BNC RESEARCH

The State of Digital Publishing in Canada 2016

BOOKNET CANADA

Introduction

In January 2017, BookNet Canada set out to conduct the fourth annual *State of Digital Publishing in Canada* survey, with a goal to explore the size, scope, and production processes of the digital publishing landscape in Canada. With responses from 50 publishers ranging from large multinationals and Canadian-owned firms to smaller, niche publishers, this report provides an overview of the current digital marketplace in Canada, along with a year-over-year comparison from 2013 to 2016.

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). Any interested publishers were able to respond and, while the largest number of responses is from trade publishers, educational publishers are also represented.

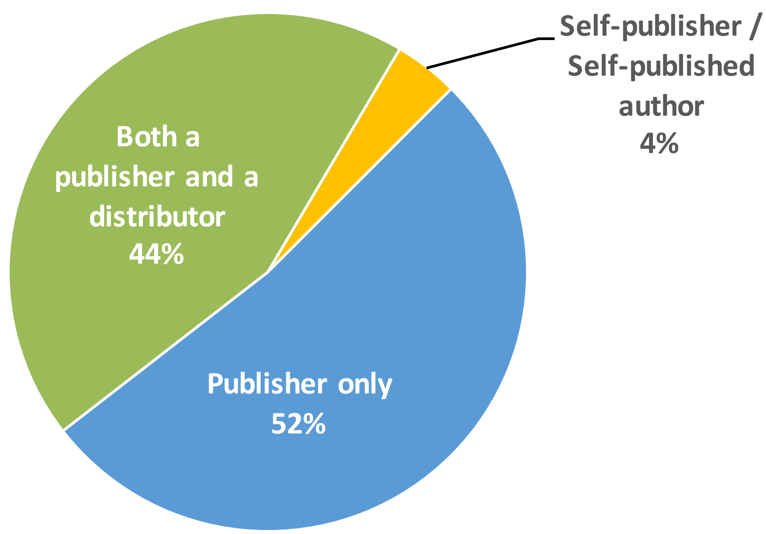
According to research conducted by BookNet Canada, in a series of surveys of book-buying Canadians, ebook sales in Canada declined by just over 2% between 2015 and 2016 (from 19% to 16.9%). The United States and the United Kingdom have seen a similar phenomenon; in data reported directly by publishers, ebook sales have declined by 4% in the UK[1] and in the US the Association for American Publishers reported a drop of 14% between 2014 and 2015[2].

[1] "Ebook sales continue to fall as younger generations drive appetite for print". The Guardian. N.p., 14 Mar. 2017. Web. 8 May 2017. https://www.theguardian.com/books/2017/mar/14/ebook-sales-continue-to-fall-nielsen-survey-uk-book-sales

[2] "As E-Book Sales Decline, Digital Fatigue Grows". PublishersWeekly.com. N.p., 2017. Web. 10 May 2017. http://www.publishersweekly.com/pw/by-topic/digital/retailing/article/70696-as-e-book-sales-decline-digital-fatigue-grows.html

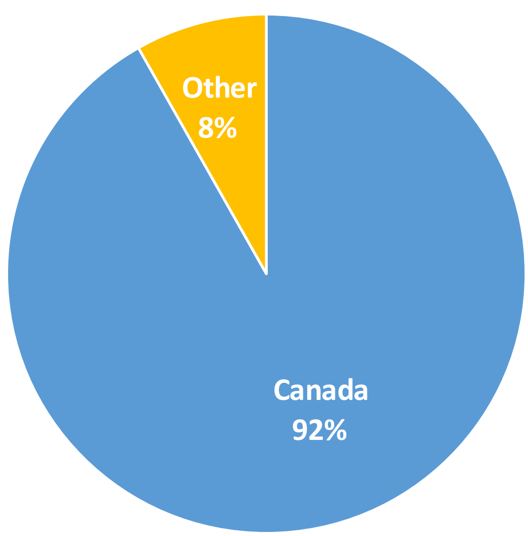
Respondent Profile

COMPANY TYPE



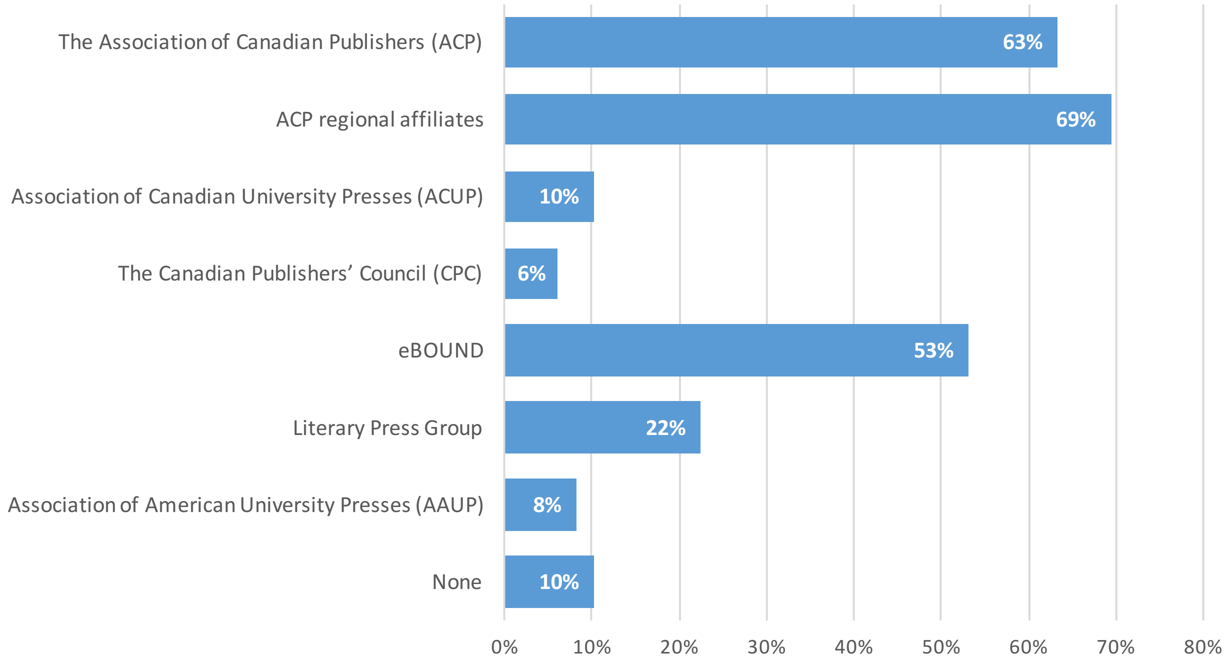
Question: Type of firm (N=50)

COMPANY HEADQUARTERS



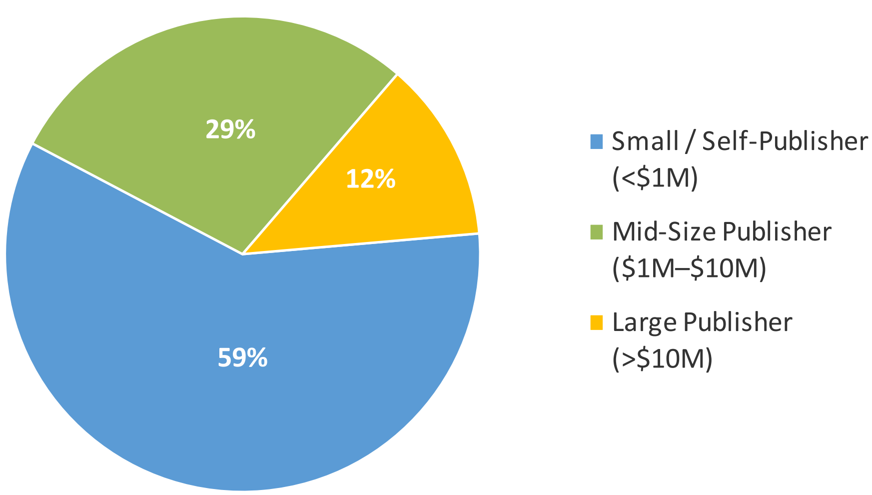
Question: Are your firm's headquarters located in Canada? (N=49)

ASSOCIATION MEMBERSHIP



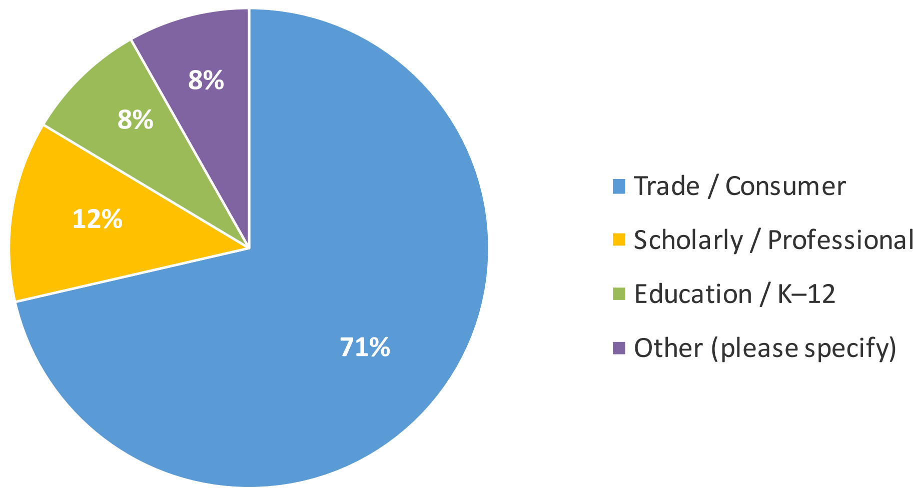
Question: Is your firm a member of: (Please select all that apply.) (N=49)

COMPANY SIZE



Question: Size of firm (annual Canadian revenue) (N=49)

MARKET FOCUS



Question: What industry segment best describes your firm's market focus? (N=49)

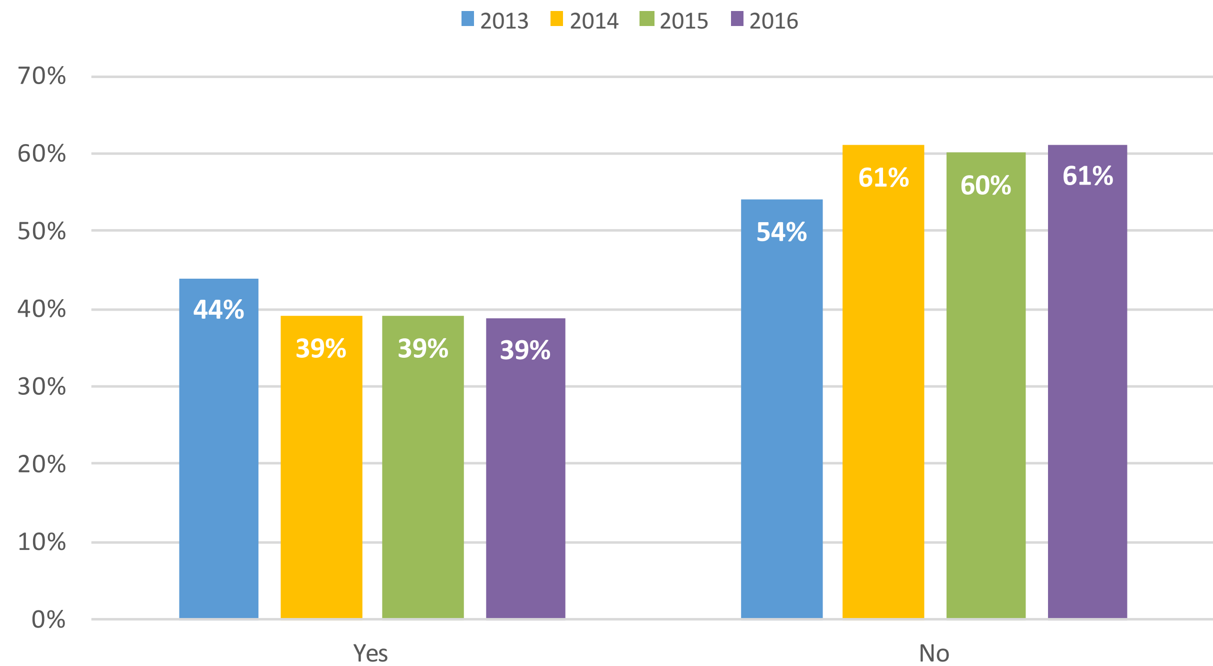
Highlights:

For the purposes of this study, we have defined the size of each company based on publisher-reported revenue, ranging from small (<$1M) and mid-size ($1M-$10M) to large (>$10M). Using these parameters, 59% of respondents represent small publishers, 29% mid-size, and 9% large.

