**RUSSIA**

**Information on the Russian market**

| **Sales** | USD 2.23 billion (2013), USD 2.54 billion (2012) |
| **New releases/year 2013** | 101,981 (of 120,512 titles overall) |
| **Fixed price agreement** | no |
| **VAT (books/general)** | 10% teaching books & periodicals; 18% for other books; 18% general |
| **Licence sales to Russia** | 307 licences from Germany, 2012 (BuBiz 2013); 644 titles from Germany 2011 (BuBiz 2012) |
| **Share of licensing business** | 4.5% of German licensing business 2012 (BuBiz 2013); 8.1% of German licensing business 2011 (BuBiz 2012) |
| **Export and import 2013** | Russia exported book production to a value of USD 336 million (above all to India, Vietnam, Belarus and Ukraine). |
| | Russia imported book production to a value of USD 614.5 million (above all from Italy, China, Belarus and Ukraine). |
| **Number of booksellers** | 1,000–1,500 (expert estimate, following numerous closures and bankruptcies in 2013) |
| **Number of publishers 2013** | 5,727, of which 1,291 active (more than 12 books a year) |
| **Important sales channels 2013 (%)** | 34.99% independent bookshops; 28.12% state organisations (libraries, schools, universities); 10.08% federal bookshop chains; 8.04% Internet; 7.64% supermarkets/department stores; 7.30% direct sales, book clubs, subscription issues etc.; 3.83% kiosks |
| **Official language** | Russian |
| **Key issues for publishers** | Sales, e-books, online piracy, industry monopolisation & new legislative initiatives in the book industry: an act "to protect children from damaging information"; technical rules "on the safety of products for children and youth"; an act affecting the protection of intellectual property on the Internet. |
In recent years, the Russian book industry has been adversely affected by several factors, above all by the declining interest in reading, a fall in the number of bookshops, and the illegal distribution of files online. Despite this, the industry demonstrated relatively stable development in 2013. Significant for the industry in that year was a slowing down of the speed at which the book market had been shrinking in the preceding years, which would rather indicate a trend of revival. For the last few years already, the market share of official e-books has been doubling. This reinforces the assumption that an independent e-book sub-sector is forming within the book industry.

1. Printed books

1.1. Statistics

According to the Russian Book Chamber, in 2013 some 120,512 titles (books and brochures) were issued by Russian publishers, with the total print run amounting to 541.7 million copies. Compared to 2012, the number of published titles rose by 3.1%. It is pleasing that the total print run did not decline in this year, as had been the case from 2009 to 2012. At an average of 4,495 copies per edition, the print run for individual titles fell by 2.8% in comparison to 2012. Compared to the year before, the number of printed copies per head of the population remained almost unchanged at 3.78 copies. Of the 120,512 recorded titles, new releases made up 84.6% and reprints 15.4%; 38.3% derived from serial editions and multivolume works, and translated titles accounted for 10.5%.

More than half (53.1%) of all the books and brochures published in Russia were issued in a print run lower than the 1,000 copies, while 26.2% had a print run of between 1,000 and 5,000 copies. The number of titles with a large print run (5,000 to 50,000 copies) declined between 2008 and 2013, by almost 40% according to the index of titles, and by 35% according to the print run statistics. The number of titles for which no precise print run information was provided showed a marked increase in recent years, rising to 4.3% in 2013.

Reviewing the titles published in 2013 and assessing the relative shares of the separate segments, teaching books come in first place, with 34.1%; second are non-fiction books (22.5%) and in third place comes fiction (14.3%). Adding up the total print runs according to segments, the list is headed by teaching books (45%), children’s and young adult books (18.2%) and fiction (15.2%). These figures demonstrate that, today, reading is less a part of people’s leisure activities, but belongs increasingly to the areas of career and education.

