BNC RESEARCH

The State of Digital Publishing in Canada 2015

04.2016

PREPARED BY BOOKNET CANADA STAFF

BOOKNET CANADA

Table of Contents

Introduction

Following up two prior years of studies, in January 2016, BookNet Canada embarked on the third annual *State of Digital Publishing in Canada* survey, looking at the size, scope, and production processes of the digital publishing market in Canada. Fifty-five publishers completed the survey, including Canadian publishers ranging from large multinational publishers to larger Canadian-owned publishers to smaller, niche publishers. This not only provides an overview of the current digital marketplace but also a year-over-year comparison between 2013 and 2015.

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.

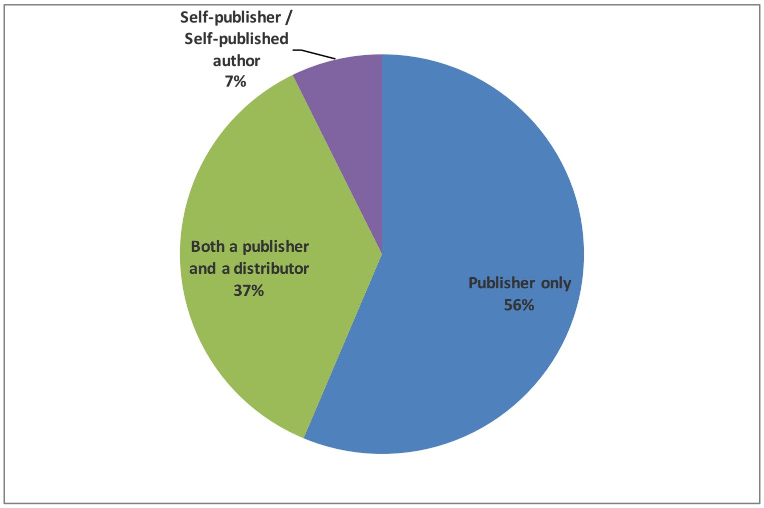
With reports that the US and UK ebook markets were down in 2015[1] and much conjecture about whether people were moving back to print due to the increased pricing of ebooks, almost all publishers (87%) are producing ebooks with the explicit goal of increasing sales, fulfilling customer demand, and allowing for greater accessibility.

At the same time, more publishers than ever before are releasing digital formats at the same time as print (67%) and over 30% of publishers have now digitized over three-quarters of their backlist collection. Now, more than ever before, publishers are demonstrating that they are committed to the development of digital formats in their publishing programs.

1 "E-Book Market Share Down Slightly In 2015". Thebookseller.com. N.p., 2015. Web. 19 Apr. 2016.

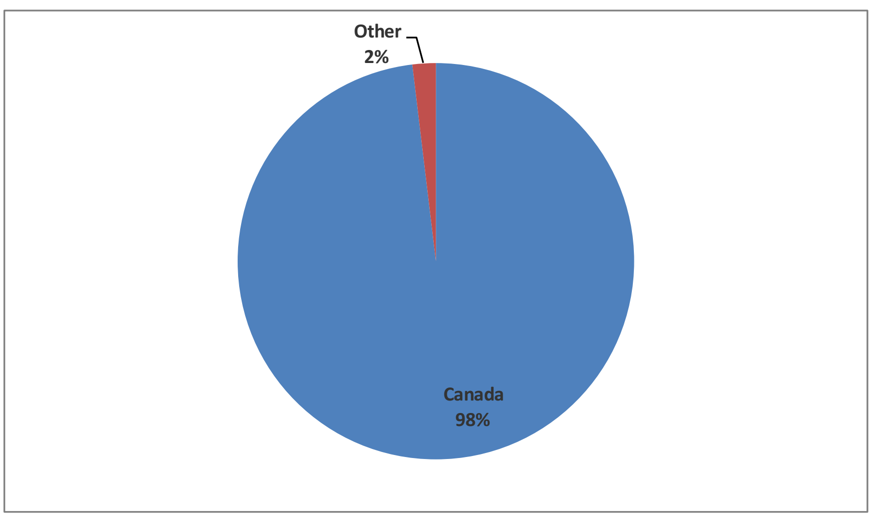
Respondent Profile

COMPANY TYPE



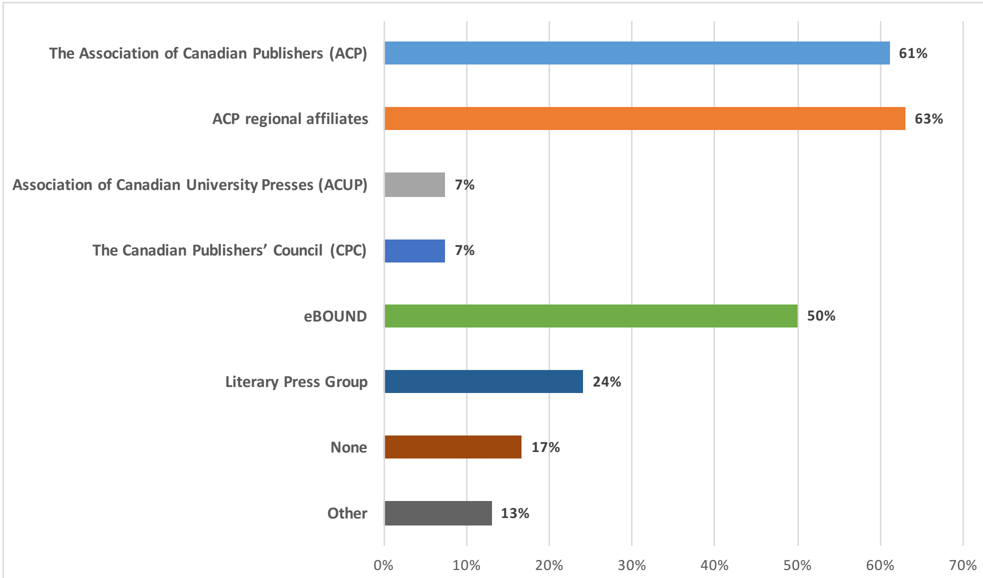
Question: Type of firm
(N=55)

COMPANY HEADQUARTERS



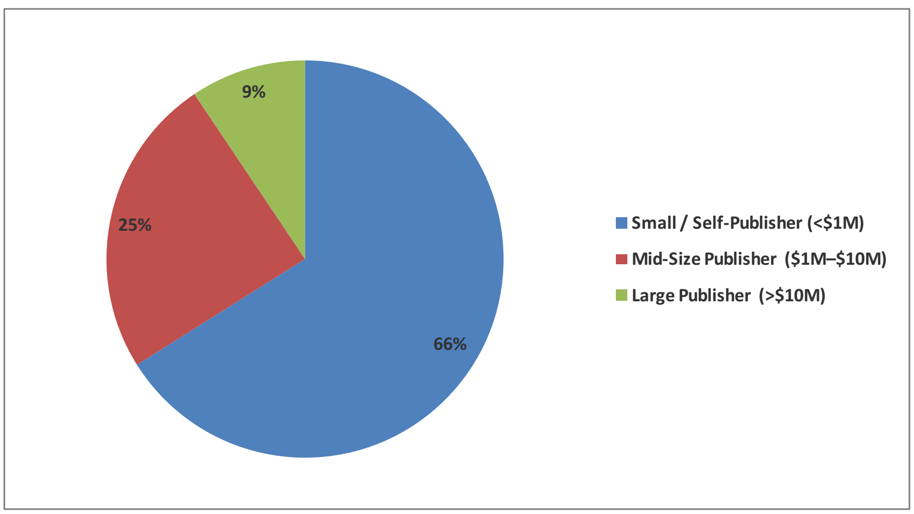
Question: Is your firm's headquarters located in Canada?
(N=54)

ASSOCIATION MEMBERSHIP



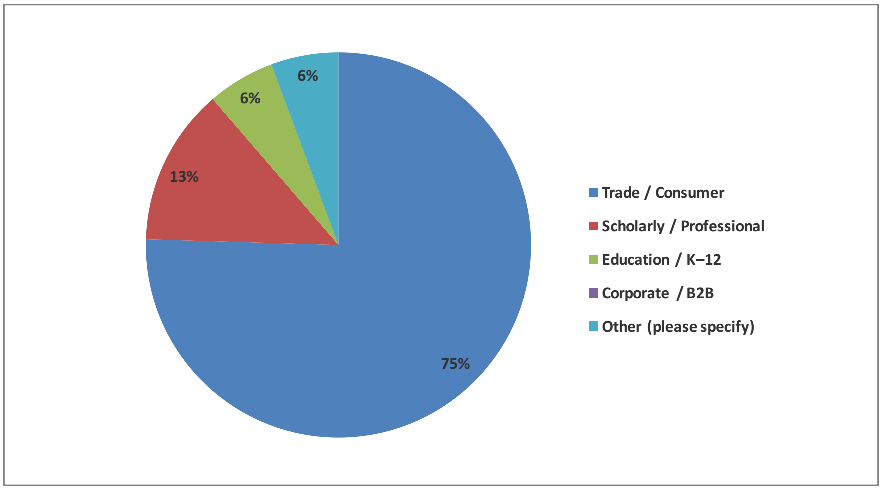
Question: Is your firm a member of the (please select all that apply)?
(N=54)

COMPANY SIZE



Question: Size of firm (annual Canadian revenue)
(N=55)

MARKET FOCUS



Question: What industry segment best describes your firm's market focus?
(N=53)

HIGHLIGHTS:

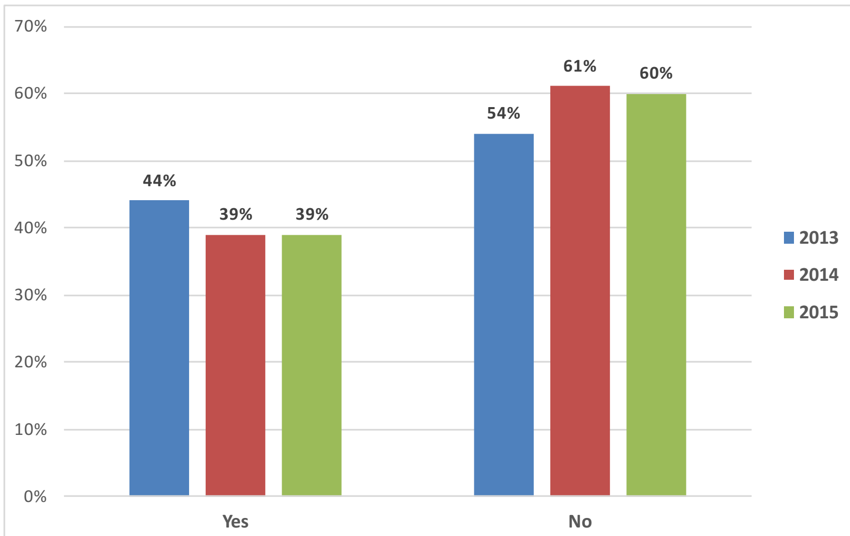
68%
of respondents belong to either the ACP or the CPC

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, 66% of respondents represent small publishers, 25% mid-size, and 9% large.

69% of respondents belong to either the ACP or the CPC, with the largest percentage (63%) 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, 2015 N=53)

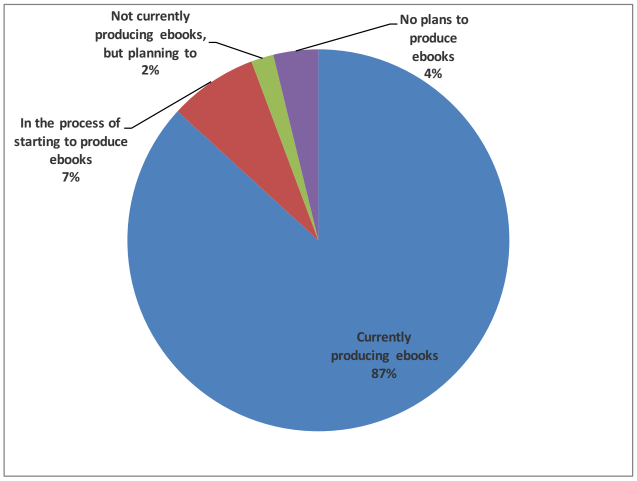
Breakdown by size of company	
Small / Self-Publisher (< $1M)	**29%**
Mid-Size Publisher ($1M - $10M)	**46%**
Large Publisher (> $10M)	**100%**

HIGHLIGHTS:

Dedicated digital staff continues to be lower than when we originally fielded this study in 2013, but remains consistent between 2014 and 2015. Last year we wondered whether a decline in number of digital staff members was due to an increase in outsourcing but you will see that outsourcing seems to have declined slightly in 2015 while staffing remains comparable to last year. This may be due to the fact that, in many publishing houses, digital and print processes are being aligned, which requires less focus on a dedicated digital staff.

Ebook Production & Conversion

EBOOK PRODUCTION

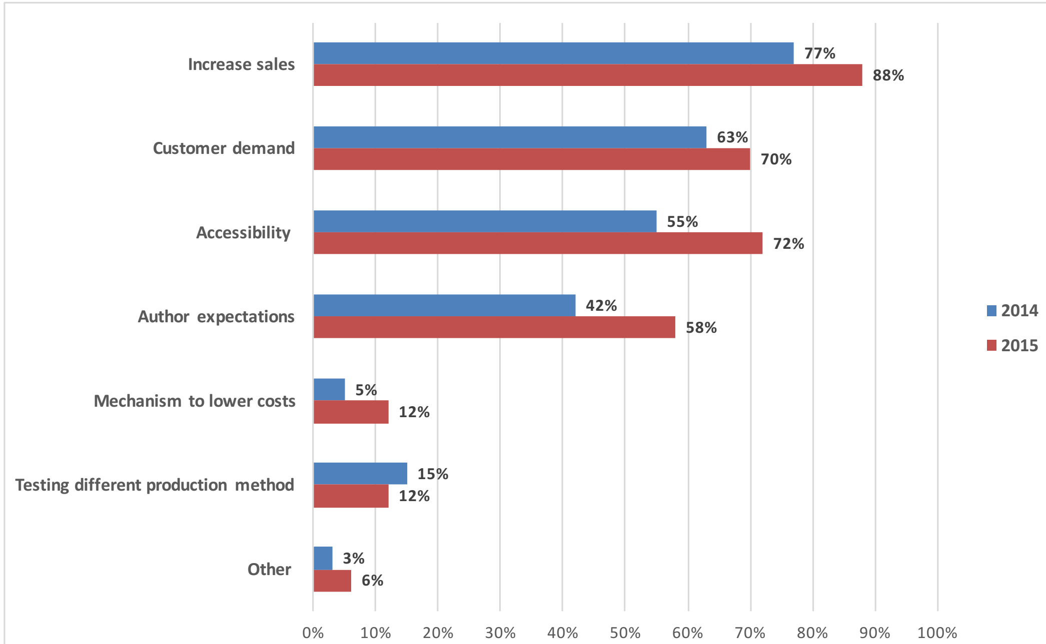


Question: Does your firm currently publish ebooks? (N=53)

Breakdown 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)	81%	11%	0%	6%
Mid-Size Publisher ($1M - $10M)	92%	0%	8%	0%
Large Publisher (> $10M)	100%	0%	0%	0%

Breakdown by market focus	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
Trade / Consumer	88%	5%	3%	5%
Scholarly / Professional	86%	14%	0%	0%
Education / K–12	100%	0%	0%	0%
Other	75%	25%	0%	0%

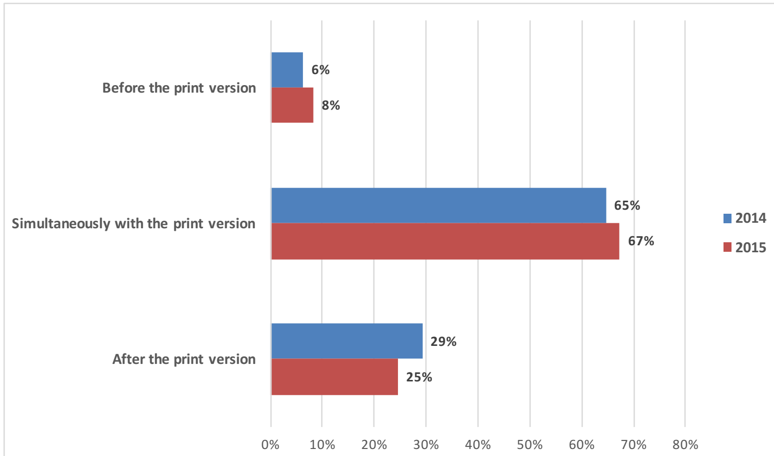
DRIVING FORCES FOR EBOOK PRODUCTION



Question: What are your firm's main reasons for publishing ebooks?
This question allowed for multiple responses
(N=50 respondents, N=159 responses)

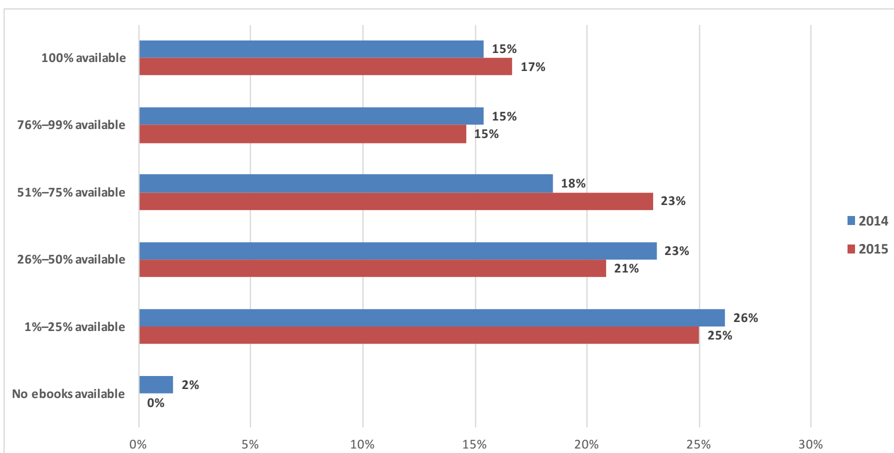
Breakdown by size of company	Increase sales	Customer demand	Accessibility – best way to serve consumers	Mechanism to lower costs	Testing a different production method	Author expectations	We are a digital-only publisher	Other (please specify)
Small / Self-Publisher (< $1M)	29%	21%	23%	3%	4%	18%	0%	3%
Mid-Size Publisher ($1M - $10M)	28%	23%	21%	5%	5%	18%	0%	0%
Large Publisher (> $10M)	21%	26%	26%	5%	0%	21%	0%	0%