63% of respondents belong to the ACP, and 53% of respondents are eBOUND members. The largest percentage (69%) of respondents belong to ACP regional affiliates.

Dedicated Digital Staff

DIGITAL STAFF



Question: Does your organization have a digital staff that focuses specifically on ebooks? (2013 N=84, 2014 N=69, 2015 N=53, 2016 N=49)

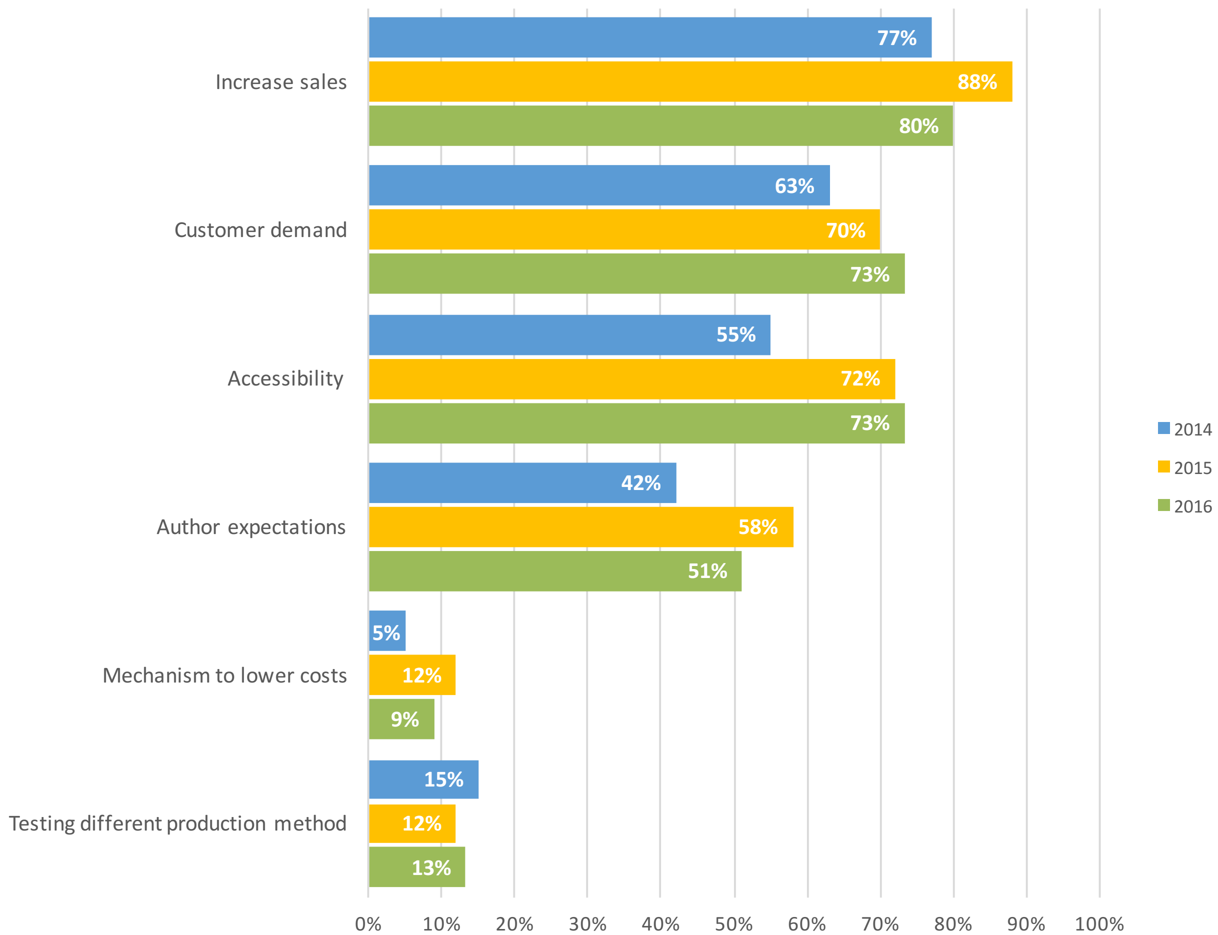
Breakdown by size of company	
Small / Self-Publisher (< $1M)	21%
Mid-Size Publisher ($1M - $10M)	50%
Large Publisher (> $10M)	100%

Highlights:

The presence of dedicated digital staff within firms has remained consistent over the past three years, after experiencing a decline from 2013 to 2014. Interestingly, outsourcing work for fixed-layout ebook production increased from 9% in the past year, jumping from 52% in 2015 to 61% in 2016, yet staffing remains comparable over this time period. This may be a result of increasing demand for the creation of other digital formats, such as enhanced ebooks and audiobooks, leading to some tasks being outsourced and others being completed in-house.

Ebook Production & Conversion

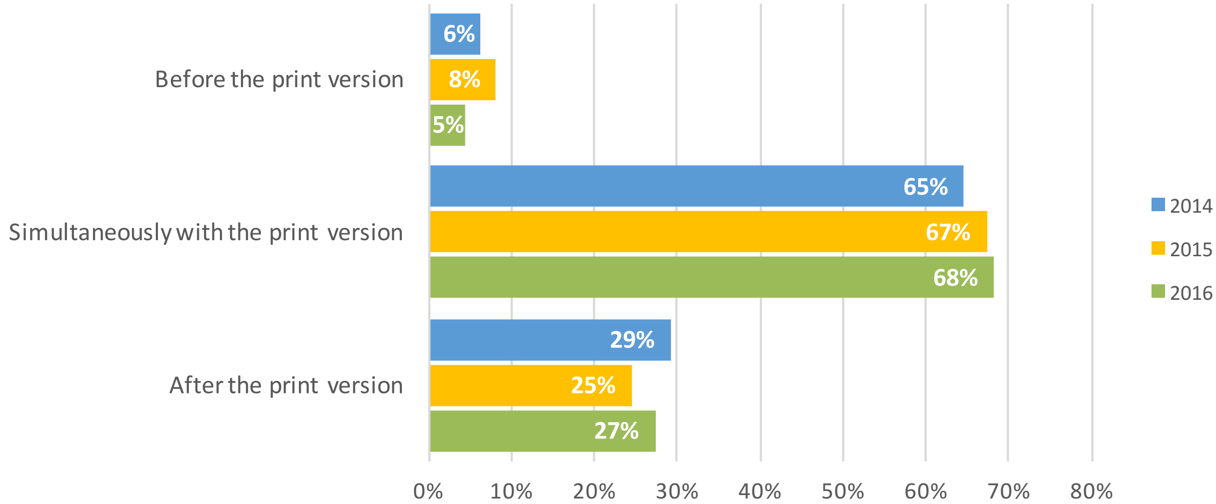
DRIVING FORCES FOR EBOOK PRODUCTION



Question: What are your firm's main reasons for publishing ebooks? (Please select all that apply.) (2014 N=65 respondents, N=170 responses; 2015 N=50 respondents, N=159 responses; 2016 N=45 respondents, N=139 responses)

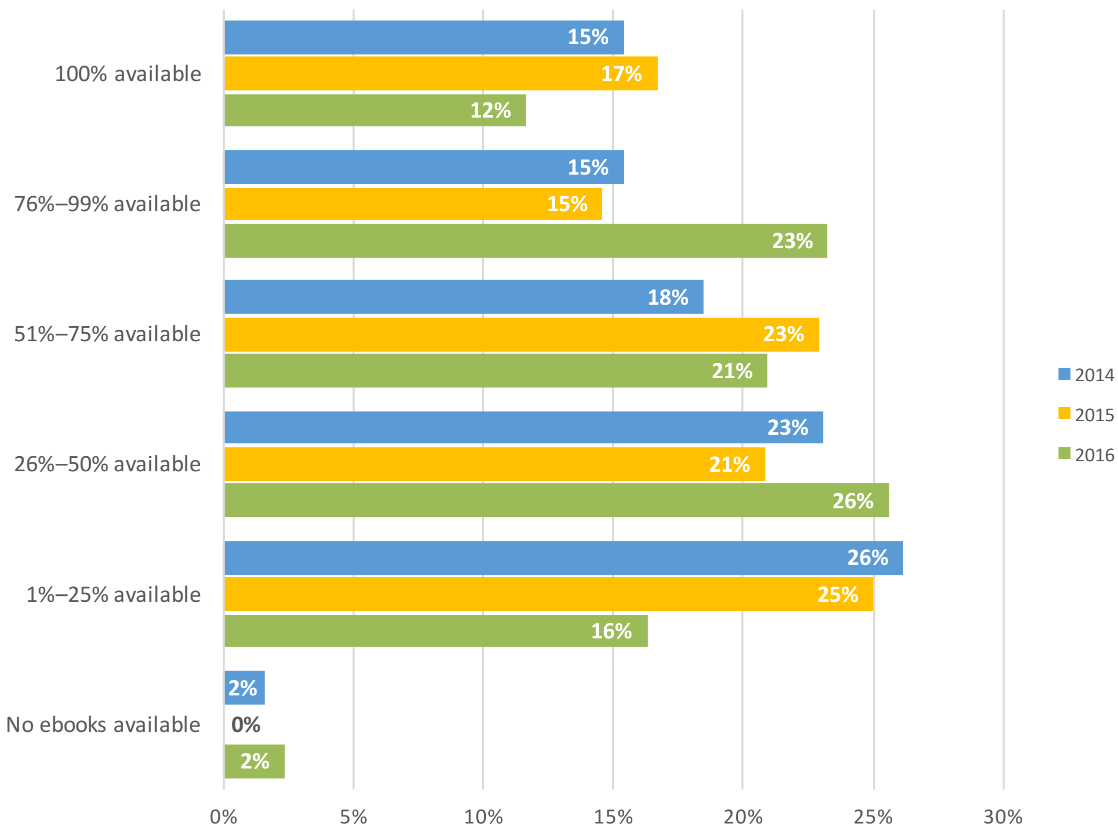
Breakdown by size of company	Increase sales	Customer demand	Accessibility – best way to serve consumers	Mechanism to lower costs	Testing a different production method	Author expectations	We are a digital-only publisher
Small / Self-Publisher (< $1M)	26%	22%	25%	1%	6%	16%	3%
Mid-Size Publisher ($1M - $10M)	28%	26%	24%	4%	0%	16%	0%
Large Publisher (> $10M)	20%	25%	20%	5%	10%	20%	0%