For several years, the share of translated books in the total number of titles has remained largely unchanged, ranging between 10 and 11%. In 2013, some 12,681 translated titles were published, including 7,364 translations from English (58.1%), 1,204 from French (9.5%) and 881 from German (6.9%). The majority of translations falling to the categories of children’s and young adult books and fiction. In 2013, translations made up a 29% share of all fiction titles published in Russian, and 22% of the children’s and young adult books.

In recent years, e-books have continued to increase their share of the portfolios and sales of Russian publishers. According to figures published in April 2014 by the agency Rospechat’ (“Russian Print”), among the publishers most active in the Moscow and St Petersburg markets, some 25% of their programmes now consist of e-books, which account for four per cent of their turnover. Most e-book sales take place on the website of the publisher (37%), through Russian-language providers of e-books and digital products (20%) and via mobile apps, primarily through the AppStore (19%).
1.2. The Russian publishing system

According to the Russian Book Chamber, some 5,727 publishers and book publishing enterprises were active in the Russian market in 2013. Of these, 1,291 publishers are considered active players, having brought 12 or more titles to the market in the course of the year. Also considered active are a further 1,064 enterprises whose total print runs in 2013 were no lower than 12,000.

In a year-on-year comparison, the number of publishers in Russia declined by 2.7% in 2013, whereby the number of active players in the market, those having published 12 or more titles in 2013, sank by 2.5%, and the number of publishers with a total print run of 12,000 or more fell by 8.8%.

If we exclude all the dependent enterprises integrated in larger institutions (e.g. universities, academic and religiously based organisations, museums, libraries) from the 1,291 active publishers and book publishing enterprises, there remain 642 independent publishers forming the active core of the book industry in Russia.

The majority (67.2%) of the 1,291 active publishers in the market publish between 12 and 49 titles per year (books and brochures), 30.9% publish between 50 and 499 titles, and only 1.8% publish more than 500 titles. Of the 1,063 publishers classified as active due to their total print runs, roughly two thirds have a print run of between 12,000 and 49,000 copies; only nine per cent of them have a total annual print run of over 500,000 copies.

The list of leading publishers based on the fundamental traits of activity is as follows. At the top of the list is the publishing group Eksmo/AST, which over the course of 2013 published 14,719 titles with a total combined print run of 88,627,800. Second place is occupied by the Olma Media Group, which also includes the schoolbook publisher Prosveschtschenije (“Enlightenment”). In 2013, Olma Media Group introduced 2,740 books and the brochures to the market, with an overall print run of 68,895,000. In terms of the number of titles published, third place is held by the publishing group Azbuka-Atticus (1,744 titles), while in terms of overall print run, Klub semejnogo dosuga (“Family leisure club”) comes in third with 19,175,600 printed copies.

In the list of leading publishers of the world (2012) compiled by the well-known industry expert Rüdiger Wischenbart for the study “Global Ranking of the Publishing Industry”, the Olma Media Group, with an annual turnover of 257 million dollars, occupies 53rd place, Eksmo comes in at 55th with a turnover of 232 million dollars, and AST is 60th with 194 million dollars.

In 2013, Russia's leading publishing institutions continued to seek the consolidation of their industry, in part by pursuing mergers and take-overs of smaller and medium-sized publishers which they continue to manage as new imprints.

A significant change occurred in the market in December 2013, with the merger of the two largest publishers Eksmo and AST. This process began early in 2012 when the revenue department called on AST to pay arrears in excess of its full annual turnover. Eksmo and AST then signed a three-year contract of merger, according to which Eksmo gained administrative powers over AST.

