16–20 October 2019
FRANKFURTER BUCHMESSE
Guest of Honour Norway

BUSINESS.
CLUB.

# The Business of Books 2019

## Publishing in the age of the attention economy

Frankfurter Buchmesse's Business Club.

**Tomorrow is why you're here today.**

Business Club
FRANKFURTER BUCHMESSE

#fbm19

For more business insights, join us at the Business Club of Frankfurter Buchmesse.
With the Business & Conferences Ticket, you get access to all Business Club services and all conferences at Frankfurter Buchmesse 2019.

Order your Business Ticket now:

buchmesse.de/business-ticket

# Table of contents

This white paper provides a global analysis of consumer book markets today, summarising key trends and relevant data on book markets around the world.
The paper examines recent digital innovations and examples of transformation, such as e-books and audiobooks, as well as the use of streaming and subscription models, and the increasing segmentation of publishing. It identifies new opportunities and challenges arising from publishing models such as self-publishing, audiobooks and streaming, and it highlights new forms of competition resulting from screen-based approaches to storytelling, with content shared through online and TV streaming platforms like Netflix, Amazon and Disney.
To conclude the paper explores detailed data, a market analysis and the lessons learned about the business of books in today's new format-neutral and media-agnostic contexts.

# The Business of Books 2019:
# Publishing in the age of the attention economy.

## 1. The Business of Books 2019

Are we simply experiencing difficult weather, or do we need to acknowledge the fact of climate change? This is the most succinct way of summarising the debates surrounding the book industry in recent years.

The best response to that question might be: We must learn to live in an entirely transformed climate.

A wake-up call was sounded in Germany, in June 2018, when the German Publishers and Booksellers Association released their study "Book Buyers – quo vadis?" That call is still resonating. One simple number made the headline: the claim that Germany had lost 6.4 million book buyers from 2013 to 2017. About a year after the publication of that study, 300,000 of those lost consumers seem to have returned, bringing a small sigh of relief to the German publishing industry.

In a long-term perspective, however, the trend is clear. After achieving an all-time high in 2010, in terms both of turnover from book publishing and in the output of titles, the industry has now come under pressure.

A comparison of the book market and the overall economy, as expressed by the annual growth of the GDP indicates a shift. Although year-on-year growth (positive or negative) in publishing echoes some of the ups and downs of the overall economy, the long-term trend lines have begun to diverge. While the overall economy has grown slightly, publishing has experienced a steady decline.

In the past decade, similar divergence between book trade growth and overall economic growth could be seen for countries as different as the United Kingdom, a leading English-language market with a huge export business, and France, which, like Germany, is a market strongly dependent on its national consumer base.

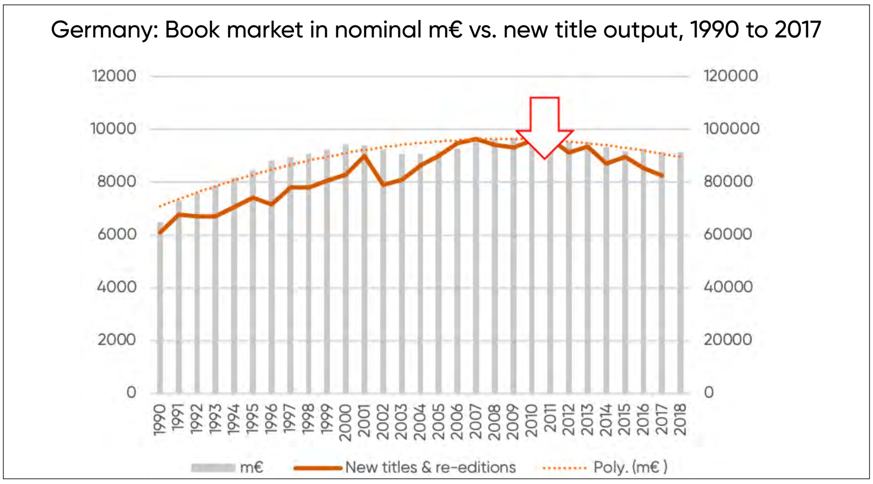


*Figure 1: Book market in Germany: value in nominal euros and annual title output, 1990 to 2018. Source: Data by Börsenverein, analysis by RWCC.*