SCHEDULE FOR FRONTLIST EBOOK RELEASE



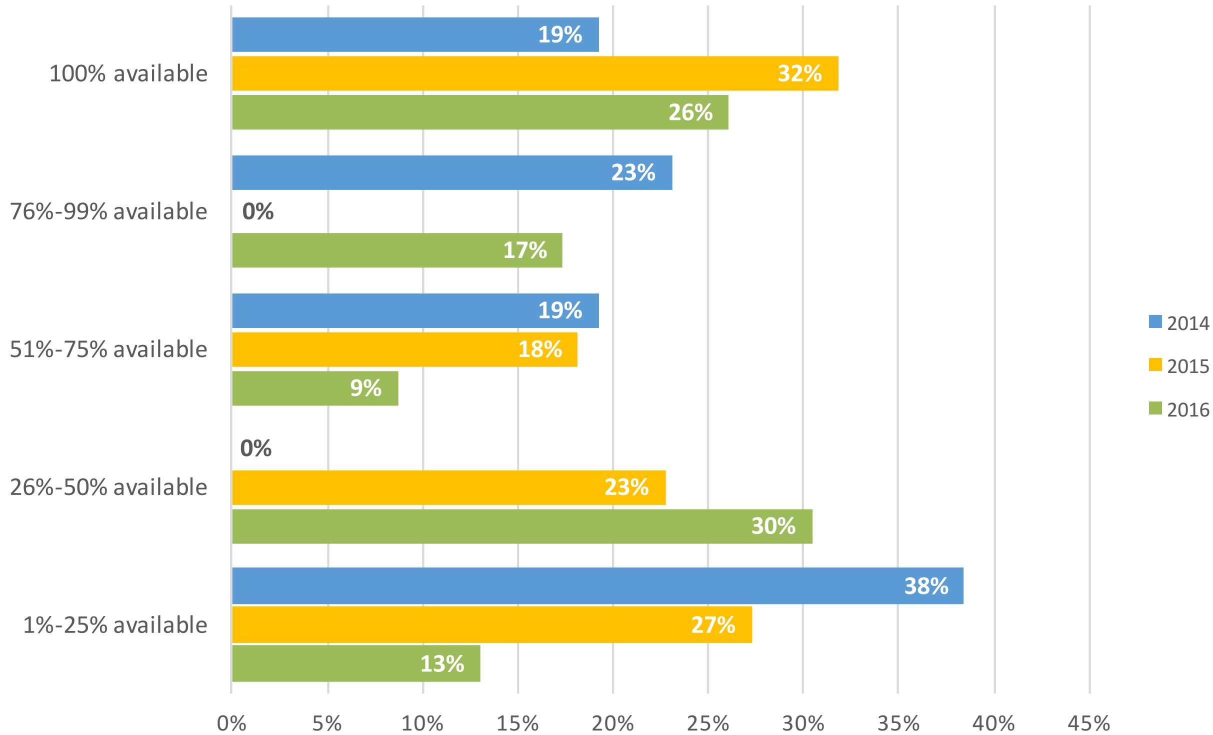
Question: When do you generally release your ebooks for new titles (frontlist)?
(2014 N=65, 2015 N=49, 2016 N=44)

DIGITAL AVAILABILITY OF PRINT TITLES



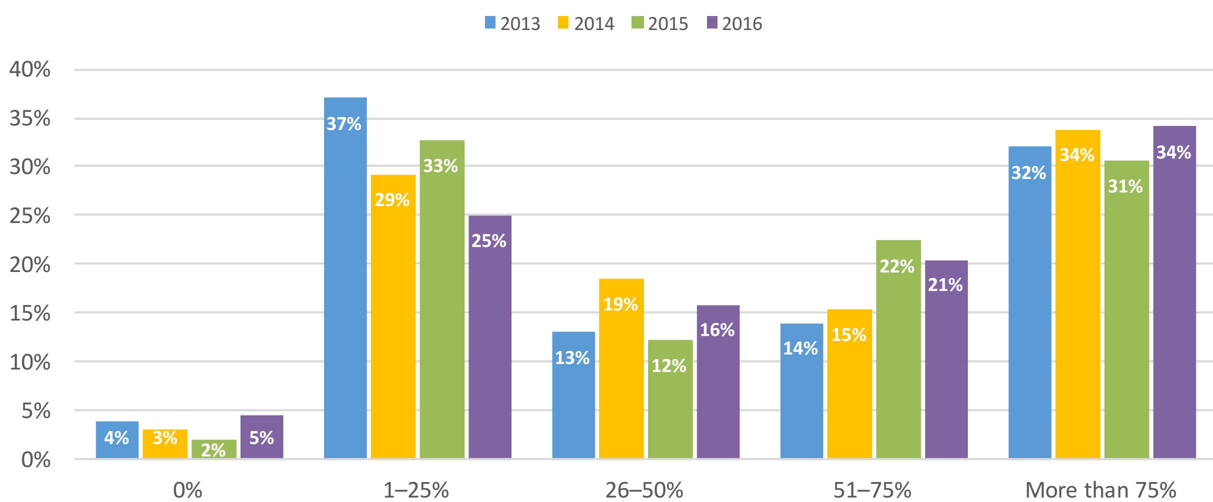
Question: In Canada, how many of your active print titles are you selling? Of these active print titles, how many are available as ebooks?
(2014 N=65, 2015 N=49, 2016 N=44)

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? (2014 N=26, 2015 N=49, 2016 N=44)

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, 2015 N=49, 2016 N=44)

Breakdown by size of company	0%	1-25%	26-50%	51-75%	>75%
Small / Self-Publisher (< $1M)	8%	32%	24%	12%	24%
Mid-Size Publisher ($1M - $10M)	0%	14%	7%	29%	50%
Large Publisher (> $10M)	0%	17%	0%	33%	50%

Breakdown by market focus	0%	1-25%	26-50%	51-75%	>75%
Trade / Consumer	6%	27%	15%	24%	27%
Scholarly / Professional	0%	0%	20%	0%	80%
Education / K–12	0%	0%	0%	33%	67%

Highlights:

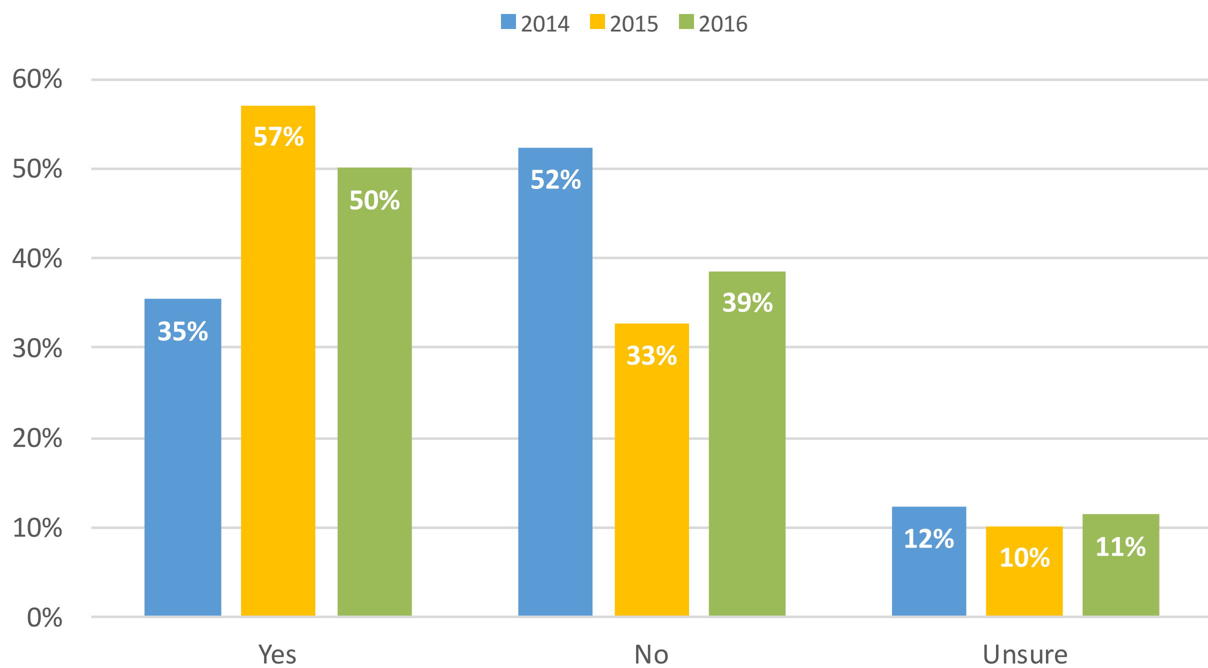
Once again, increasing sales (80%) is the primary driving force for ebook production, followed closely by customer demand (73%) and accessibility/best way to serve consumers (73%). That being said, increasing sales has declined by 8% from 88% in 2015, whereas customer demand and accessibility have increased since 2015, suggesting a shift towards a customer-focused mentality driving a firm's decision to pursue ebook production.

Firms are increasingly releasing ebooks simultaneously with their print counterparts, while fewer firms noted that they were releasing ebooks prior to print versions — declining from 8% in 2015 to 5% in 2016.

We continue to observe increases in digitalization efforts for print, juvenile, and backlist titles. Over half of respondents noted having more than 51% of their print and juvenile titles digitalized, with numbers up from 2015, while 34% of firms reported having more than 75% of their backlist titles digitized.

Fixed-Layout Ebooks

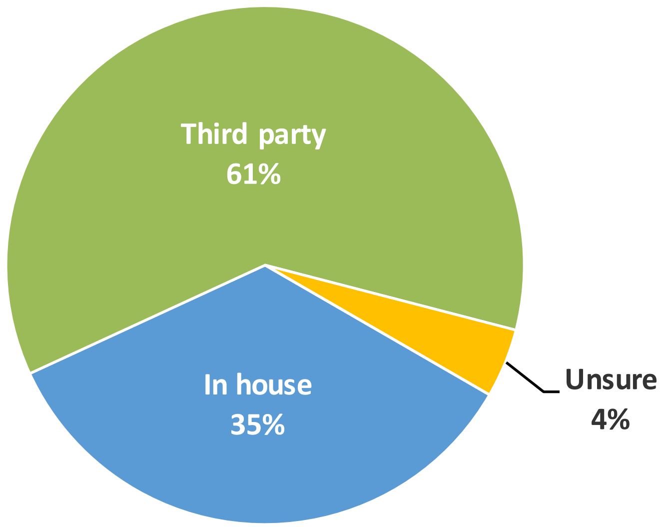
FIRMS THAT PRODUCE FIXED-LAYOUT EBOOKS



Question: Does your organization produce fixed-layout ebooks? (2014 N=65, 2015 N=49, 2016 N=44)

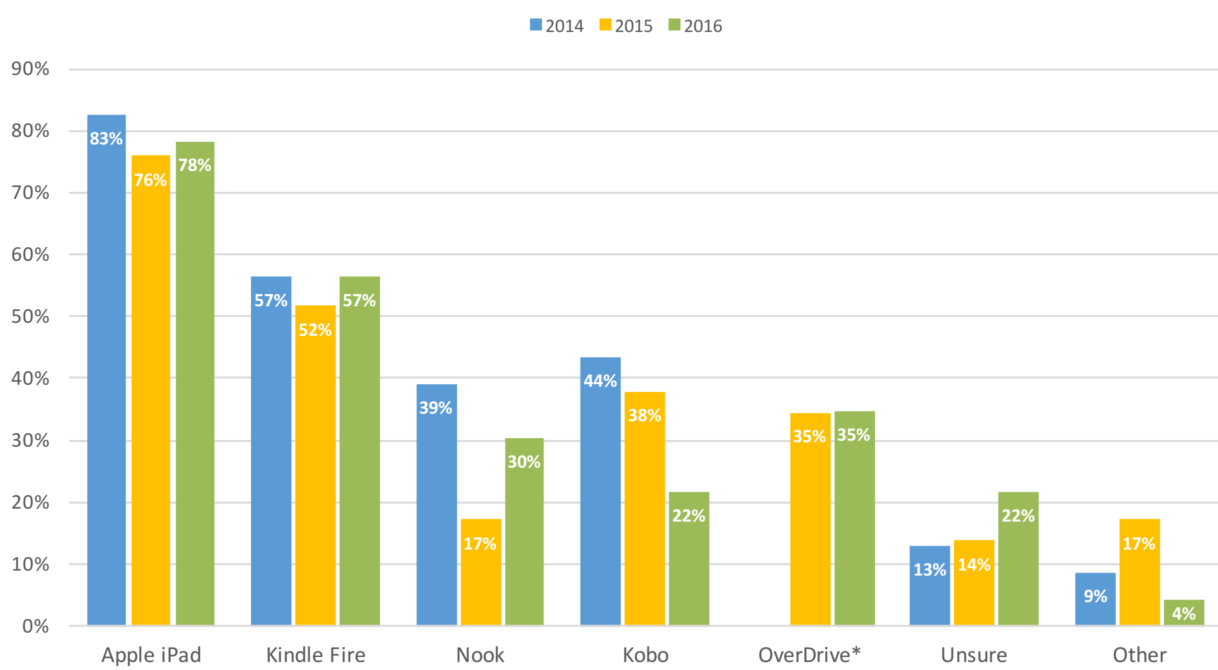
Breakdown by market focus	Yes	No	Unsure
Trade / Consumer	53%	34%	13%
Scholarly / Professional	20%	60%	20%
Education / K–12	67%	33%	0%