It is also noteworthy that the publishing industry in Russia is no longer so strongly concentrated in the capital city. Measured by the number of titles published each year, the last five years has seen a five per cent drop in Moscow’s share to 56%. In terms of overall print run, there has been a three per cent fall to 81%. Nevertheless, more than half the Russian publishing houses, including nearly all the larger enterprises, still have their headquarters in the capital. At present, more than 2,500 publishers are active in the regions, above all University publishers.
2. Marketing

2.1. Basic trends in the development of book marketing in Russia

The Russian citizens’ rate of consumption continues to decline as they focus rather on basic necessities in this period of austerity following the crisis years of 2009 and 2010 and the weakening of the rouble. This is also having an adverse effect on book sales. A lower level of purchasing activity, combined with further bookshop closures, undoubtedly signifies stagnation in the book market.

According to the magazine *Buchindustrie*, in 2013 the Russian book market achieved a turnover for the year of 50.38 billion roubles, excluding purchases by state organisations. If state organisations are included, the figure rises to 78.01 billion roubles. Looking at the sales channels it can be seen that, compared to the previous year, the Russian market contracted by 2.6% in 2013. According to experts, this was the result of a significant decline in sales through the federal book retail chains, as well as through the kiosk chains and non-specialised retail outlets.

However, the decline in turnover through Russia’s book marketing channels in 2013 was balanced out by increased purchases on the part of state organisations. Because of this, the annual turnover from printed books across the whole industry declined by only one per cent. If the year’s sales of e-books are added to the turnover of the entire industry, that decline is further reduced to 0.32%. As such, it is possible to suggest the negative trend is under control while there is still stagnation in the book market.

**Percentage share of market turnover of the respective sales channels (printed books, 2013):**

Bookshops (regional retail chains) – 34.99%
State organisations (libraries, schools, universities) – 28.12%
Bookshops (federal retail chains) – 10.08%
Online book trade – 8.04%
Non-specialised retail trade, including fast moving consumer goods – 7.64%
Informal trade – 7.30%
Kiosk chains – 3.83%

*Source: Buchindustrie*

If the separate segments and their share of the market in 2013 are considered (excluding state organisations and online booksellers), we can see that teaching books, children's and young adult books, and fiction continue to form the basic marketing categories for printed books in Russia. However, according to a prognosis by the magazine *Buchindustrie*, 2014 will see a gradual decline in the market share of these categories, while titles classified as “books on culture, art and places” and “practically oriented literature” will see positive development.

**Percentage share of major segments in overall market turnover (excluding state organisations and the online booksellers, 2013):**

Fiction (belle lettres) – 21.63%
Children’s and young adult books – 20.04%
Practically oriented literature – 9.91%
(hobbies, household and interior decoration, cooking, psychology, medicine, esoteric)
Teaching books for schools and universities – 24.46%
Specialised literature – 8.37%
Culture, art and places – 5.04%
Other – 10.56%

*Source: Buchindustrie*
Experts do not expect to see any radical changes occurring in the industry’s sales structures in 2013. The loss of market share for printed books resulting from the declines in federal retail chains, kiosk chains and FMCG chains, was predictable. Meanwhile, increases were seen in the share of independent, high-street retail organisations, and of the online trade. In 2014, the latter promises to achieve a marked increase in sales.

Consequently, the independent, off-line book trade is still the leading sales channel for printed books. In terms of sales, its market share amounts to about 35%.

The share of the federal bookshop chains in the marketing of printed books in 2013 was 10.08% (7.86 billion roubles; 2012: 8.87 billion roubles). This marketing channel suffered most severely from the 75% downsizing of the retail chain Bukwa (“Letter”) up to and including March 2013 – above all in Moscow and the Moscow area (the Bukwa shops belong to the publisher AST). In January 2013, the leading retail chains for the book industry were Nowyj kniishnyj/Bukwojed (“The New Bookshop”/“Bookworm”, owned by the publisher Eksmo, with 212 branches) and Bukwa (AST; 178 branches; 2012: c. 450 branches).

2013 saw the final closure of the retail chain Moj kniishnyj (“My Bookshop”), which had been launched collectively by a number of Russian publishers (AST Press, Infra-M, Feniks, Ripol, Niola and Strekoza). In the same year, the oldest import and export organisation for books, press and audio and video productions, Mezhdunarodnaja kniga, (“The International Book”) was discontinued, while the Moscow company RP+Stolitsa and the wholesaler U Sytnia were declared bankrupt.