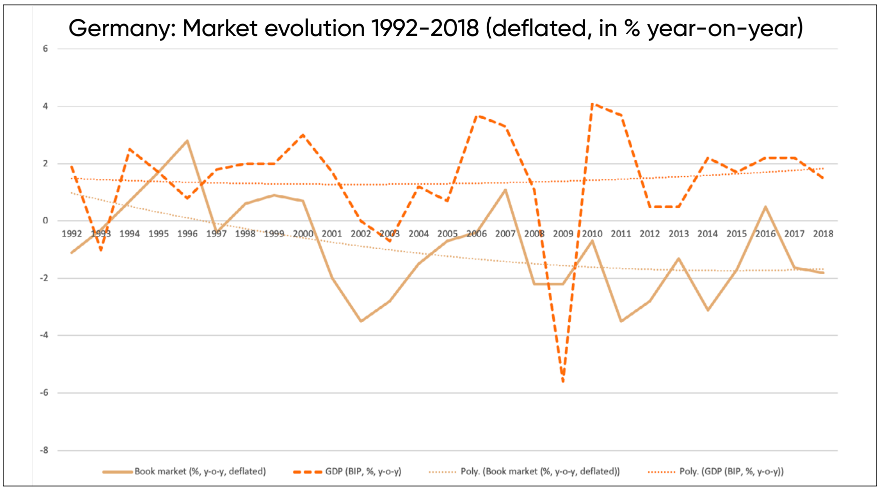


*Figure 2 Germany: Comparing year-on-year growth in the book industry with the overall economy, market evolution, real growth 1992 to 2018. Analysis by RWCC.*

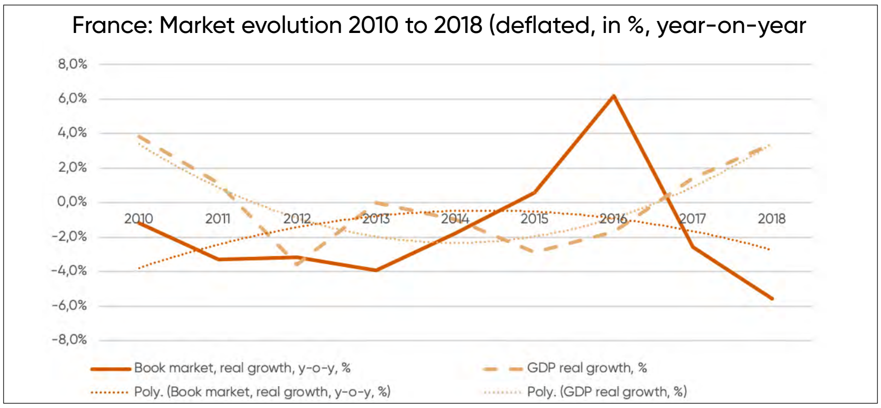


*Figure 3 France: Comparing year-on-year growth in the book industry with the overall economy, market evolution, real growth, 2010 to 2018. Analysis by RWCC*

# 2. Changing reading habits (and cultural consumption)

***"Books are increasingly considered exquisite, destined for a small elite. Literature could disappear from the public sphere." Morten Hesseldahl, Gyldendal Publishers, Denmark, September 2018***

In the autumn of 2018, the World Data Lab, a think tank based in Vienna, Austria, calculated that around half the world's population could be classified as middle class, and to a smaller percentage, upper class (www.brookings.edu/blog/future-development/2018/09/27/a-global-tipping-point-half-the-world-is-now-middle-class-or-wealthier).

It identified upward social mobility, particularly in Asia. From Mexico and Brazil to Turkey and the Gulf region, and even in Africa, new middle classes – or, in the case of Africa, "consumer classes" – have emerged (qz.com/africa/1486764/how-big-is-africas-middle-class).

From a publisher's point of view, these numbers are important but also puzzling. That is because growing wealth in a society has traditionally been accompanied by a similar growth in demand for both learning and entertainment. Logically, this has also always gone hand-in-hand with a strong upswing in book sales and reading.

Indeed, in the regions mentioned above, the publishing industry and some of the domestic publishing houses have recently gained in momentum. Book market structures are perceived to have raised their professionalism, and the local publishing and distribution of books have been strengthened in countries such as Mexico and Turkey. At the same time, the larger global corporate industry leaders have acquired or integrated local enterprises and gained in efficiency and profitability. Nevertheless, the scale of this upswing pales against the spread of the internet, especially through mobile access, with the rapid increase in communications through social media, and in particular, the consumption of streamed digital media. The impacts of the positive economic development on these new middle classes have been multiplied by a generational shift, as younger people have adopted the technological innovations much faster than the others.

It is estimated that, by 2018, around 41% of the global population were under 25 years of age. More than half the people in the world are now mobile Internet users: 60% in East Asia; 62% in Southeast Asia; around 50% in northern Africa and in South Africa; but just 12% in the rest of sub-Saharan Africa.

Overall, 92% of Internet users watch videos online, 58% stream TV content and 30% play live streamed games. (WeAreSocial Yearbook 2019)

In North America and in Europe, the transformation of the non-linear TV market is obviously in full swing, too. This has impacts along the entire value chain, from how authors are hired and which companies compete for the most attractive productions and distribution rights, to the consumers themselves, whose attention and time budgets are clearly limited.