FIXED-LAYOUT PRODUCTION



Question: How are you producing your fixed-layout ebooks? (N=23)

PREFERRED PLATFORMS FOR FIXED-LAYOUT DISTRIBUTION



Question: On what platforms are you targeting your fixed-layout development efforts? (Please select all that apply.) (2014 N=23 respondents, N=56 responses; 2015 N=29 respondents, N=72 responses; 2016 N=23 respondents, N=57 responses)
**not included in 2014*

Highlights:

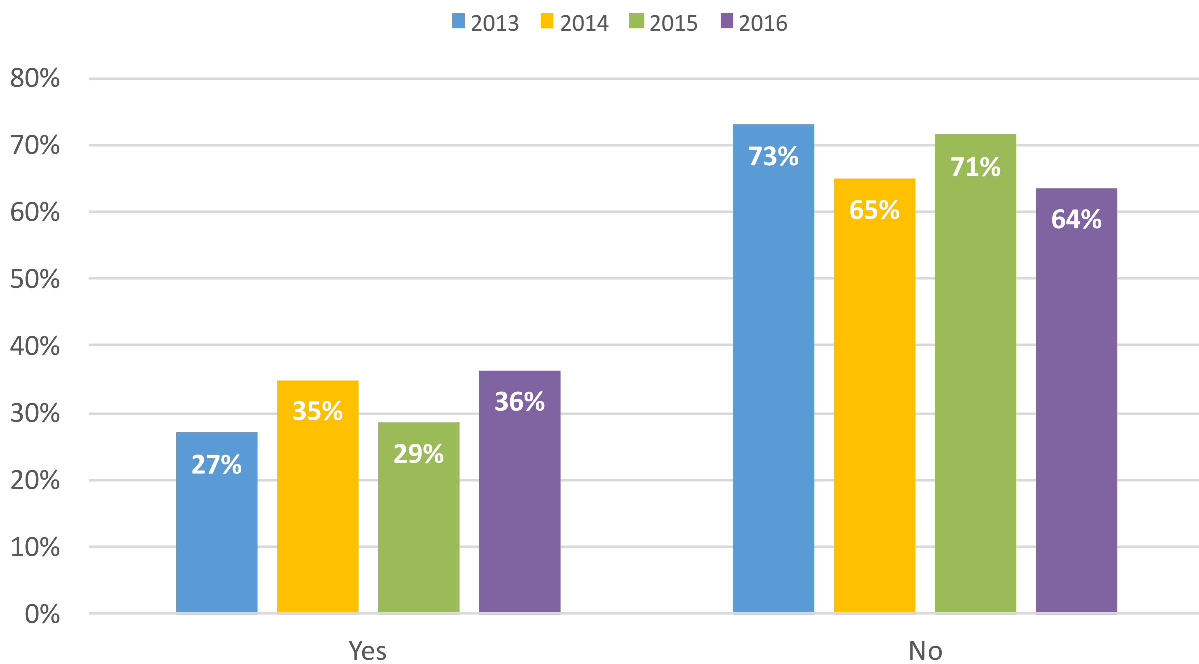
Firms producing fixed-layout ebooks have declined slightly, from 57% in 2015 to 50% in 2016. Many firms in the education/K-12 market have reported that they are producing fixed-layout ebooks, whereas most firms in the scholarly/professional market are not.

Outsourcing fixed-layout ebook production has increased from 52% in 2015 to 61% in 2016, after a decline was experienced from 2014 (57%) to 2015 (52%).

With the exception of the Nook and Kobo, firms reported similar platforms in 2015 and 2016 as targets of their fixed-layout development efforts. The Apple iPad (78%) and Kindle Fire (57%) topped the list. Efforts to target the Nook almost doubled in the past year, from 17% in 2015 to 30% in 2016, whereas efforts to target Kobo declined from 38% in 2015 to 22% in 2016.

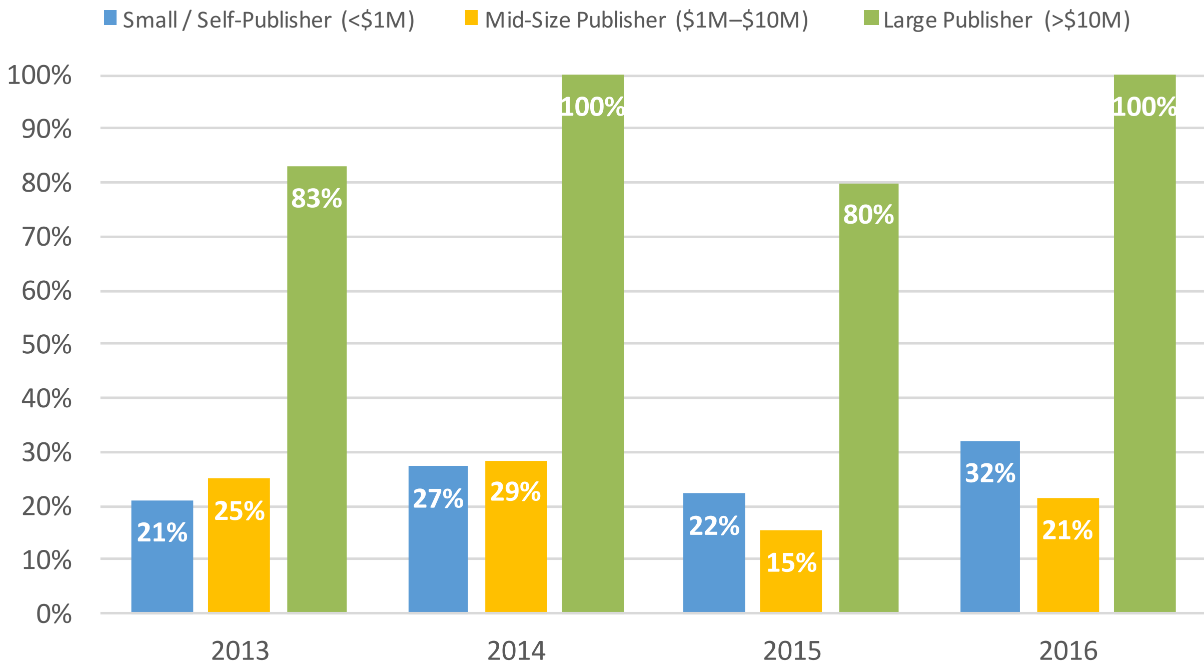
Digital Originals & Enhanced Ebooks

DIGITAL ORIGINALS



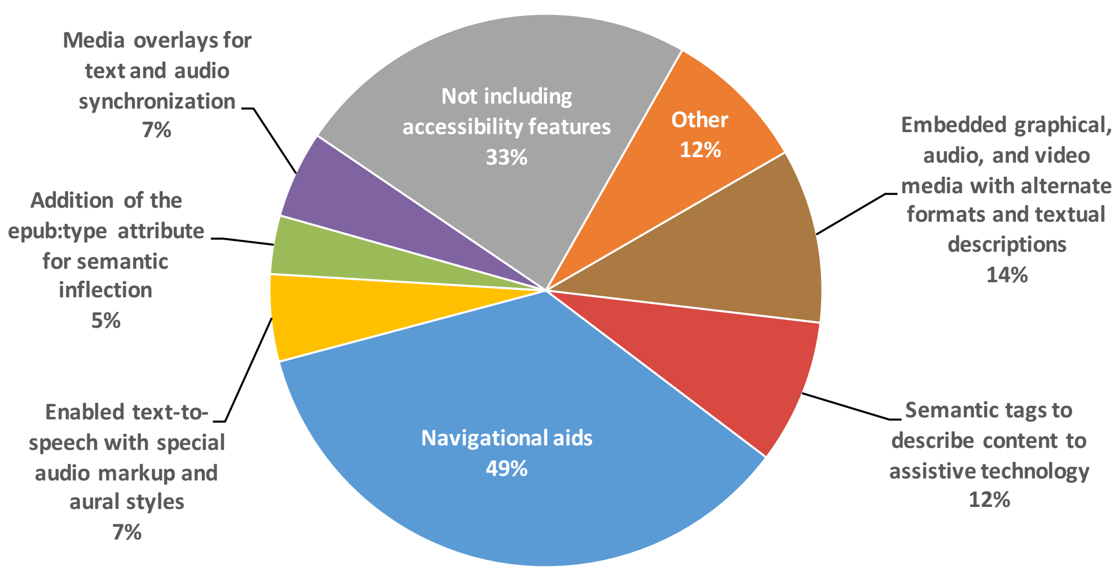
Question: Do you have a digital-only publishing program where, for certain titles, you produce only digital editions? (2013 N=78, 2014 N=65, 2015 N=49, 2016 N=44)

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? (2013 N=78, 2014 N=65, 2015 N=49, 2016 N=44)

BEST PRACTICES FOR ACCESSIBLE EBOOKS



Question: Are you including any of the following features, which are best practices for accessible ebooks, in your ebooks? (Please select all that apply.) (N=43 respondents, N=59 responses)

Highlights:

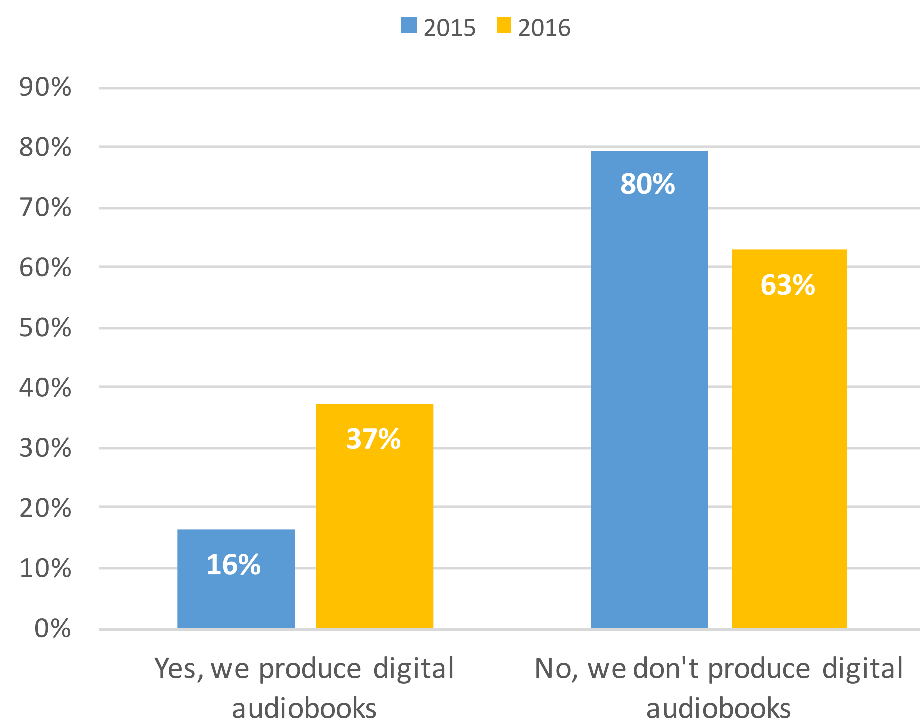
After a decline from 35% in 2014 to 29% in 2015, 36% of firms in 2016 reported that they have a digital-only publishing program to produce digital originals. This increase was consistently felt across all sizes of publishers in the past year.

Although the sample size is small, all respondents noted that the audio feature is an ebook enhancement currently being employed in their enhanced ebooks. Other than video, which declined from 36% in 2015 to 25% in 2016, all other enhancements such as interactive images, scripted animation, and slideshows, remained relatively flat.

More publishers are including accessibility features in their ebooks, up from 51% in 2015 to 67% in 2016. The most included accessibility feature continues to be navigational aids, followed by embedded graphical, audio, and video media. There are many more features that can be added to digital publications to comply with best practices for accessible ebooks. For more information, check out the *BISG Quick Start Guide to Accessible Publishing*.

