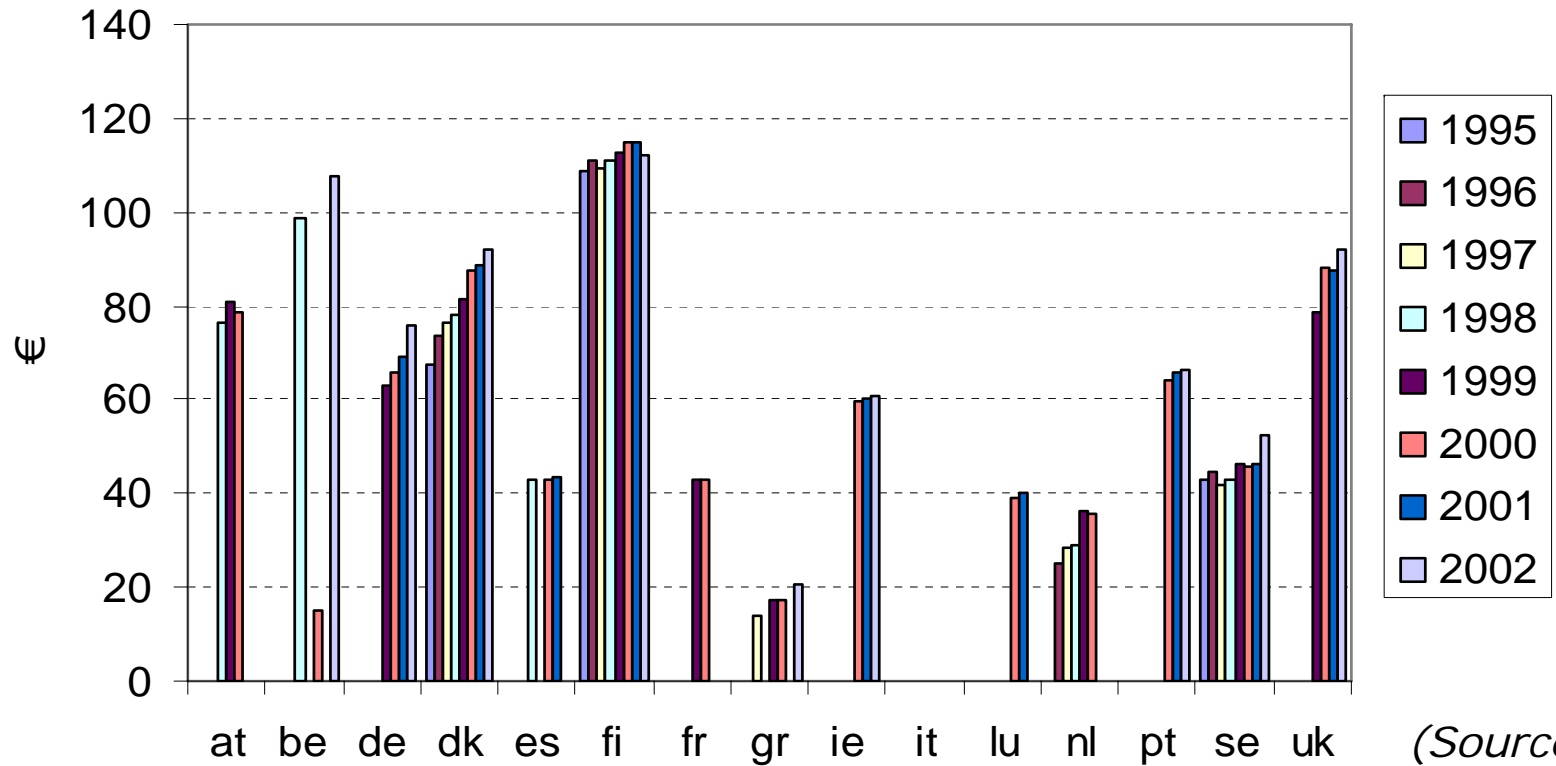
- ▶ Book Publishing
- ▶ Book Buying
- ▶ Libraries
- ▶ Reading