SCHEDULE FOR FRONTLIST EBOOK RELEASE



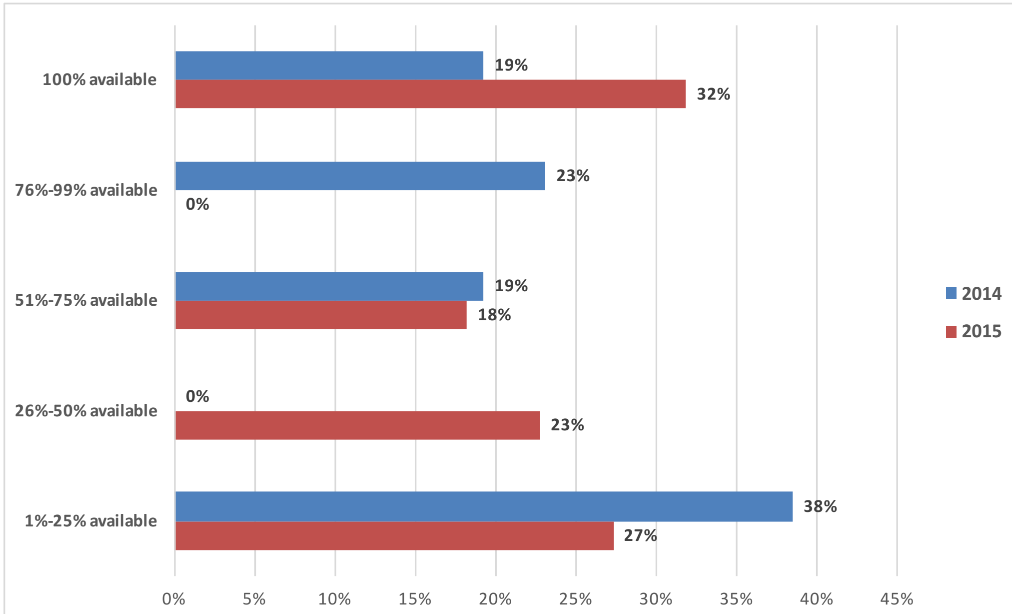
Question: When do you generally release your ebooks for new titles (frontlist)?
(2014 N=65, 2015 N=49)

DIGITAL AVAILABILITY OF PRINT TITLES



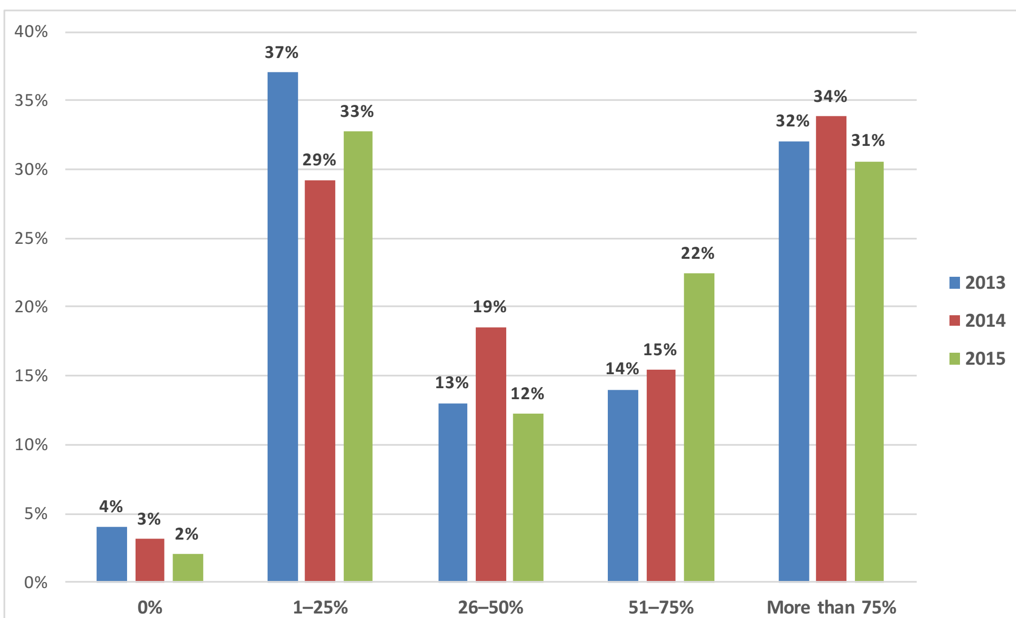
Question: In Canada, how many of your active print titles are you selling?
Of these active print titles, how many are available as ebooks?
(2014 N=65, 2015 N=49)

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)

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)

Breakdown by size of company	0%	1-25%	26-50%	51-75%	>75%
Small / Self-Publisher (< $1M)	3%	44%	19%	9%	25%
Mid-Size Publisher ($1M - $10M)	0%	17%	0%	50%	33%
Large Publisher (> $10M)	0%	0%	0%	40%	60%

Breakdown by market focus	0	1-25%	26-50%	51-75%	>75%
Trade / Consumer	3%	36%	11%	22%	28%
Scholarly / Professional	0%	14%	14%	29%	43%
Education / K–12	0%	0%	0%	50%	50%

HIGHLIGHTS:

67%
of publishers are releasing ebooks simultaneously with print

87% of respondents are currently producing ebooks with 4% having no plans to produce ebooks in the foreseeable future.

The primary motivator for creating ebooks is still increasing sales (up to 88% from 77% last year). The goal of reducing costs has declined notably from 12% in 2014 to 5% in 2015.

Slightly more firms are releasing ebooks simultaneously with print (67% in 2015 as compared to 65% in 2014).

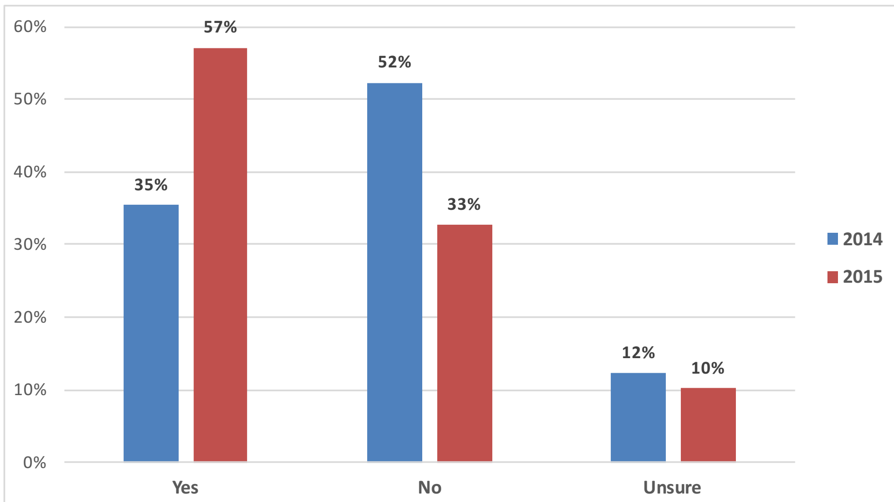
We have seen a big increase in the digitization of juvenile titles. In 2014 only 19% of publishers had all juvenile titles digitized as compared to 32% in 2015.

Efforts to digitize backlist titles continue. We see a slight decline in those firms that have not converted any of their backlist (4% in 2013 down to 2% in 2015) and over half of the responding firms have converted more than 50% of their backlist titles to digital formats.

In 2015, 31% of publishers had more than 75% of their backlist converted to digital.

Fixed-Layout Ebooks

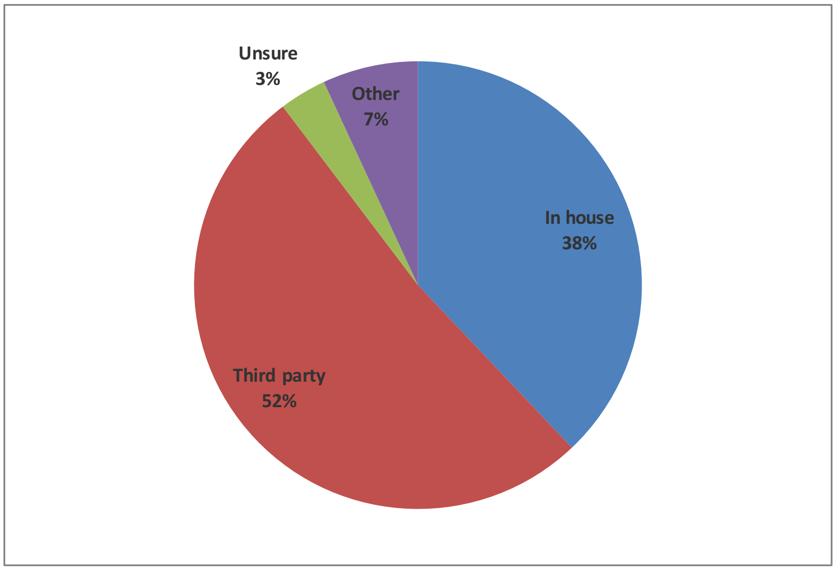
FIRMS THAT PRODUCE FIXED-LAYOUT EBOOKS



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

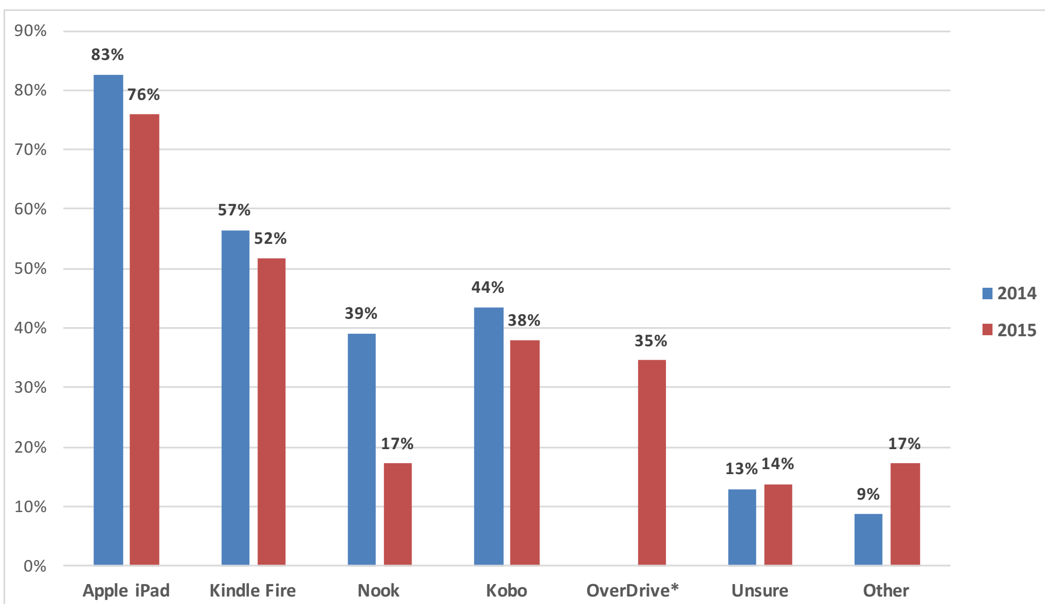
Breakdown by market focus	Yes	No	Unsure
Trade / Consumer	45%	33%	13%
Scholarly / Professional	86%	14%	0%
Education / K–12	100%	0%	0%