Audiobooks

AUDIOBOOK PRODUCTION



Question: Do you produce digital audiobooks (either directly or through a partner)?
(2015 N=49, 2016 N=43)

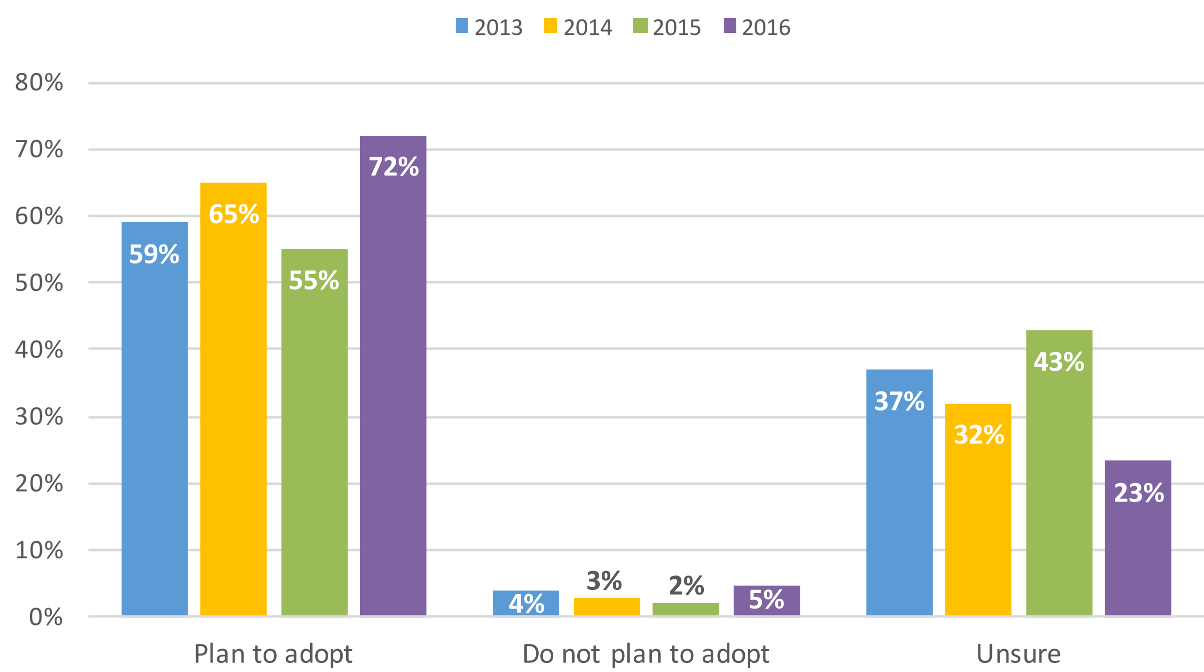
Highlights:

In 2016, 37% of firms reported producing digital audiobooks; this number is up from 16% in 2015.

Publishers reported having anywhere from zero to more than 7,000 active audiobook titles in 2016. The majority of respondents sell their audiobooks with Audible (69%), followed by OverDrive (50%) and Apple (44%).

Digital Best Practices

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, 2015 N=49, 2016 N=43)

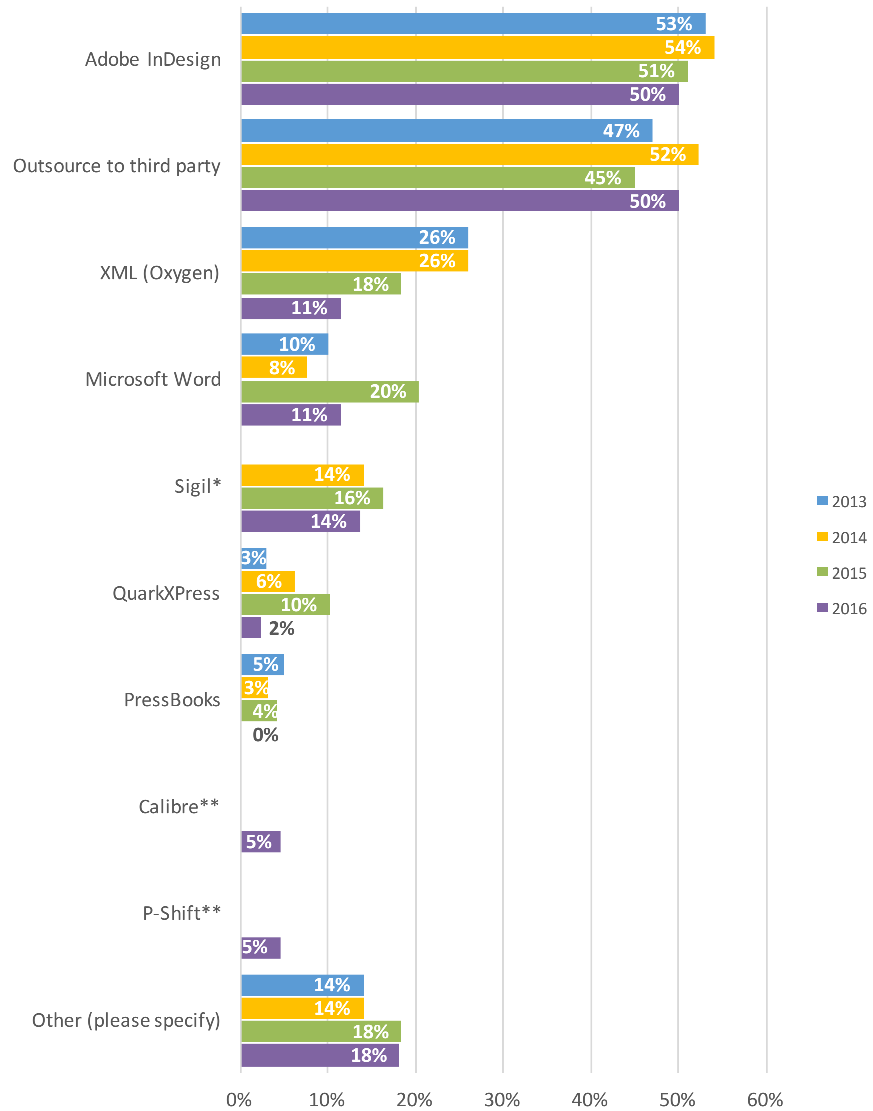
Highlights:

Firms appear to be more decisive towards making an effort to adopt the EPUB 3 standard, with 72% of firms planning to adopt it — a 17% increase from 2015.

For more information about EPUB 3 features and capabilities for devices and reading platforms, visit the EPUB 3 Support Grid.

Digital Creation & Management Tools

PREFERRED TOOLS FOR DIGITAL CONTENT CREATION



Question: What content creation and management tools does your company use to produce ebooks? (Please select all that apply.) (2013 N=78 respondents, N=128 responses; 2014 N=65 respondents, N=118 responses; 2015 N=49 respondents, N=92 responses; 2016 N=44 respondents, N=77 responses)
**not asked in 2013*
***not asked in 2013, 2014, and 2015*

Breakdown by market focus	Adobe InDesign	Outsource to third party	XML (Oxygen)	Microsoft Word	Sigil	QuarkXPress	PressBooks	Calibre	P-Shift	Other
Trade / Consumer	32%	25%	9%	5%	9%	2%	0%	4%	0%	9%
Scholarly / Professional	13%	50%	0%	0%	0%	0%	0%	0%	25%	13%
Education / K-12	20%	40%	0%	20%	0%	0%	0%	0%	0%	20%

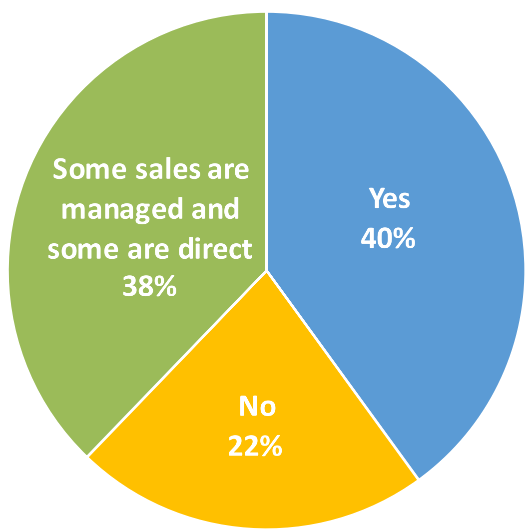
Highlights:

After a decline from 52% in 2014 to 45% in 2015, more publishers are outsourcing digital content creation in 2016 (50%).

The primary tool used for digital content creation is still Adobe InDesign (50%), followed by Sigil (14%). Other than Calibre and P-Shift, which were new categories added this year, all tools experienced a decrease in use compared to data from 2015.

Digital Asset Management

USE OF A DIGITAL ASSET MANAGEMENT FIRM

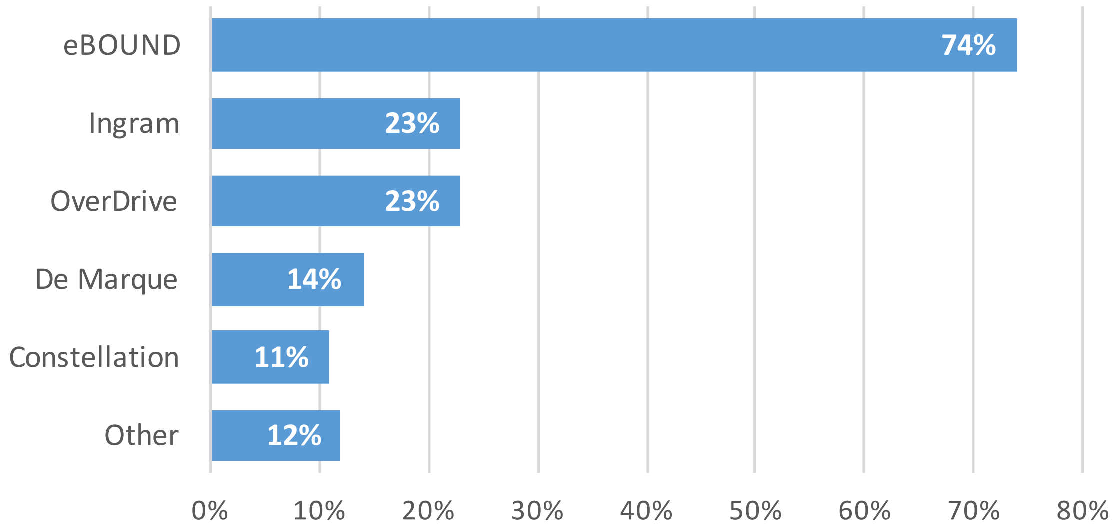


Question: Are your ebook sales managed by a digital asset manager/digital distributor? (e.g. eBOUND Canada, Transcontinental, etc.) (N=45)

Breakdown by size of company	Yes	No	Some sales are managed and some are direct
Small / Self-Publisher (< $1M)	52%	20%	28%
Mid-Size Publisher ($1M - $10M)	29%	7%	64%
Large Publisher (> $10M)	17%	67%	17%

Breakdown by market focus	Yes	No	Some sales are managed and some are direct
Trade / Consumer	34%	25%	41%
Scholarly / Professional	17%	33%	50%
Education / K–12	67%	0%	33%

DIGITAL ASSET MANAGEMENT FIRMS



Question: Which firm manages some/all of your ebook sales or distribution? (Please select all that apply.) (N=35 respondents, N=63 responses)

Highlights:

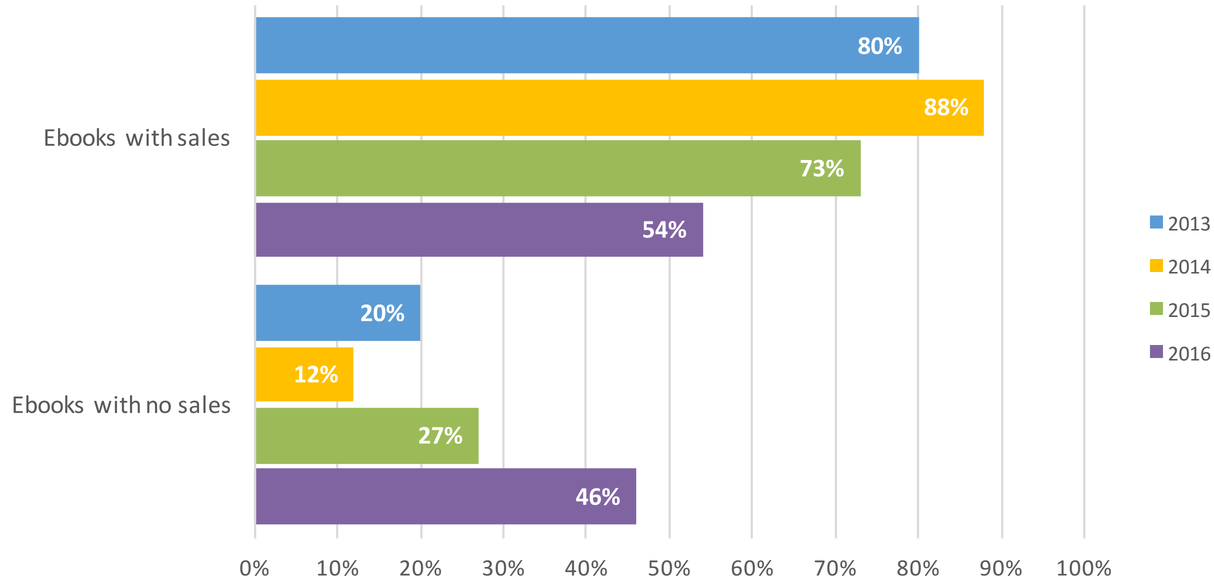
Use of digital asset management (DAM) firms has declined in the past year. Whereas use from 2014 (61%) to 2015 (64%) remained relatively flat, only 40% of respondents reported use of one in 2016. Of the firms that do have some or all of their ebook sales managed by a DAM firm, 74% employ one supplied by eBOUND Canada.