In Russia there are currently about 1,000 to 1,500 bookshops.

With respect to online marketing, according to the market study by Buchindustrie, sales for 2013 amounted to around eight per cent of the total sales for printed books, which represents a turnover of 6.27 billion roubles (2012: 5.93 billion roubles). The gradual falling off in the growth of online sales is partly connected to the fact that purchasing activity in Moscow and the Moscow area – the most economically buoyant region – has already reached its saturation point, shifting the main focus onto the more conservative regional audience. That is also partly because this environment is more strongly subject to competition. In this area, significant market players in 2013 were Labirint (Labirint.ru), Ozon (OZON.ru), Logos.Internet (Read.ru), Moj magazin (“My Shop”, My-shop.ru) and Kniga.ru (Buch.ru).

Today, OZON.ru remains the leading provider in the Russian online book trade, with an estimated 24% (1.8 billion roubles) of all sales of printed books distributed through this channel. In December 2013, OZON.ru’s portfolio of printed books comprised two million available titles (including print-on-demand), at an average price of 245 roubles, plus delivery costs. In the course of the year, OZON enlarged its assortment by about 8,000 new titles every month, and cooperated directly with almost all of Russia’s large publishing houses.

From the market research of RBK.research “Russian Online Book Market 2013”, it can be seen that, in this period, the online book trade (including other printed products) accounted for two per cent of all sales of goods in Russia’s online trade. While the printed book was still the most popular product purchased online in 2011, just one year later it had lost its position. In 2012, computers, digital products, household gadgets, clothing and shoes all experienced stronger demand. Today, less than a third of customers questioned purchase printed books on the Internet. This would suggest that the online trade for printed books has likewise reached its saturation point. Another contributory factor to this is not least the growing demand for e-books.

An important role in the bookselling business is also played by non-market-specific sales channels, such as outlets for fast moving consumer goods (FMCG), which carry books as accessories (<10% of their sales area). In 2013, the economic capacity of this sales channel amounted to 7.64% of the total market turnover (5.96 billion roubles). The following three major categories can be defined: fiction (low-price segment), children’s literature (above all picture books) and practically oriented tasks
The most important FMCG partners for the publishing world in 2013 were Auchan, Metro, Magnit, Detskij mir (“Children’s World”), Sed’moj kontinent (“The Seventh Continent”) and Lenta.

Kiosks and kiosk chains play a less important role as sales channels for Russian publishers. In 2013, their share of the market distribution amounted to about 3.83% (approximately three billion roubles). Few publishers view this channel as a part of their distribution policy. Due to the insolvency and closures of kiosk chains, its business capacity will probably continue to fall.

In 2013, a new project was launched in the Russian trade – the distribution of books and other accessories at a number of railway stations, with the involvement of a significant foreign partner. Transmarket, which belongs to the Russian rail company RZHD AG, and which is responsible for the sale of books, press, stationery and other accessories at stations throughout the country, invited the British company WH Smith to be its partner. The annual turnover of WH Smith is estimated to be GBP 1.2 billion. The first shop carrying their name was opened in Moscow, at Paweletskij Station. This is to be followed soon by another 10 branches of the chain at Russian railway stations. Ultimately, every station in the country should be equipped with a branch of WH Smith.

3. E-books

3.1. The most important trends in the e-book market and the outlook for its development

According to J´son & Partners Consulting, the annual turnover of the digital market in 2012 amounted to 1.4 billion dollars. In 2016, the figure is predicted to rise to 2.5 billion dollars. The most important channel for the distribution of digital products currently consists of the various content platforms on the Internet (online music shops, video rental sites, game servers, etc.). Web platforms now exist that provide mixed content, such as Amazon.com, which offers music and e-books, among other products.