Published titles per million population, 2001, EU member states



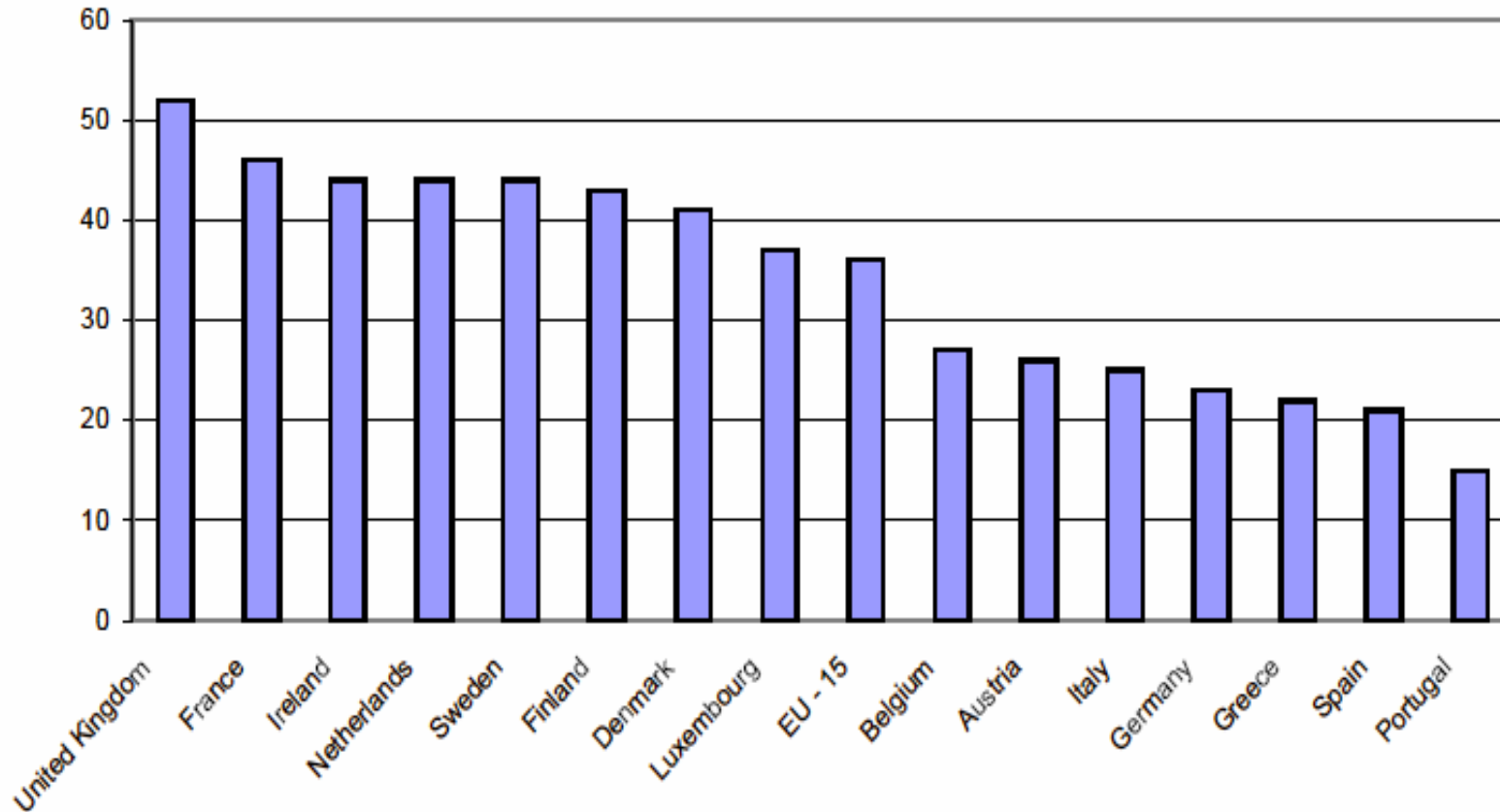
*(Sources:
Unesco, IPA,
National
publishers
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National
ISBN offices)*