More small and mid-size publishers report using DAM services than do large publishers.

Ingram and OverDrive are tied as the second-most popular DAM firm with 23% of respondents. Constellation, the second-most popular manager in 2014 with 11% of respondents, has the same percentage of respondents in 2016, but has dropped to fourth position. It should be noted that Ingram's CoreSource is the DAM firm that eBOUND Canada uses.

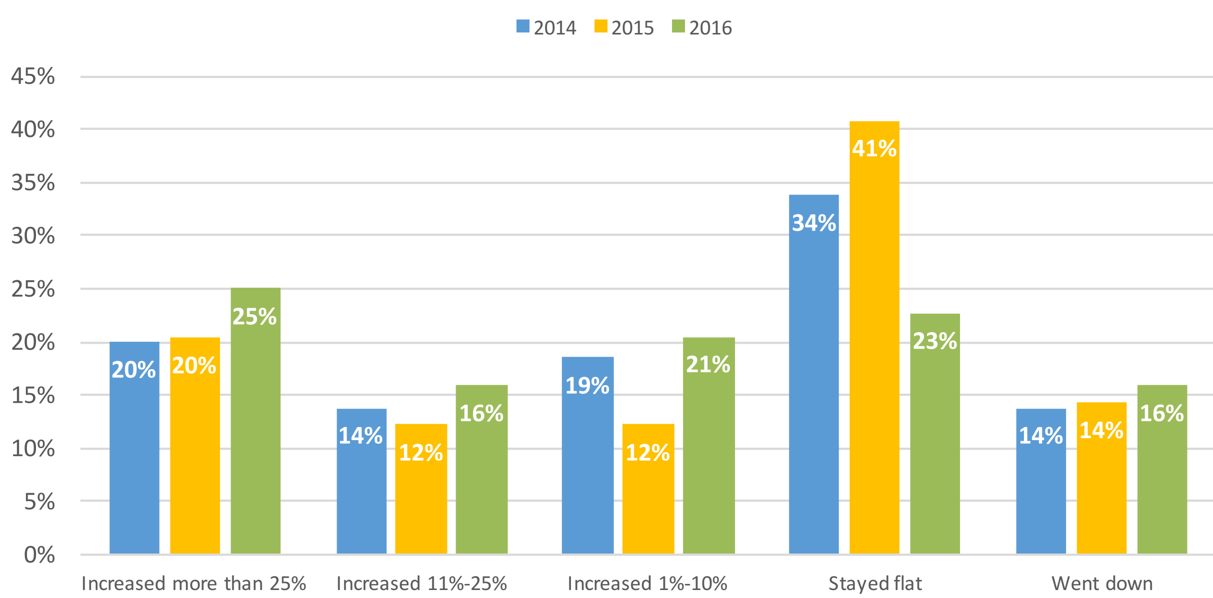
Ebook Sales & Distribution

EBOOKS WITH CANADIAN SALES



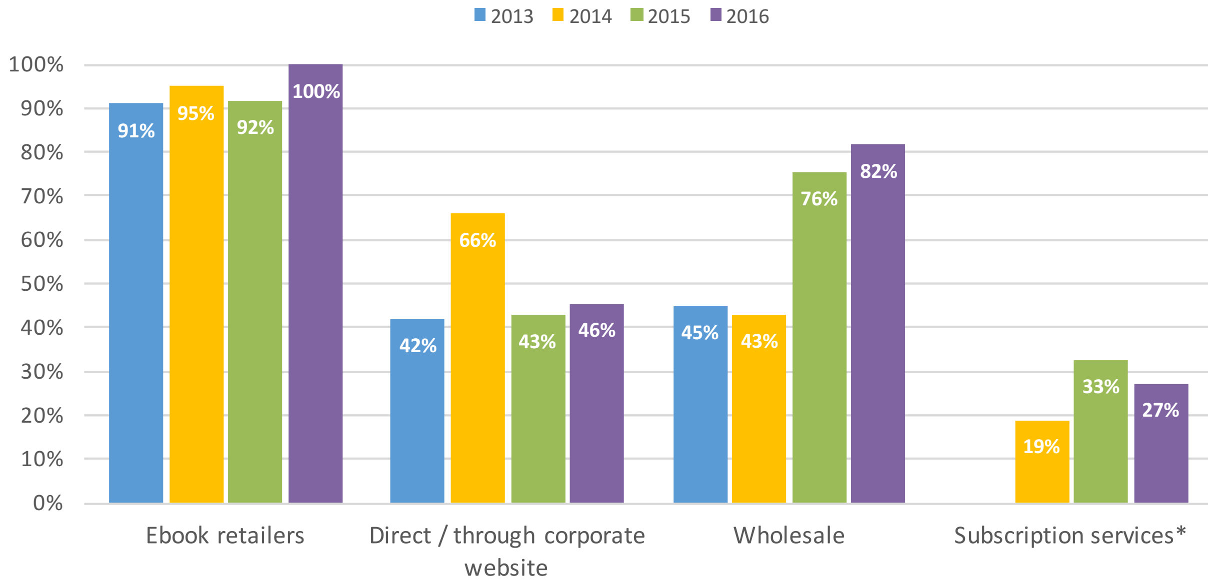
Question: How many ebooks do you have with Canadian sales in the past 12 months? (2013 N=78, 2014 N=65, 2015 N=49, 2016 N=44)

CHANGE IN DIGITAL REVENUE FROM 2014 TO 2016



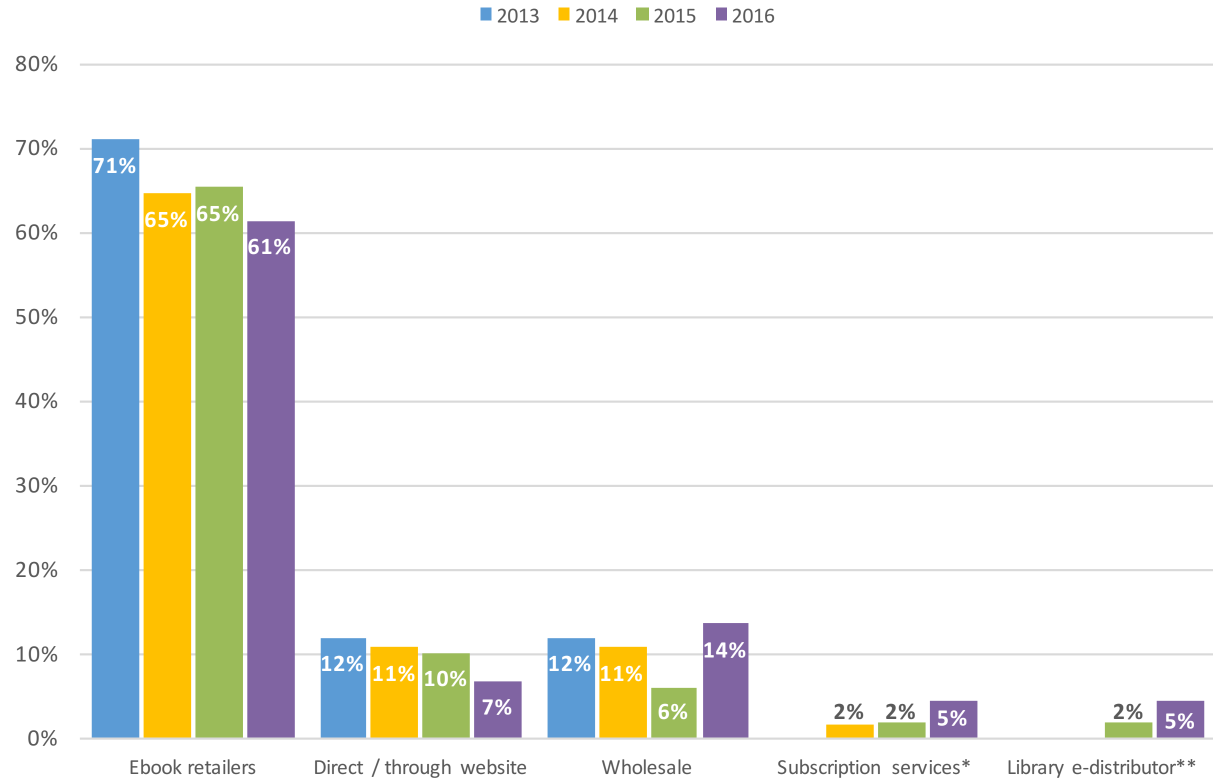
Question: Comparing your digital sales revenue in the Canadian marketplace between 2015 and 2016, would you say your firm's digital revenue: (2014 N=65, 2015 N=49, 2016 N=44)

EBOOK SALES CHANNELS



Question: How are you selling your ebooks to Canadian readers? (Please select all that apply.) (2013 N=78 respondents, N=151 responses; 2014 N=65 respondents, N=152 responses; 2015 N=49 respondents, N=124 responses; 2016 N=44 respondents, N=116 responses)
**not asked in 2013*