If we consider the digital market in Russia, we see that 97% of its turnover derives from the games industry. Contrast the domination of the market by this single segment with, for example, the USA where online games account for only 53% of turnover, or Japan at just 36%. This kind of dominance of a single segment of the online market demonstrates that Russia’s e-book market is under developed.

The experts believe that the share of online games in the Russian digital market could well fall as a result of faster growth of other segments, such as music, video and e-books. In 2016, these three categories together should account for seven per cent of the market turnover. In this respect, digital books are judged to have greater development prospects.

Over the last six years the e-book market in Russia has seen dynamic growth. In 2013, the company LitRes estimates the value of the country’s legitimate e-book market in the B2C segment at around 500 million roubles (2012: 260 million roubles; 2011: 135 million roubles). For the period 2015 to 2017, it predicts that the volume of sales in the B2C segment will grow to as high as a billion roubles.

Those contributing to the infrastructure of the Russian e-book market (B2C) include a large-scale enterprise (LitRes) which accumulates rights, and at least six leading e-book providers (LitRes, iMobilko, Google Play, OZON.ru, Obreey Store and Bookmate); there are a number of distributors (Swjaznoj, Moskwa, Rostelekom etc.), which are likewise partners of LitRes; and there is Apple/iTunes, the only closed system for smartphones and tablets (status 2013).

Only iMobilko and OZON.ru maintain a certain level of independence from the monopolising activities of LitRes. In Russia in 2013, with the exception of Apple’s iTunes no embedded content systems for e-book readers had been developed. In the West, the development of such software-based systems is...
contributing significantly to the development of the overall market for e-books. In the near future another large provider of e-books is due to enter the Russian market: Amazon.

LitRes remains the most important player in Russia’s digital market. Its biggest investor is the publisher Eksmo. According to LitRes itself, in 2013 the company controlled from 55 to 58% of the country’s overall digital market (B2C). Its portfolio encompasses 400,000 titles, of which 22.5% (90,000) are in Russian, and 4,500 audio books. Its most important partners are the publishers Eksmo, AST, Zentropolygraf, RIPOL classic, MIF, Azbuka-Atticus and Alfa-kniga. In 2013, every week some 55,000 books (a 70% increase on 2012) and 7,000 audio books (180% increase) were downloaded from the LitRes website. Forty per cent of those files are read or listened to using a personal computer. The main reading device of choice for mobile users is the iPhone (20%). LitRes’ assortment comprises predominantly fiction (46%) and business-oriented non-fiction (25%).

To date, very little use has been made in the Russian market of the self-publishing approach using digital printing. Only very few self-publishing initiatives are known to exist, most of them in the fantasy genre. By contrast, in the USA and the EU self-publishing has already become a market segment in its own right.

In 2013, a market developed in Russia of digital libraries of scientific and general education literature. This continues to grow and demonstrate the strong internal competitiveness. Experts estimate the sales volume of the digital library systems to be around 600 million roubles (2012: 310 million roubles), and they predict further growth of between 50 and 55% in 2014. The most important customers for such systems are still the Russian universities, while corporate and private customers also take a modest share. A survey of the leading players conducted by the magazine Buchindustrie (April 2013) showed that 10 to 40% of digital library systems and e-book collections have their customers in Moscow, five per cent at universities in St Petersburg, while 50 to 85% enter into other regions.

3.2. E-reader market

In terms of sales volumes in the e-reader market, the following reading devices were sold in 2013:

- 1 million electronic ink-based e-readers, which makes a 58.3% decline on the previous year (source: WEXLER)
- 6.5 million tablets, an increase of 91.2% (source: WEXLER)
- 18.5 million smartphones, an increase of 51% (source: Swjaznoj)
- 39 million mobile phones, a decline of 1% (source: Swjaznoj)

The availability of smartphones is growing, especially because of the expansion in the number of models available beneath the 5,000 roubles price class. In 2013, this category even saw the introduction to the market of "smart" devices for less than 1,500 roubles.