Book sales per capita in Europe



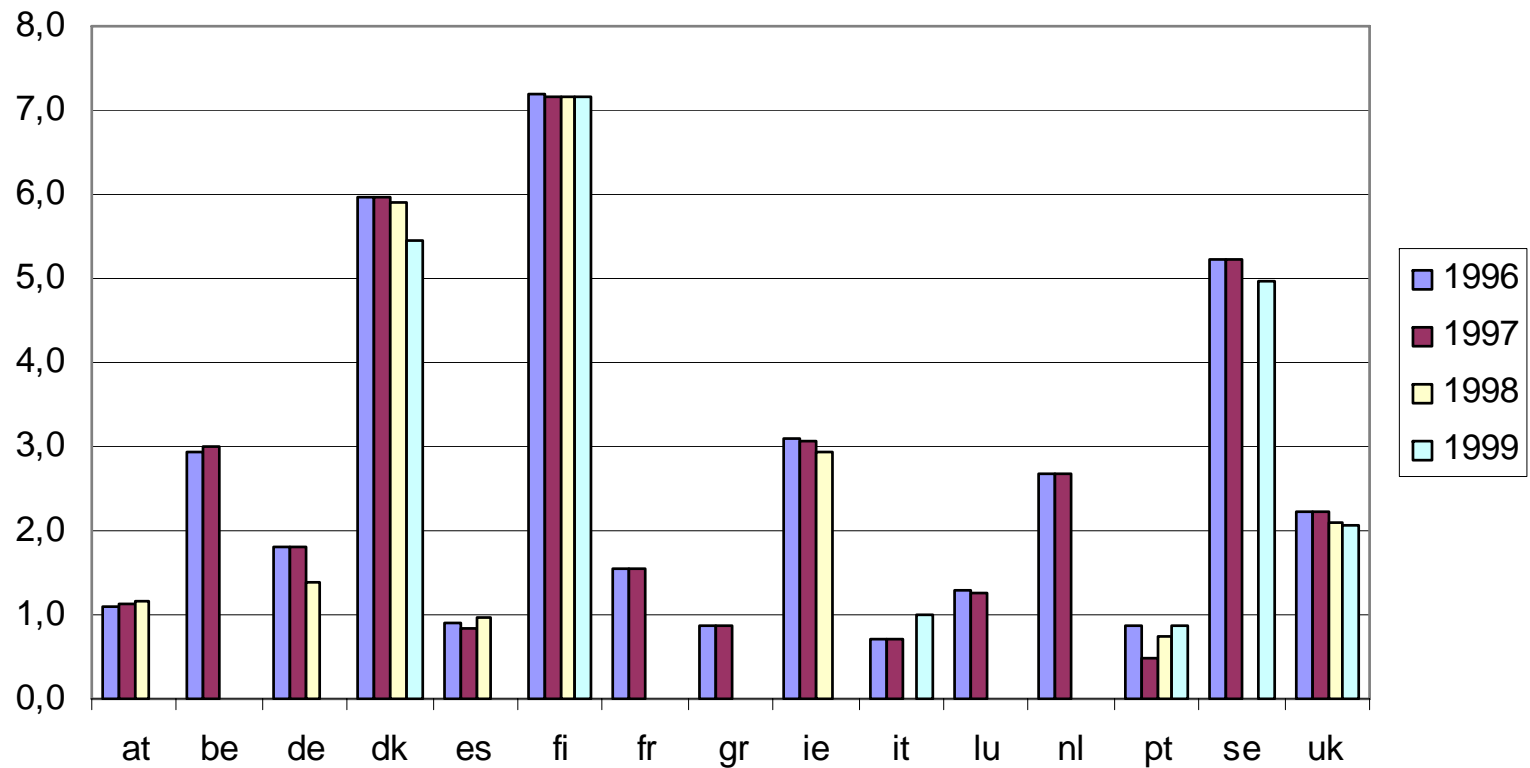
(Sources:
IPA,
national
statistical
offices)

Book reading per capita



(Source: *Keys Figures on Cultural Participation in the European Union*, EUROSTAT, Luxembourg, October 2002)

Books in public libraries per capita 1996 – 1999, EU Member countries



(Source: UNESCO)

Translation politics (1)

A clear pattern.

- The total number of translations is in slight decline, from 52,070 titles translated worldwide in 1980 to 50,434 in 1994, in spite of globalisation.
- More than half of all books translated globally are from English language originals.
- The proportion of English language titles being translated is still expanding
- English, German and French together account for three out of every four translations worldwide.
- Translations from 'smaller' languages (and flows between smaller languages (for example from Hungarian to Czech, from Slovak to Slovene) becoming statistically mostly non-existent.