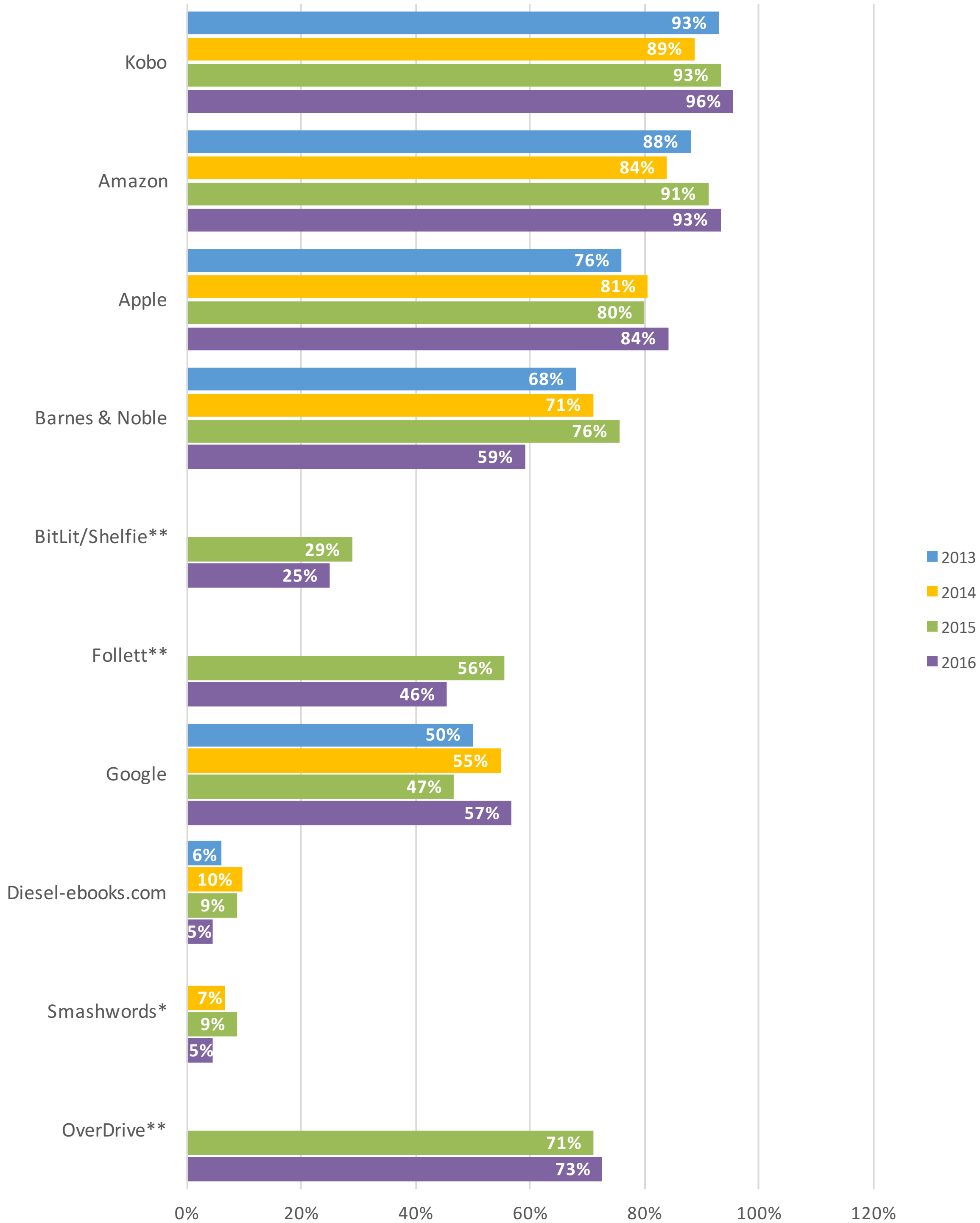
BEST EBOOK REVENUE CHANNELS



Question: Through which sales channel do you receive the most revenue? (2013 N=69, 2014 N=65, 2015 N=49, 2016 N=44)
**not asked in 2013*
***not asked in 2013 and 2014*

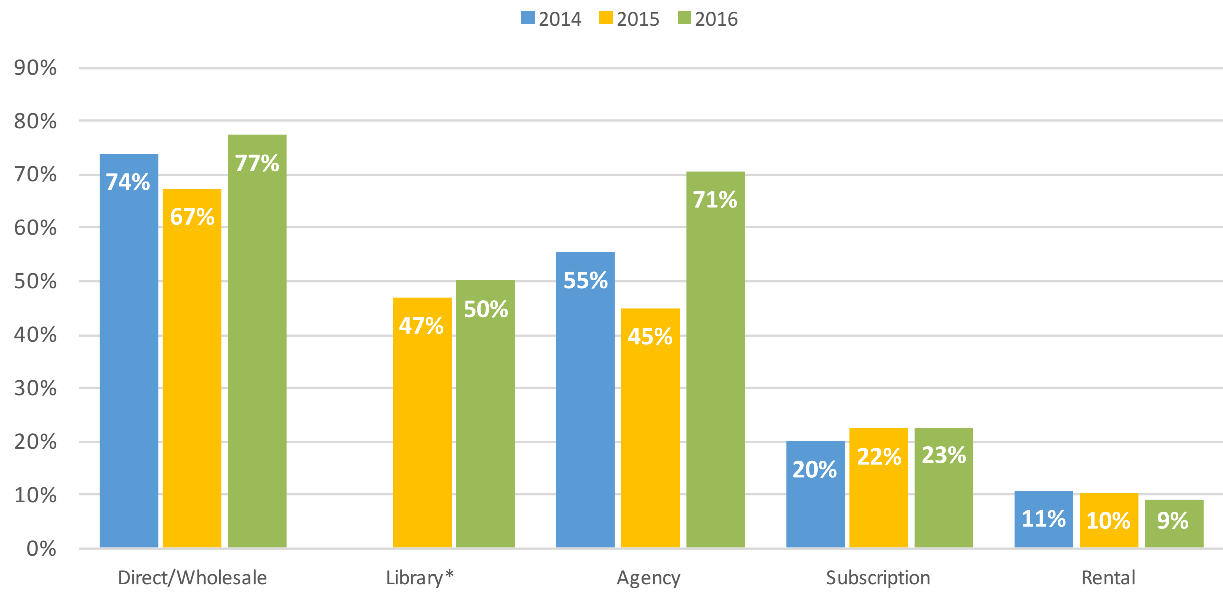
Breakdown by market focus	Direct / through corporate website	Ebook retailers	Library e-distributor	Wholesale	Subscription Services
Trade / Consumer	3%	78%	6%	6%	3%
Scholarly / Professional	0%	20%	40%	40%	0%
Education / K–12	67%	0%	0%	0%	33%

CHANNELS FOR EBOOK RETAIL DISTRIBUTION



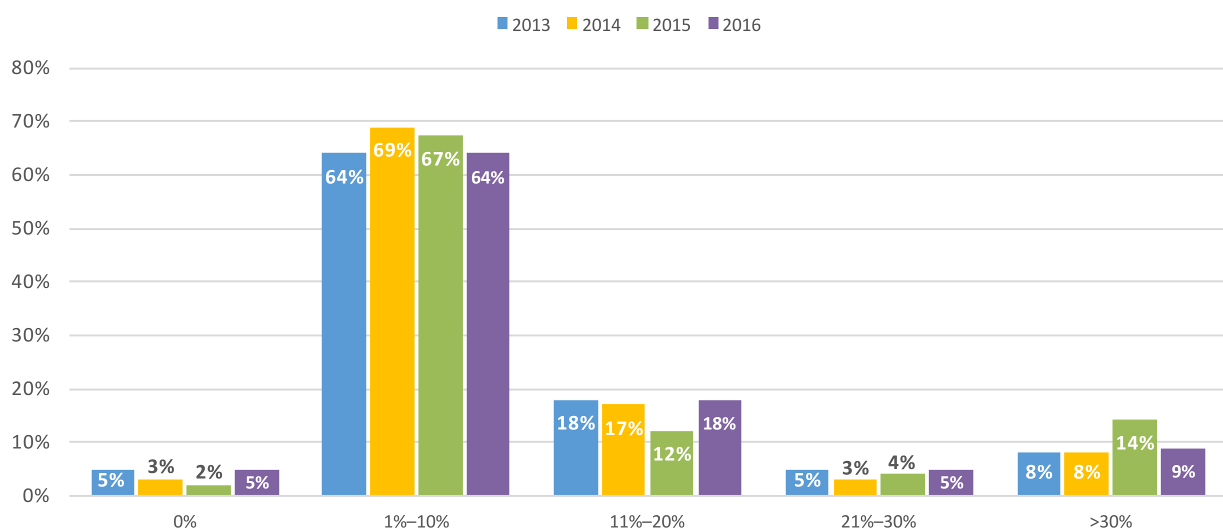
Question: Which ebook retailers do you sell your ebooks with? (Please select all that apply.)
(2013 N=72 respondents, N=341 responses; 2014 N=62 respondents, N=286 responses; 2015 N=45 respondents, N=264 responses; 2016 N=44 respondents, N=245 responses)
**not asked in 2013*
***not asked in 2013 and 2014*

PRICING MODELS



Question: What type of ebook pricing does your company use? (Please select all that apply.) (2014 N=65 respondents, N=115 responses; 2015 N=49 respondents, N=103 responses; 2016 N=44 respondents, N=106 responses)
**not asked in 2014*

EBOOK REVENUE



Question: What percent of your firm's overall revenue is derived from ebook sales? (2013 N=78, 2014 N=65, 2015 N=49, 2016 N=44)

Highlights:

The number of ebooks with sales continues to decline, from 88% in 2014 to 73% in 2015 to 54% in 2016. Firms reported that 46% of their available ebooks saw no sales in 2016. This could be a result of the continued growth in digitization of backlist titles or, as referenced above, could be due to the 2.1% decline in ebook sales between 2015 and 2016 in the Canadian market.

Other possible reasons for the lack of uptake in sales for certain titles include discoverability issues due to missing metadata in publisher ONIX feeds, and a lack of availability in consumers' desired formats (EPUB vs. PDF vs. MOBI).

Despite the number of ISBNs without sales, 61% of firms reported that they saw an increase in digital revenue, up from 45% in 2015; 25% experienced an increase of more than 25% in digital revenue over the previous year.

All respondents are selling their ebooks to Canadian readers through ebook retailers, with the next highest sales channel being wholesale channels (82%) such as Ingram, OverDrive, and 3M. Publisher use of subscription services experienced a slight decline in the past year, from 33% in 2015 to 27% in 2016.

Publishers continue to view ebook retailers as the best revenue channel for digital sales, despite a slight decline in the category from 65% in 2015 to 61% in 2016. The number of publishers citing wholesale channels as their best revenue source increased by 8%, after experiencing a notable decline from 11% in 2014 to 6% in 2015.

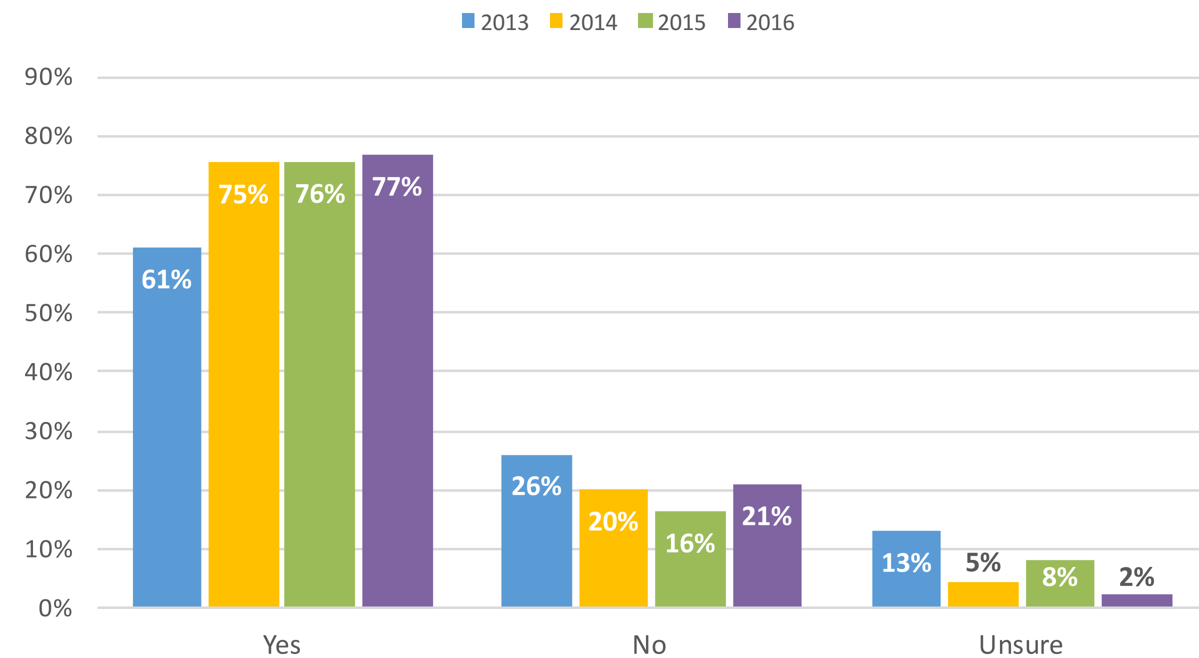
Kobo continues to take the lead as the most-used ebook retailer by firms (96%), closely followed by Amazon (93%) and Apple (84%). These top three companies all experienced minimal increases since 2015.