FIXED-LAYOUT PRODUCTION



Question: How are you producing your fixed-layout ebooks?
(N=29)

PREFERRED PLATFORMS FOR FIXED-LAYOUT DISTRIBUTION



Question: On what platforms are you targeting your fixed-layout development efforts?
This question allowed for multiple responses.
(2014 N=23 respondents, N=56 responses, 2015 N=29 respondents, N=72 responses)
**not included in 2014*

57%
of firms are producing fixed-layout ebooks

HIGHLIGHTS:

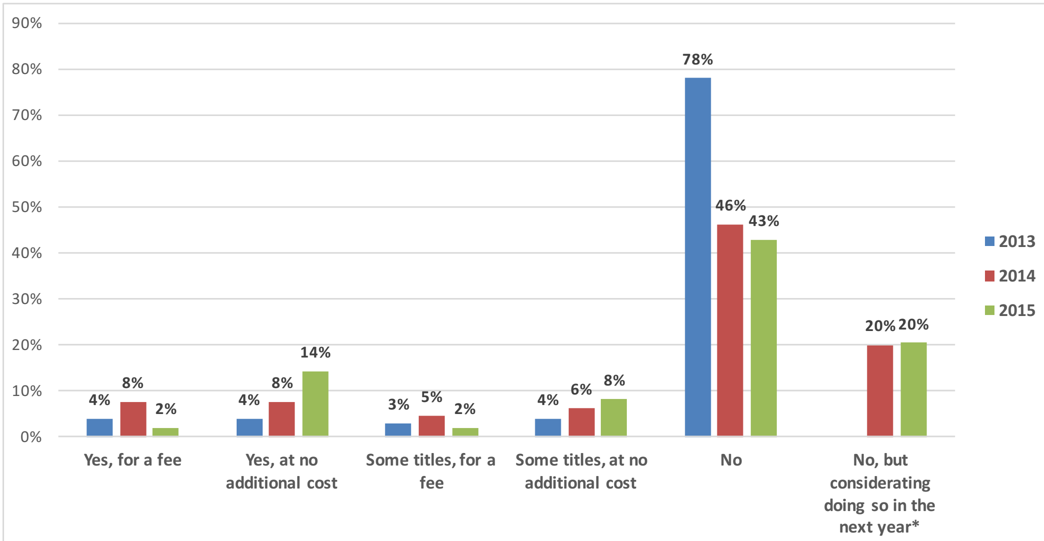
Firms producing fixed-layout ebooks have increased from 35% in 2014 to 57% in 2015, with many of these firms in the educational and professional markets.

The amount of outsourcing of fixed-layout ebooks has remained relatively constant since 2014. In 2015, 52% are outsourcing production as compared to 57% last year.

Preferred platforms for fixed-layout development remain similar to last year with iPad (76%), Kindle Fire (52%), Kobo (38%) and OverDrive (35%) topping the list.

Ebook Bundling

BUNDLING PRACTICES



Question: Do you bundle digital with print book purchases?
(2013 N=78, 2014 N=65, 2015 N=49)
not asked in 2013

HIGHLIGHTS:

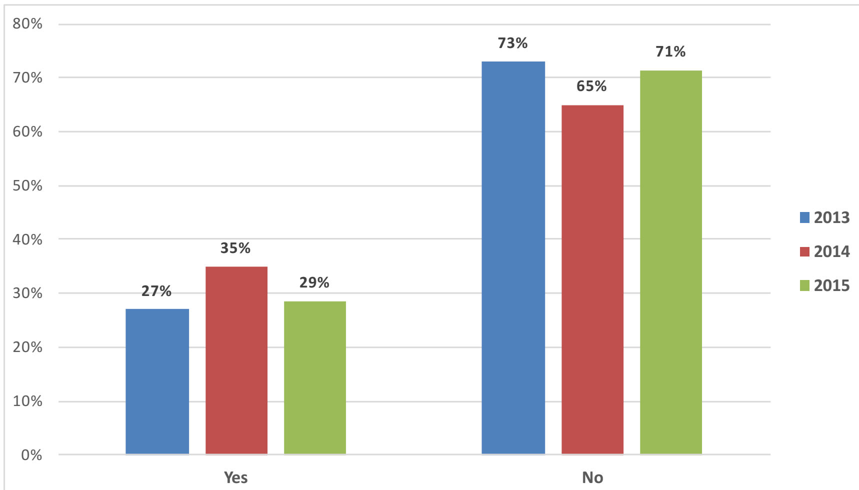
26%
of publishers are starting to bundle digital with print purchases

More publishers are starting to bundle digital with print purchases (up to 14% from 8% in 2014) but most do not appear to be charging additional costs. In 2014, 6% reported bundling some titles at no additional cost and 8% are doing this in 2015.

29%
of publishers are producing digital originals

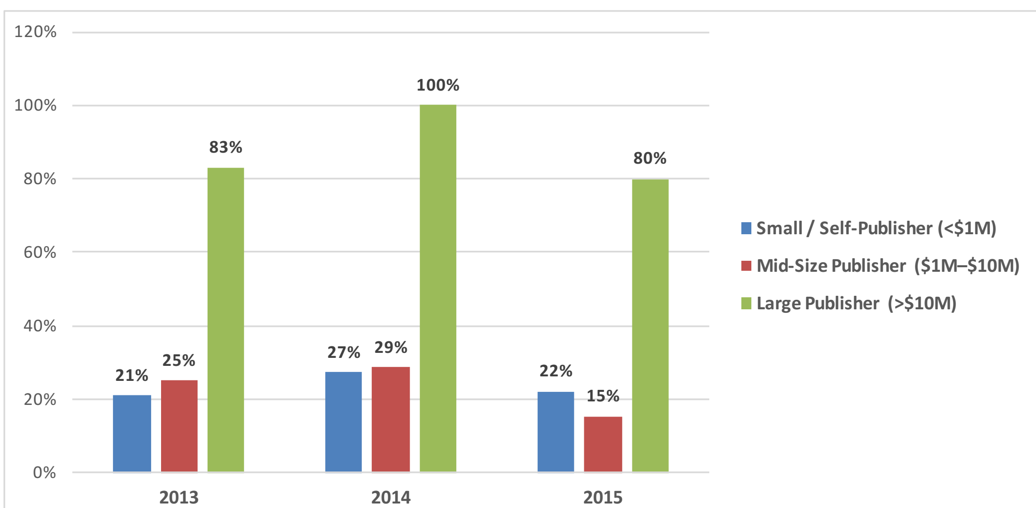
Digital Originals & Enhanced Ebooks

DIGITAL ORIGINALS



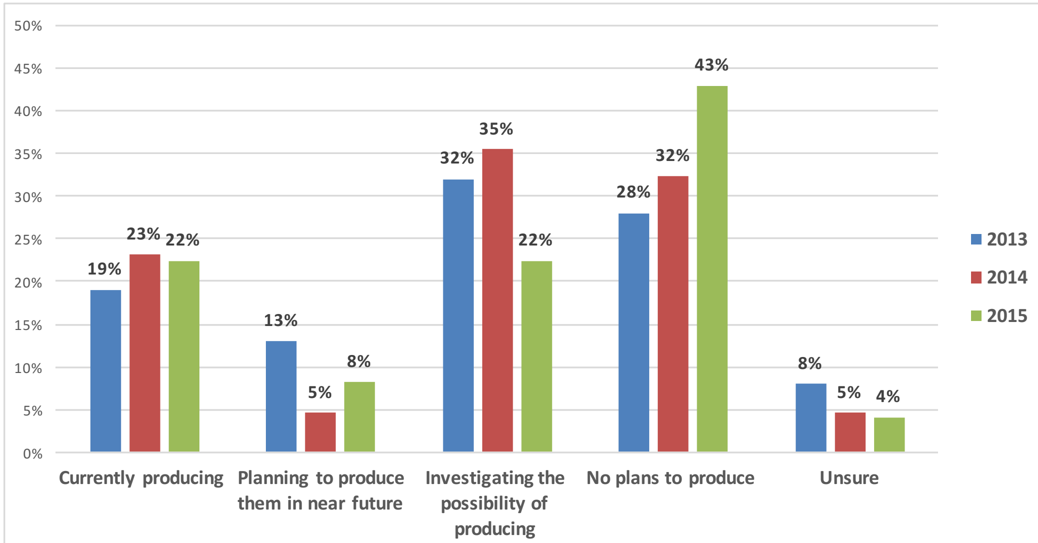
Question: Do you have a digital-only publishing program where, for certain titles, you produce only digital editions?
(2013 N= 78, 2014 N=65, 2015 N=49)

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)

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, 2015 N=49)

Breakdown by size of company	Currently producing enhanced ebooks	Planning to produce them in the near future	Investigating the possibility of producing them	No plans to produce enhanced ebooks	Unsure
Small / Self-Publisher (< $1M)	11%	8%	25%	39%	6%
Mid-Size Publisher ($1M - $10M)	31%	8%	15%	38%	0%
Large Publisher (> $10M)	60%	0%	0%	40%	0%

HIGHLIGHTS:

51%
of publishers are adding accessibility features to ebooks

Slightly fewer firms are producing digital originals: 35% in 2014 and 29% in 2015. This decline is fairly consistent across all sizes of publishers.