Source: UNESCO data.

Translation politics (2)

The predominance of English – statistics.

- A mere 6% of translations go from all other languages combined into English.
- In Germany, roughly 75% of all translated books are translated from English language originals, and another 10% from French.
- Only 5% of all translation rights sold by German publishers go to US publishers ...
- ...while rights sales to China and Poland are on top of the list.

Translation politics (3) Background analyses.

- Translation of “international” bestsellers is the province of large houses and is contributing towards a growing gap between large international houses and small and medium sized houses.
- There is no single reason for the importance of English-language publishing:
 - ▶ The strength of the US home market,
 - ▶ The strong position that the US holds in most other forms of media,
 - ▶ The use of English as a common business language.

So what is next?

No new readers,
just more sales to existing readers for the same money
Perspectives and innovation (1)

- The book industry has responded to the challenges through some product and marketing innovation, and through increasing efficiency.
- However specific schemes and strategies such as enhanced “corporate social responsibility” are virtually unknown in publishing.
- **Book publishing has not seen radical innovation, yet sustained innovation will be needed to meet short term and long term challenges.**

Perspectives and innovation (2)

The book industry has not in general responded through technological innovation:

- e-books have not yet developed as a force,
- Print-on-demand is growing in academic publishing
- New business models like Open Access are debated and – in academic publishing – successfully introduced
- New marketing tools like Google Print or Amazon Search Inside cause controversy.

Perspectives and innovation (3)

Marketing & distribution.

Publishers

- have made more use of the internet as a marketing medium than as a delivery channel for new products;
- Most important is the lack of a current, proven market for paid-for e-books or internet publishing.

Will the new wiz' kid come from another block?

Music:

- When piracy and changes in consumer behaviour caused a severe drop in sales over the past several years, innovation came not from within the industry, but from the outside.

Is there a lesson for the publishing world to be drawn from

- ▶ Apple
- ▶ iTunes
- ▶ iPod

Google print (1)

The new wiz' kid's toy – or a telling clash of cultures?

Google print offers

- Search integration of books and the web
- Marketing tools for publishers
- Marketing for authors (encouraging perhaps self publishing)
- In the long term perhaps a substantial change of how books are seen, found and distributed.

The publishers' response

- Scepticism / rejection by many large houses
- Strong political reactions against Google (France, EU)
- Proposing a „Euro Google“, spearheaded by Germany's Börsenverein
- A broad debate over copyright, thus a classical lobbyist's approach.

Google print (2)

The clash of cultures, or who owns the books?

Google print has

- Brand recognition,
- A hugely positive image of innovating with a smile (like Apple)
- The adoption of their services by the audience
- Virtually unlimited funds.

Google has not

- The mandate to change the most basic cultural rules, e.g. who owns the books –
 - ▶ the publisher,
 - ▶ the author or
 - ▶ the audience?

Google print (3)

The clash of cultures, or who owns the books?

Publishers (and libraries) have

- The traditional mandate to manage and distribute the stuff that allows ideas to work;
- Direct access to the mandarins and to politics.

The publishers have not

- Huge funds
- Comparable IT and web savviness
- An innovator's image.

The perhaps deciding questions are:

- ▶ Who will win over the audience?
- ▶ And by offering what exactly?

The other revolution that happened already, yet hardly noticed

Audio books:

A new and highly successful format that

- ▶ Introduces the digital world to books
- ▶ Opens new channels for distribution (download)
- ▶ Appeals also to a younger readership.

Used books

Online catalogues and search integrate used with new books

- ▶ Broadening the catalogue immensely
- ▶ Offer new patterns (and networks) for distribution (for small shops, and for a decentralised co-existence of big (Amazon) and small retailers.

Possible outlooks.

The „Long Tail“ and a capricious audience.

“Unlimited selection is revealing truths about what consumers want and how they want to get it ...”

People are going deep into the catalog, down the long, long list of available titles, far past what's available at Blockbuster Video, Tower Records, and Barnes & Noble.

And the more they find, the more they like. As they wander further from the beaten path, they discover their taste is not as mainstream as they thought (or as they had been led to believe by marketing, a lack of alternatives, and a hit-driven culture).“

Source: Chris Anderson: The Long Tail. In Wired, October 2004.

Thank you very much!