Firms appear to be utilizing a variety of pricing models, with a significant increase of more than 20% for agency pricing (71%), and a 10% increase from 2015 to 2016 for direct/wholesale pricing (77%).

The majority of publishers (64%) derive 1%-10% of their revenue from digital sales, while 18% of publishers derive 11% to 20% of their revenue from digital sales.

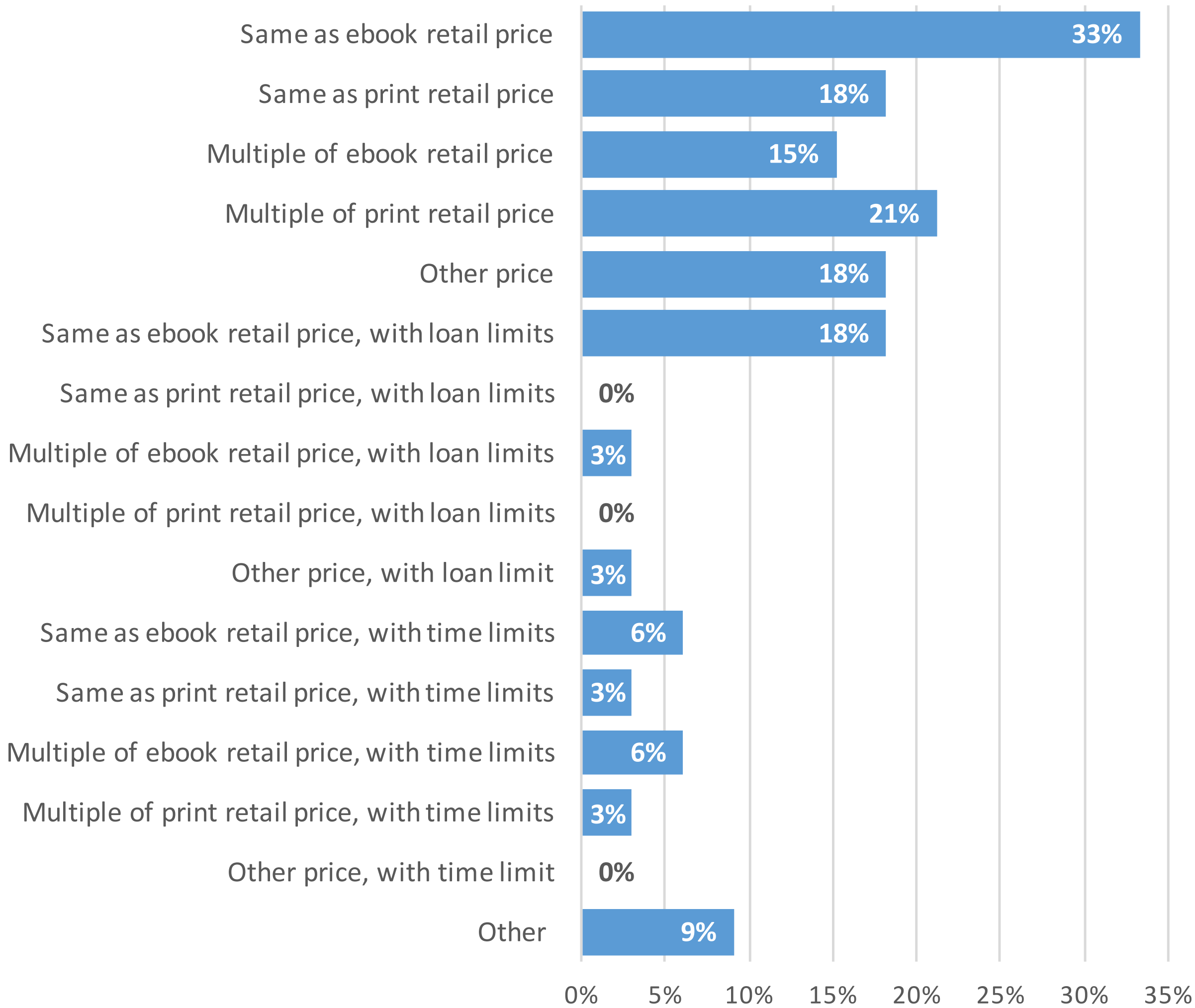
Libraries & Ebooks

LIBRARY EBOOK SALES



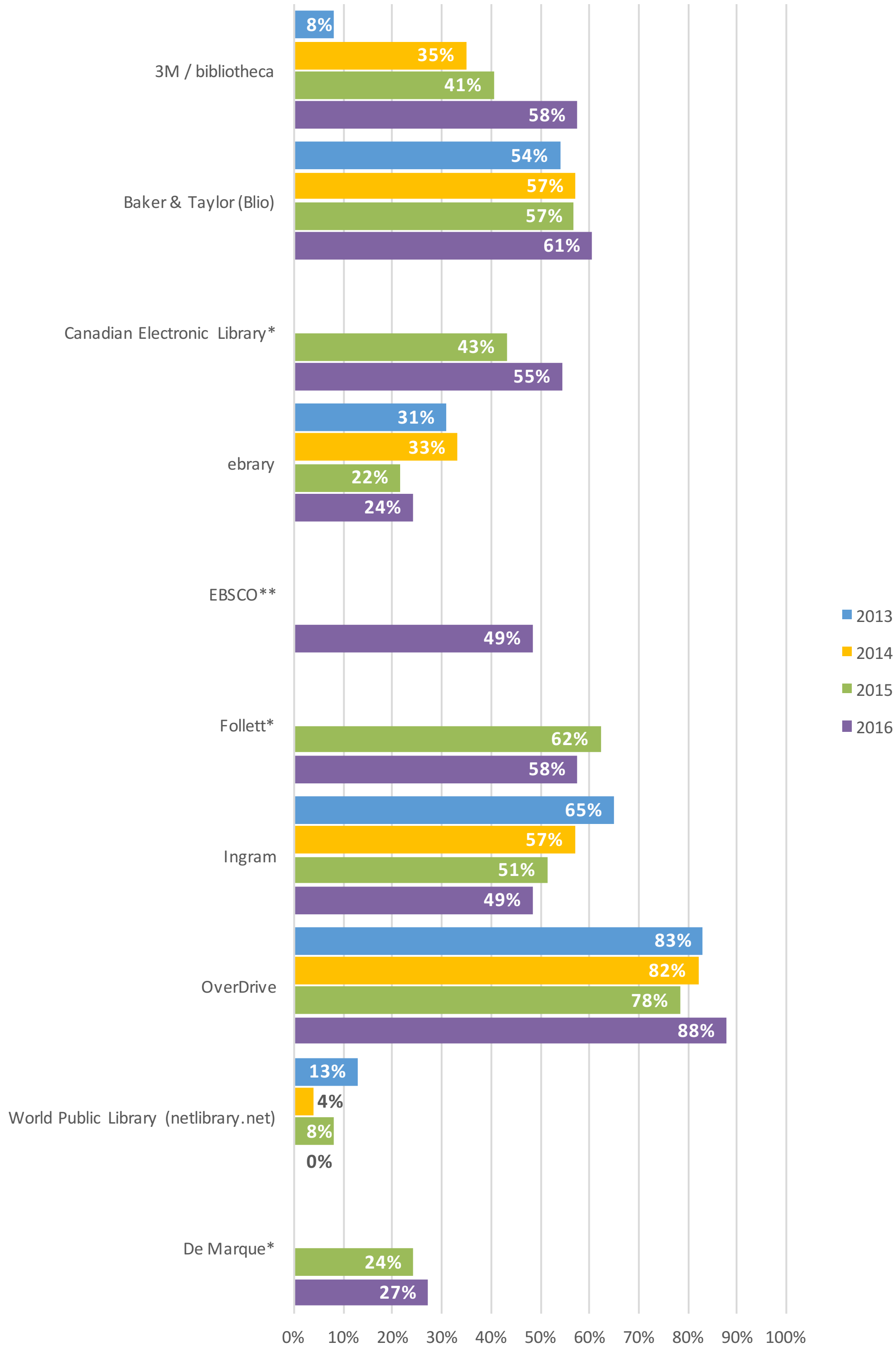
Question: Do you sell ebooks to public libraries?
(2013 N=78, 2014 N=65, 2015 N=49, 2016 N=43)

PRICING FOR LIBRARIES



Question: How are you pricing digital books for library sales? (Please select all that apply.)
(2016 N=33 respondents, N=52 responses)

LIBRARY DISTRIBUTION



Question: What library services (wholesalers) do you use? (Please select all that apply.) (2013 N=48 respondents, N=136 responses; 2014 N=49 respondents, N=146 responses; 2015 N=37 respondents, N=150 responses; 2016 N=33 respondents, N=163 responses)
**not asked in 2013 and 2014*

Breakdown by market focus	3M/ bibliotheca	Baker & Taylor (Blio)	Canadian Electronic Library*	ebrary	EBSCO	Follett*	Ingram	OverDrive	World Public Library	De Marque*
Trade / Consumer	12%	13%	11%	4%	9%	13%	11%	19%	0%	5%
Scholarly / Professional	9%	9%	11%	11%	14%	6%	11%	11%	0%	6%
Education / K-12	13%	13%	13%	0%	13%	13%	0%	25%	0%	13%

Highlights:

Publishers continue to sell their ebooks to libraries at a stable rate, with a 1% increase experienced every year from 2014 (75%) to 2016 (77%).

In 2016, we broke down the pricing categories of digital books for library sales even further than in previous surveys, to reflect the differences between print retail prices and ebook retail prices. We found that the majority of firms offer libraries the same price for their digital books as the ebook retail price (33%), followed by a multiple of the print book retail price (21%).

OverDrive continues to be the most popular library wholesaler, with 88% of firms using their service. Baker & Taylor (61%), 3M/bibliotheca (58%), and Follett (58%) are also very popular. Meanwhile, World Public Library experienced a decline from 8% in 2015 to 0% in 2016. This year, EBSCO was added as a new vendor option, garnering 49% of responses.

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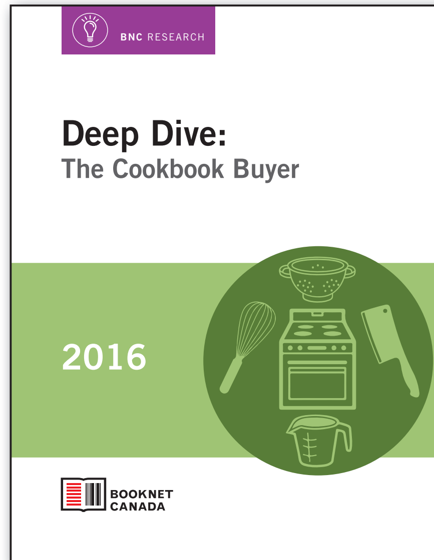

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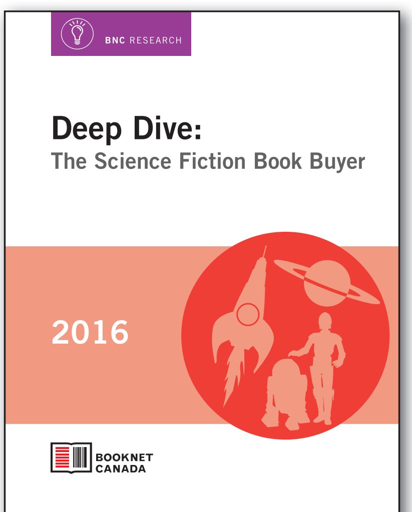

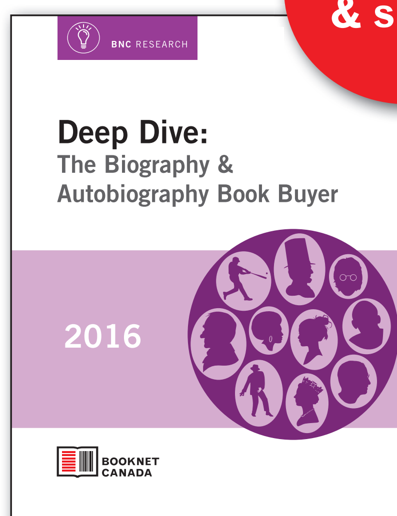

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