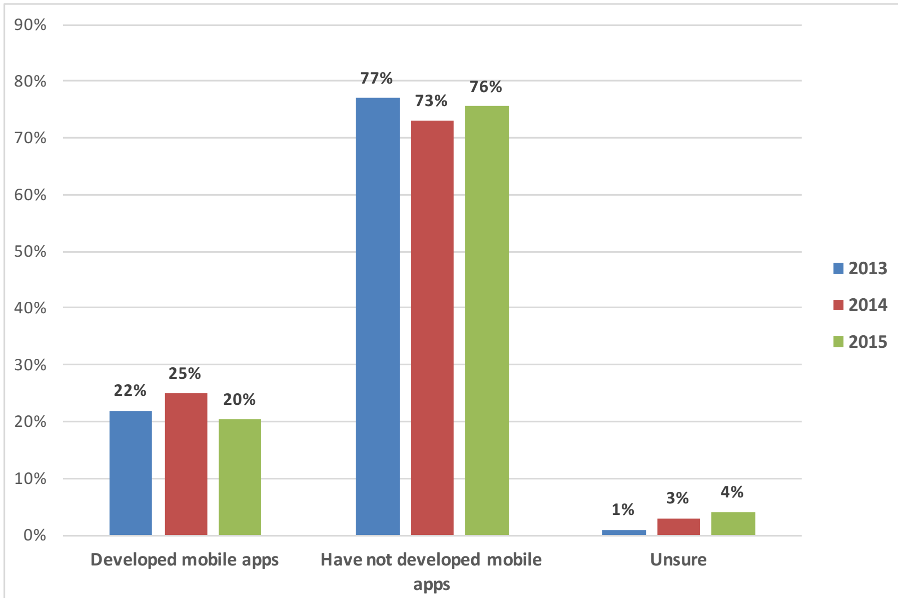
While the production of enhanced ebooks has remained relatively flat between 2014 (23%) and 2015 (22%), considerably more publishers are saying they have no plans to produce enhanced ebooks: 43% in 2015 as compared to 32% in 2014. Plans to not produce are equally distributed among all sizes of responding publishers.

With interest in producing enhanced ebooks down, it is not surprising that the inclusion of features such as video, interactive images, and slideshows is also down. While sample sizes are small, two enhancements that are up are audio (91% in 2015, up from 87% previously) and scripted animation.

This year we inquired whether publishers had started including accessibility features in their ebooks. With 51% of publishers currently adding accessibility features, most are adding things like navigational aids, and embedded graphical, audio, and video media with alternate formats and textual descriptions. There are many more features that can be added to digital publications to comply with best practices for accessible ebooks. Check out the BISG Quick Start Guide to Accessible Publishing, or Laura Brady's slides from ebookcraft 2016 where she talked about the importance of including accessibility features in ebooks.

Mobile Apps

PRODUCTION OF MOBILE APPS



Question: Have you developed any apps for mobile devices?
(2013 N=78, 2014 N=65, 2015 N=49)

Breakdown by size of company	Yes	No	Unsure
Small / Self-Publisher (< $1M)	8%	78%	3%
Mid-Size Publisher ($1M - $10M)	31%	54%	8%
Large Publisher (> $10M)	60%	40%	0%

Breakdown by market focus	Yes	No	Unsure
Trade / Consumer	20%	65%	5%
Scholarly / Professional	29%	71%	0%
Education / K–12	0%	100%	0%

HIGHLIGHTS:

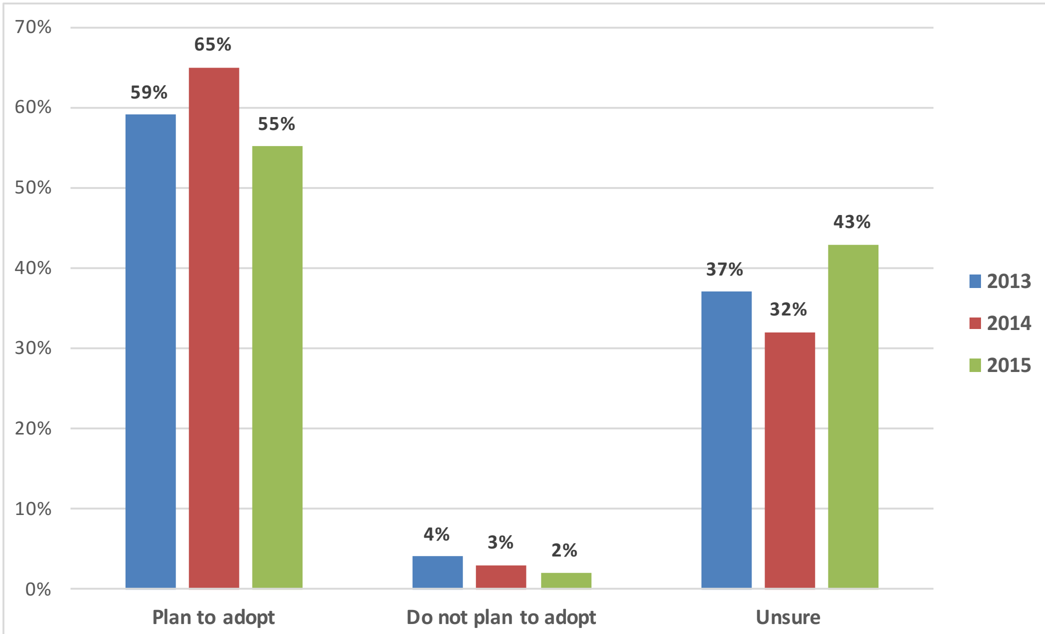
Although we have seen a little bit of fluctuation, the number of firms that are developing mobile apps has remained relatively constant over the past three years. The effort continues to be primarily taking place with larger trade publishers.

70% of publishers are producing five or fewer apps and 10% of publishers are producing more than 20 apps, up slightly from last year.

Digital Best Practices

55%
of publishers plan to move to EPUB 3

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)

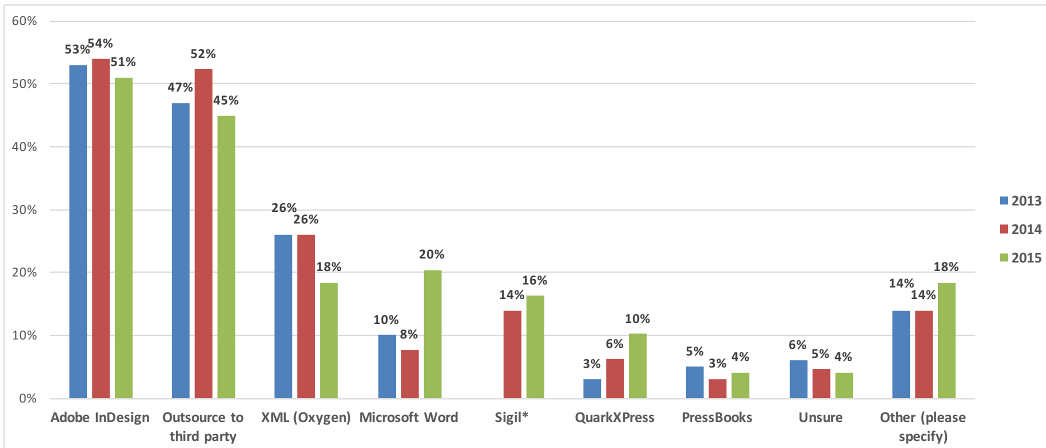
HIGHLIGHTS:

It appears that firms are not sure if they should be making an effort to move towards the EPUB 3 standard, with a more than 10% increase in the number of respondents choosing "unsure." Perhaps this is a result of the murkiness of mobile device manufactures and software providers on their EPUB 3 capabilities and plans.

A great place to research EPUB 3 features and capabilities for devices and reading platforms is the EPUB 3 Support Grid website.