The list of the five leading providers of devices remained unchanged, and comprises Samsung, Nokia, Apple, Sony and htc. Altogether, they accounted for more than 60% of turnover in the Russian smartphone market. In terms of software, Android continues to lead the way with 75% of the turnover. Second place in 2013 was occupied by the iOS operating system, not least thanks to the optimum delivery of the iPhone 5S and 5C models the October before (compare with the preceding quarters I-III: iOS was ranked 3rd). Android and iOS are followed by Asha and Windows Phone.
4. New legal initiatives in the publishing industry and book distribution

4.1 Law No. 436 protecting children from information damaging to their health and development

Law No. 436 has caused a heated debate among publishers regarding the practical implementation of the new legal norm.

In January 2013, Russia's Deputy Minister of Communications and Mass Media, Alexej Wolin, passed a set of guidelines for the practical implementation of this law, in line with proposals by industry advisors. One of the most important decisions made by this advisory group was that labelling used to categorise the content in a particular way (e.g. age-group recommendations) should only be made obligatory on the covers of books that contain information inappropriate for minors (i.e. information "which might encourage [children and young people] to practise behaviour that endangers their life or health; might motivate them to take substances containing drugs; might justify violence or violent behaviour; might bring family values into question; might justify illegal activities; might contain severe bad language; or might contain pornographic material.")

For editions of works that do not fall into the above-mentioned categories, it is sufficient to include age-group recommendations inside the book, together with the details about the edition. The advisors also provided a list of categories which are not subject to the obligatory labelling.

At present, the practical implementation of this legal norm is being assessed.

4.2. Technical requirements for the safety certification of products for children and young adults

These technical requirements have caused certain problems for the Russian industry.

Publishers believe that this proposed legislation deals a severe blow to children's and young adult books in Russia, since the proposed certification process automatically excludes more than 30,000 titles that have already been released; it would leave Russian children's and young adult books published years before, as well as the best examples of translated literature, unavailable to readers, and would force the release of Russian editions without the appropriate quality or use of modern graphic design and visual technologies.

The certification process itself, as described in the regulations, was devised without any consultation with experts from the publishing world, and it represents a rather contradictory procedure. If one followed the regulations literally, publishing would come to a standstill. The requirements condemned by publishers include the use of type designs for particular age-groups, the visual density of backgrounds, regulations on labelling, and much more besides.

4.3. Law to protect intellectual property on the Internet

On 1 August 2013, federal Law No. 187-FZ came into effect, “on the introduction of amendments to individual legal acts of the Russian Federation with respect to the protection of intellectual property rights in information and telecommunications networks” (unofficially known as the "anti-piracy law"). The new norm brought changes to the federal law "on information, information technologies and protection of information" contained in Russia's Civil Code and its Code of Civil Procedure. These changes are intended to protect intellectual property rights on the Internet. At present, the regulations are exclusively applied to films (including cinema and TV).
4.4. Amendments to the law “on the obligatory submission of a sample copy of a document"

On 9 December 2013, the Russian president issued Law No. 894 "on several measures to improve the effectiveness of the work of the state-owned must media". Under this law, the federal state organisation, the Russian Book Chamber, would be disbanded and its registered assets transferred to the state enterprise ITAR-TASS (The Information Telegraph Agency of Russia).

Following the closure of the Russian Book Chamber, the question arose how this change would influence the gathering and processing of the obligatory sample copies of documents.

At the end of 2013, on behalf of the Ministry for Culture of Russia, the Russian State Library came up with a legislative proposal "on the obligatory submission of a sample copy of a document". This new legal norm includes the term "digital version of an obligatory sample copy the document". This legislative initiative is currently being developed further, but the timeframe is not known.

Source:

Status: December 2014