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.
(2013 N=78 respondents, N=128 responses, 2014 N=65 respondents, N=118 responses, 2015 N=49 respondents, N=92 responses)
**not asked in 2013*

Breakdown by market focus	Adobe InDesign	Outsource to third party	XML	Microsoft Word	Sigil	QuarkX-Press	Press-Books	Unsure	Other
Trade / Consumer	28%	25%	10%	10%	9%	6%	0%	3%	9%
Scholarly / Professional	15%	31%	15%	8%	0%	0%	15%	0%	15%
Education / K-12	50%	25%	0%	0%	0%	25%	0%	0%	0%

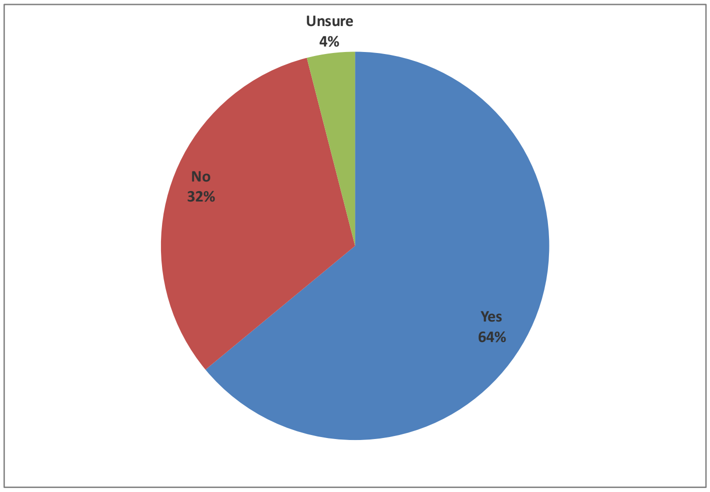
HIGHLIGHTS:

When looking at publishers who outsource to those who do not, outsourcing of digital content creation has declined from 52% in 2014 to 45% in 2015.

The primary tool used for digital content creation is Adobe InDesign (51%), followed by Microsoft Word, which saw a large increase from 8% in 2014 to 20% in 2015.

Digital Asset Management

USE OF A DIGITAL ASSET MANAGEMENT FIRM

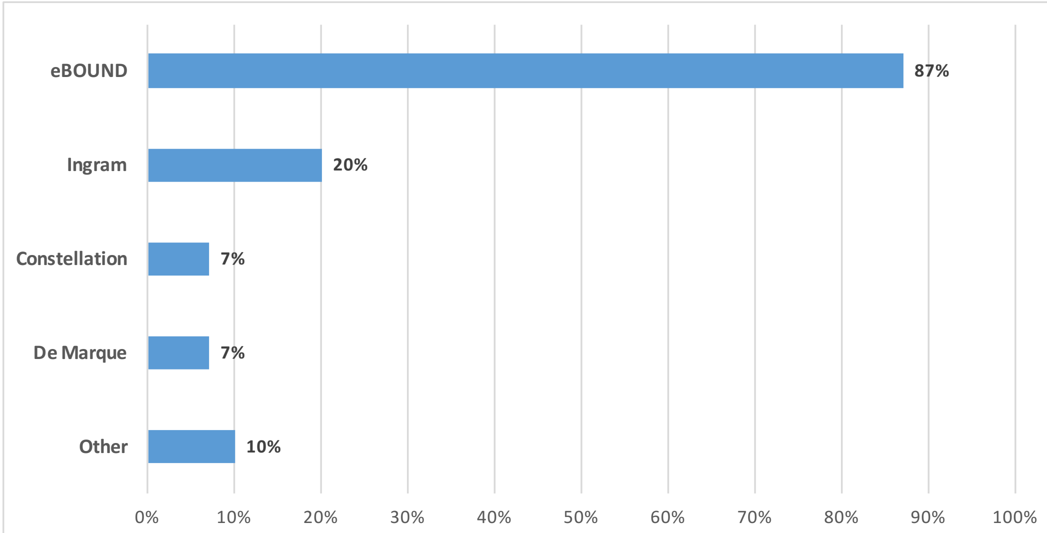


Question: Are your ebook sales managed by a digital asset manager (digital distributor)? (e.g., eBOUND Canada, Transcontinental)
(N=50)

Breakdown by size of company	Yes	No
Small / Self-Publisher (< $1M)	70%	27%
Mid-Size Publisher ($1M - $10M)	67%	33%
Large Publisher (> $10M)	20%	60%

Breakdown by market focus	Yes	No
Trade / Consumer	68%	30%
Scholarly / Professional	57%	43%
Education / K–12	50%	50%

DIGITAL ASSET MANAGEMENT FIRMS



Question: Which firm manages some/all of your ebook sales or distribution?
This question allowed for multiple responses.
(2014 N=36 respondents, N=48 responses, 2015 N=32 respondents, N=44 responses)

HIGHLIGHTS:

64%
of publishers use a digital asset management firm for ebook sales

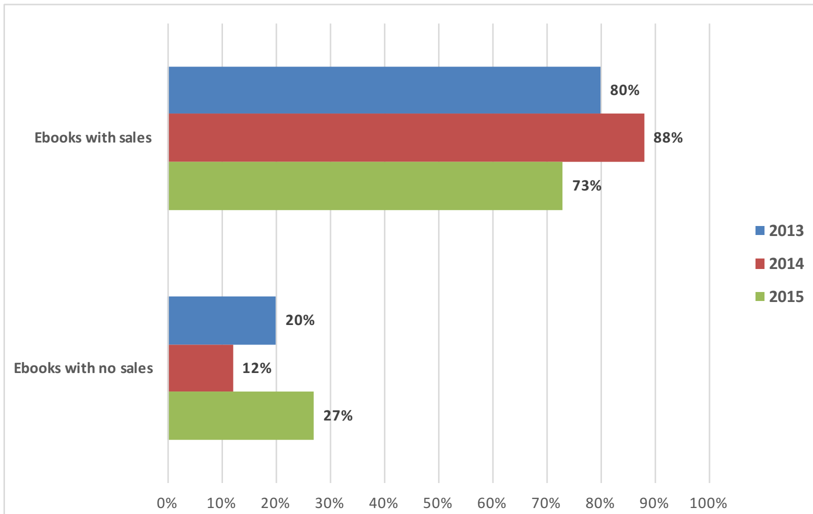
Use of digital asset management (DAM) managers remained relatively flat between 2014 (61%) and 2015 (64%), with 87% of those who employ a DAM firm using eBOUND Canada.

Notably, more small (70%) and mid-size (67%) publishers use these services.

Last year, Constellation, the digital services division of The Perseus Book Group, became the second-most popular DAM firm with 11% of respondents, but in 2015 second place has gone to Ingram, who increased from 8% in 2014 to 20% in 2015. It should also be noted that Ingram's CoreSource is the DAM system that eBOUND itself uses.

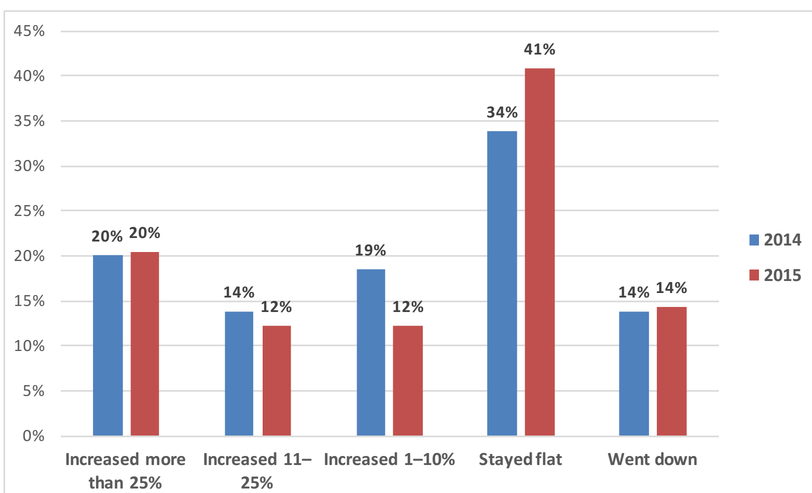
Ebook Sales & Distribution

EBOOKS WITH CANADIAN SALES



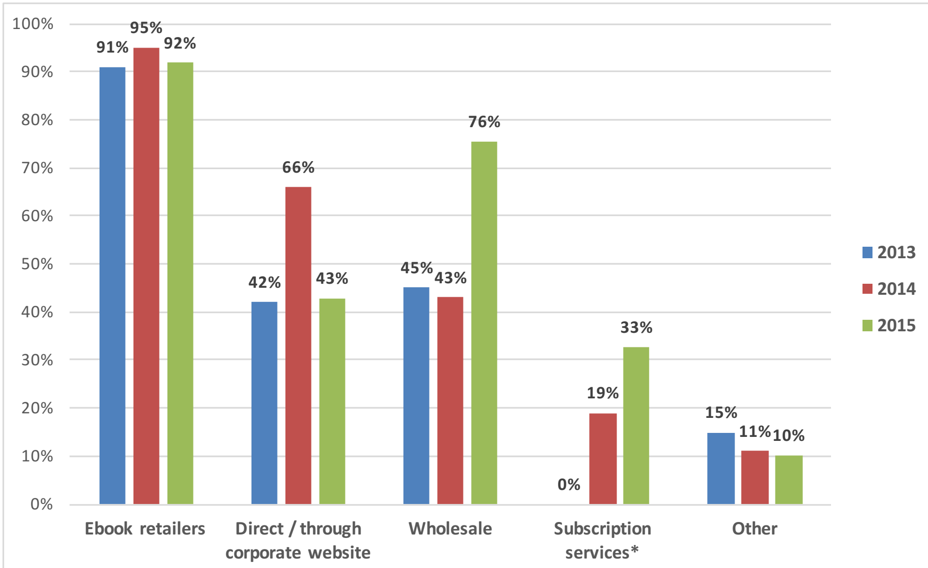
Question: How many ebooks do you have with Canadian sales in the past 12 months? (N=49)

CHANGE IN DIGITAL REVENUE FROM 2014 TO 2015



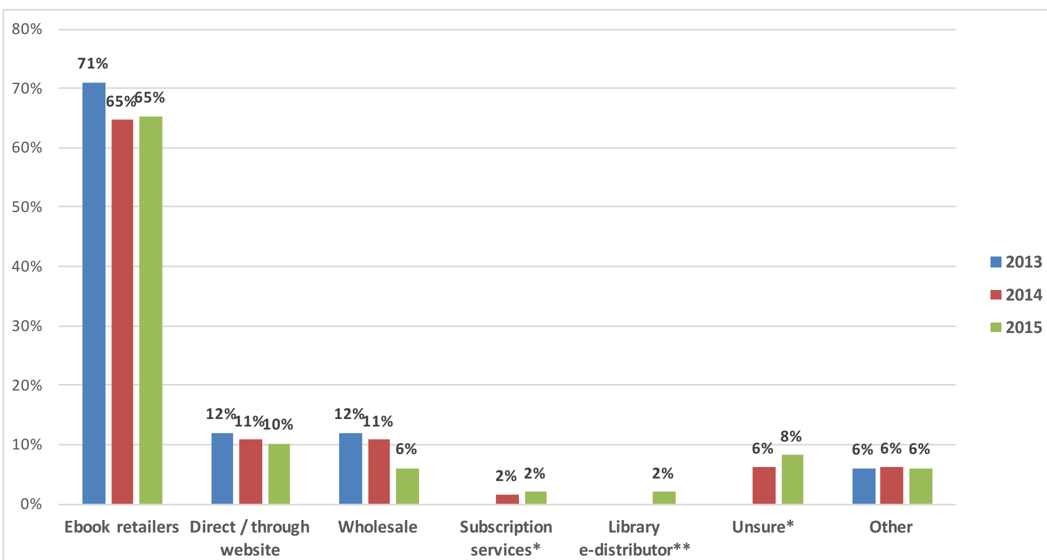
Question: Comparing your digital sales revenue in the Canadian marketplace between 2014 and 2015, would you say your firm's digital revenue: (2014 N=65, 2015 N=49)

EBOOK SALES CHANNELS



Question: How are you selling your ebooks to Canadian readers?
This question allowed for multiple responses.
(2013 N=78 respondents, N=151 responses, 2014 N=65 respondents, N=152 responses, 2015 N=49 respondents, N=124 responses)
**not asked in 2013*

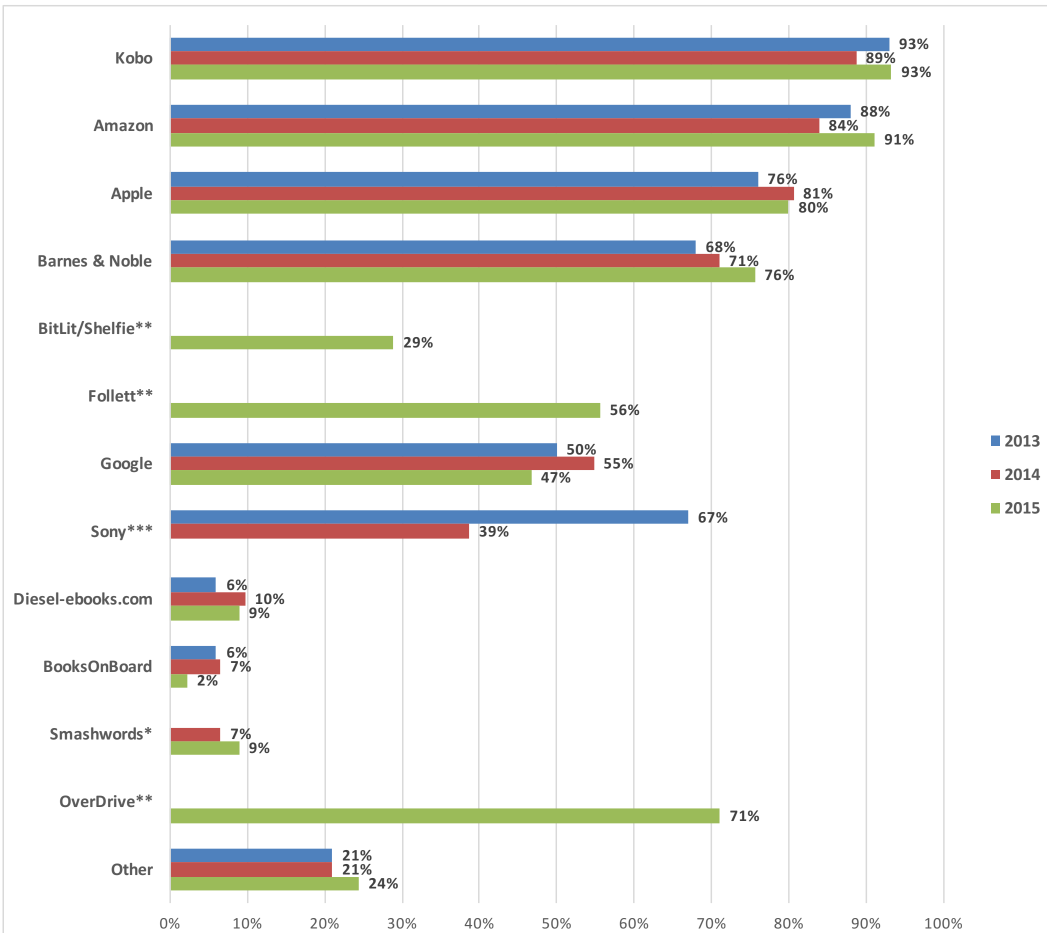
BEST EBOOK REVENUE CHANNELS



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

Breakdown by market focus	Direct / through corporate website	Ebook retailers	Library e-distributor	Wholesale	Subscription Services	Unsure	Other
Trade / Consumer	8%	73%	0%	3%	0%	5%	3%
Scholarly / Professional	14%	14%	14%	0%	14%	14%	29%
Education / K–12	0%	0%	0%	100%	0%	0%	0%

CHANNELS FOR EBOOK RETAIL DISTRIBUTION



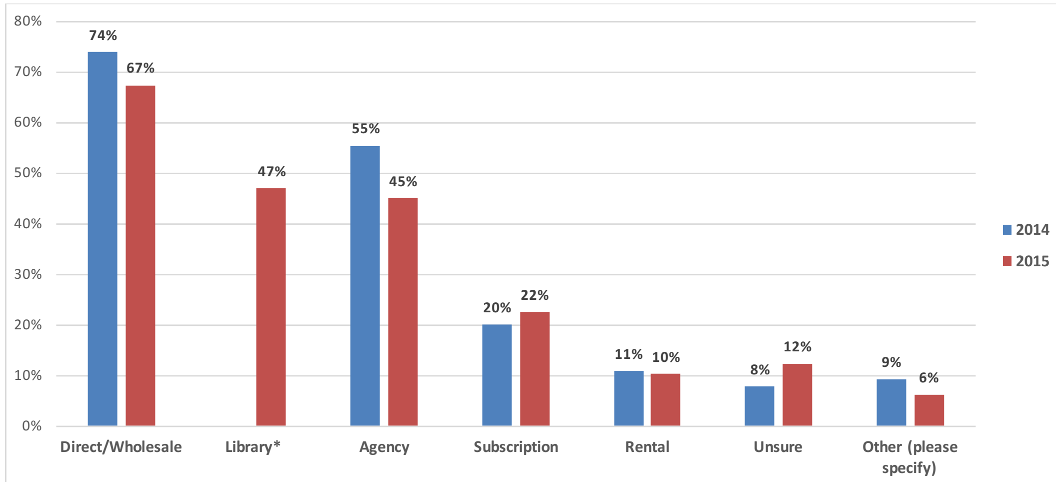
Question: Which ebook retailers do you sell your ebooks with?

This question allowed for multiple responses.

(2013 N=72 respondents, N=341 responses, 2014 N=62 respondents, N=286 responses, 2015 N=45 respondents, N=264 responses)

**not asked in 2013; **not asked in 2013 or 2014; ***not asked in 2015*

PRICING MODELS



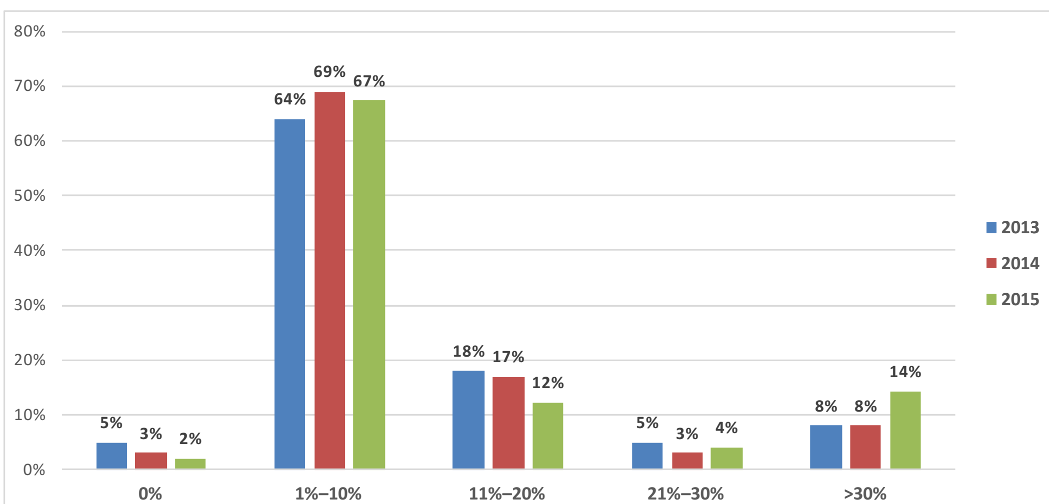
Question: What type of ebook pricing does your company use?

This question allowed for multiple responses.

(2014 N=65 respondents, N=115 responses, 2015 N=49 respondents, N=103 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)

HIGHLIGHTS:

The number of ebooks with sales has declined from 88% in 2014 to 73% in 2015, meaning that publishers are reporting that 27% of their available ebooks saw no sales in 2015. This could potentially be due to the fact that publishers are digitizing more of their backlist collections.

Factors that may be contributing to the lack of sales for some titles are discoverability issues—which could 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 in which a digital product is made available, the more potential for sales.

41% of responding publishers, up from 34% last year, said their digital sales revenue stayed flat from the prior year, while 20% said their revenue increased more than 25% (which was also the case in 2014).

93% of publishers are selling through retail channels and 43% are engaging with direct or website sales. We saw similar numbers in direct/website sales in 2013 and a spike in sales for 2014 (to 66%).

33%
of publishers are now selling via subscription services

Subscription services saw a big jump in 2015; 33% of publishers are now selling via subscription services, which is up from 19% in 2014.

When generally looking at what publishers see as the best revenue channels for digital sales, we are seeing a slight decline in direct/website sales (12% in 2013, 11% in 2014, and 10% in 2015) and a notable decline in wholesale sales (11% in 2014 and 6% in 2015).

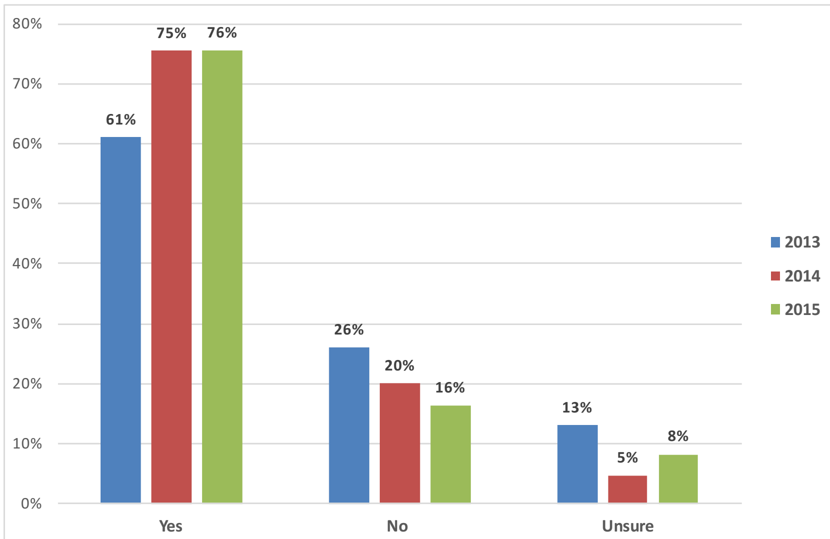
Kobo (93%) is in the lead as the most popular ebook retailer used by respondents, followed closely by Amazon (91%) and Apple (80%).

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 (67%) derive 1-10% of their revenue from digital sales. 12% of publishers derive 11-20% of their revenue from digital sales.

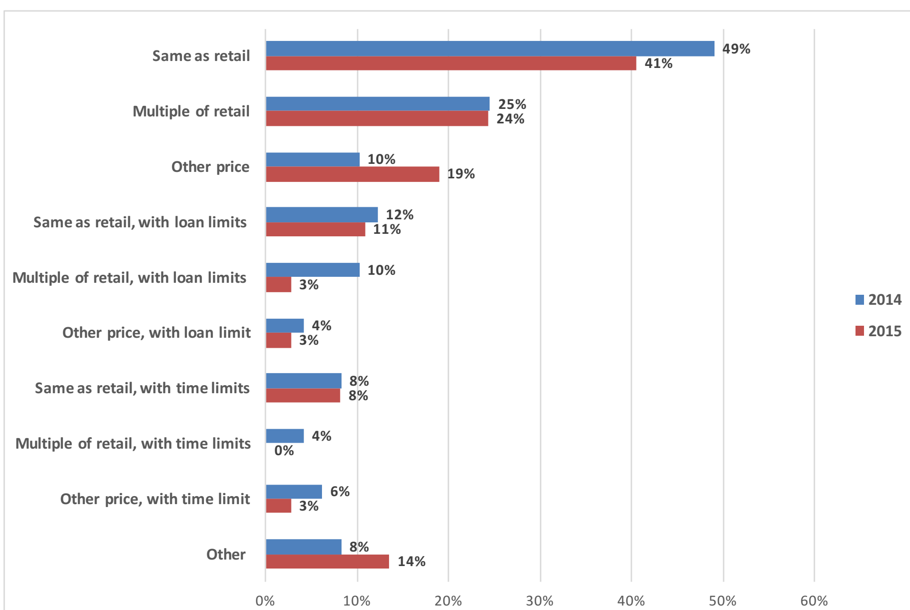
Libraries & Ebooks

LIBRARY EBOOK SALES



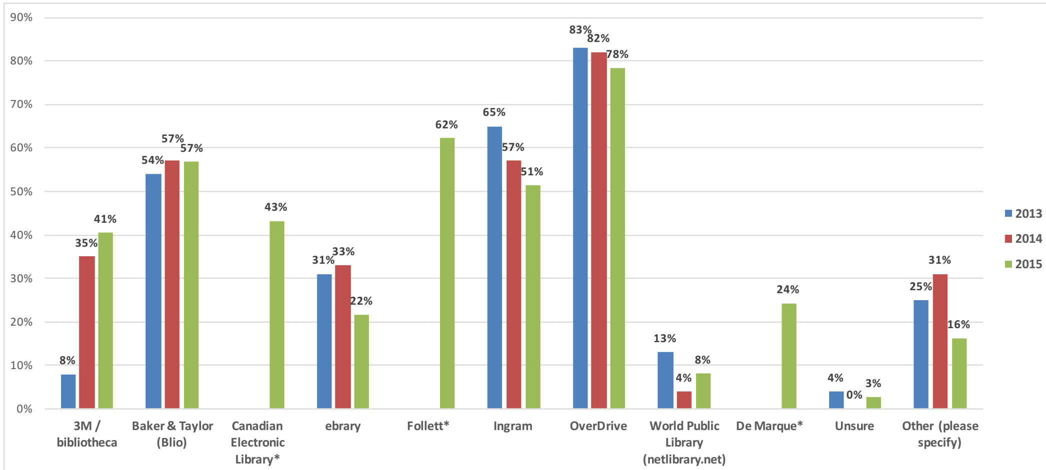
Question: Do you sell ebooks to public libraries?
(2013 N=78, 2014 N=65, 2015 N=49)

PRICING FOR LIBRARIES



Question: How are you pricing digital books for library sales? (Please select all that apply.)
This question allowed for multiple responses.
(2014 N=49 respondents, N=67 responses, 2015 N=37 respondents, N=46 responses)

LIBRARY DISTRIBUTION



Question: What library services (wholesalers) do you use?
This question allowed for multiple responses.
(2013 N=48 respondents, N=136 responses, 2014 N=49 respondents, N=146 responses, 2015 N=37 respondents, N=150 responses)

Breakdown by market focus	3M/ bibliotheca	Baker & Taylor (Blio)	Canadian Electronic Library*	ebrary	Follett*	Ingram	Over-Drive	World Public Library (netlibrary.net)	De Marque*	Unsure	Other (please specify)
Trade / Consumer	11%	15%	11%	4%	17%	14%	20%	2%	6%	1%	0%
Scholarly / Professional	10%	10%	15%	10%	10%	10%	20%	5%	5%	0%	5%
Education / K–12	8%	17%	8%	8%	17%	8%	17%	0%	8%	0%	8%

HIGHLIGHTS:

Publishers selling to libraries has increased to 76% in 2015 from only 61% in 2013.

Fewer publishers (41%) are selling to libraries at the same price as retail. There has been an increase (10% in 2014 to 19% in 2015) of publishers selling to libraries at “another price,” indicating various pricing models.

OverDrive continues to be the most popular ebook vendor with 78% of publishers. 3M/bibliotheca has continued to expand, with 41% of publishers using them in 2015 as compared to 35% in 2014. This year we included two new vendors in the question: Follett had 62% of responses and De Marque came in at 24%.

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."

We acknowledge the financial support of the Government of Canada through the Canada Book Fund (CBF) for this project / *Nous reconnaissons l'appui financier du gouvernement du Canada par l'entremise du Fonds du livre du Canada (FLC) pour ce projet.*

Canadian Heritage   Patrimoine canadien

Canada

ISBN 978-1-927655-19-1

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

BookNet Canada
215 Spadina Ave.
Toronto, Ontario
M5T 2C7
www.booknetcanada.ca
research@booknetcanada.ca

Cover Design and Layout: MRd Michael Ralph design inc. | mrdesign.ca

ALSO AVAILABLE FROM BOOKNET CANADA

Own the market!

A comprehensive guide to the Canadian market, with in-depth category analysis.

Featuring:

- Info on the top 50 subject categories
- Market share breakdowns
- Year-over-year comparisons
- And more!

booknetcanada.ca/canadian-book-market

A NEW STUDY COMING SOON

WHERE CANADIANS BUY BOOKS:
TRENDS IN DISCOVERABILITY AND BUYING HABITS

BookNet Canada will soon be releasing a new study focusing on discoverability.

- How do book buyers find out about their next purchase?
- What kind of discoverability trends can we see?
- Who are book buyers? What do their differing profiles look like?
- Which subject areas are being purchased through which channels?

Keep up to date on new releases, sign up for eNews:

booknetcanada.ca/newsletter-sign-up