By far the biggest deal to date, with a transaction value of 71 billion dollars, has been the acquisition by Disney of Rupert Murdoch's film and TV studio business, 21st Century Fox. Apple and Google are also investing heavily in their respective streaming projects, as is Netflix, which reportedly earmarked around 12 billion dollars for content development alone in 2018. In China, Beijing ByteDance Technology Co Ltd., the world's most valuable start-up, is channelling money from global investment leaders, such as Sequotia Capital China, General Atlantic and SoftBank, to produce short-form video apps for its user communities that number over 100 million customers. (Enders' Analysis, May 2019, and The Information, www.theinformation.com/articles/chinas-video-craze-drives-growth-for-bytedance)

In the United Kingdom, 60% of adult consumers watched on-demand or streamed content in 2018, up from 55% a year earlier (Ofcom Adults' media use and attitudes report 2019). The generation gap is huge, even in societies with relatively conservative user habits such as Germany. Here, some 83% of the 14 to 29-year-old age group (which corresponds roughly to Gen Z and Millennials watch films on video portals (e.g. YouTube) and 67% make use of streaming video services, compared to 39% and 31% respectively among the older generation (ARD/ZDF-Onlinestudie 2018).

In broad strokes, that is the competitive environment in which, in Morton Hesseldahl's bleak prognosis, reading must find its place or risk marginalisation. Given the dynamics involved, reading habits have remained remarkably constant over the past two or three decades. Between regions and societies, and between social classes, age groups and genders, there have always been significant differences in the amount of time people spend reading. In Europe, for instance, people living in Nordic countries and Central Europe have typically had stronger appetites for reading than the southern Europeans, whose bookishness has always competed with other popular pastimes. In the US in 2017, around 53% of adults had read a book in the preceding year that was not for educational purposes (down from 55% a decade earlier). In France, 92% claimed to have read a book in the past 12 months (though without specifically excluding educational reading), and 88% considered themselves to be readers. In Germany, 61% of adults read books regularly in 2017. The strongest, most engaged readers

were seen everywhere as a relatively stable group. In a remarkable development in Spain, reading and book buying have both increased steadily over the past two decades, with 74% now claiming to have read a book in the previous year, and 62% considering themselves readers.
The situation is much more fluid among younger readers, however, for whom most reports suggest the time they spend reading is in decline. This is the case in Spain, just as it is in the USA and the UK. Only in Germany have young people aged from 12 to 19 sustained a level of leisure-time reading more-or-less unchanged over the past two decades. There is, however, a significant difference between girls (half of whom read regularly) and boys (only one third of whom are steady readers). Despite this, the 2017 survey by the German Publishers and Booksellers Association, mentioned above, identified a considerable increase in time spent using the Internet among all consumers under 50, which coincided with a drop in book purchases by that broad age group.

## 2.1. The complicated case of digital consumer books

Interestingly, the younger generation does not seem particularly keen on digital books. In this regard several factors might be working together, mostly unintentionally:

/ A decade after the launch of contemporary e-books, and especially the Amazon Kindle ecosystem, corporate publishing groups in particular, but also specialist niche publishers, have learned how to exploit profitable formats in addition to the print versions of the mass market titles they have acquired.
/ Amazon began offering authors and readers many genres of fiction (romance, thriller, fantasy and sci-fi) through its Kindle Direct, and has since opened a second, largely new, digital segment to authors and readers: quick reads. More recently it has backed this up and extended it with additional business models ("Unlimited") and channels ("Prime").
/ In the mostly non-English-speaking European markets, trade titles were finally picked up by traditional publishers as a modest source of extra income, especially in bestselling fiction, which has rarely been pushed, but instead kept small and tight by relatively high pricing.
/ All these actors quietly agreed not to disturb the digital niche any further by innovating, and they maintained especially clumsy, unchanged technical standards for a decade and an almost complete lack of smart product design.

Further complicating this analysis, the lack of detailed data on digital sales, at least for the non-English e-book markets, means it is particularly challenging to measure the self-publishing segment (including Amazon Kindle Direct).
To project a panorama beyond the horizons of traditional publishing models, new approaches are required.
Assessments of bestselling books and authors are usually based on charts aggregating point-of-sale information, while filtering out certain types of publication (e.g. self-published books) or revenue streams. This sometimes ignores e-books altogether, but almost always overlooks subscription and similar distribution models, as well as titles that are not available in general retail, such as those from Amazon Publishing or Kindle Direct.

However, as the products on offer, as well as the consumer preferences and consumption patterns are becoming more fluid and segmented by various factors, it makes sense also to include different perspectives on books, reading and audio consumption. Easily available for such an approach are the charts provided by Amazon for their various thematic and format-based categories online. These charts include all volume (or unit) sales, regardless of format, made through Amazon. These combine physical and digital formats, and use an algorithm – unfortunately kept private – that factors in the time spent reading with Amazon Prime and Kindle Unlimited programs. We took the top-25 titles in selected categories (books, fiction and literature, romance, fantasy and sci-fi, downloaded audio, Kindle), and marked them according to a simple process: the authors earned 25 points for a first-placed title on these charts, 24 points for no. 2, and so forth. The table on page 6 summarises the highest placed authors across all the categories included.
While some of the methodological detail underlying these charts remains uncertain, we can assume that they are consistent within themselves and across territories. This allows an analysis from the point of view of a relevant group of consumers who use Amazon occasionally or predominantly as their point of access.
In a broad snapshot, repeated several times over the past two years, we traced and analysed the mix of top-selling products in the main category of 'books'.

The snapshots very clearly reveal a number of patterns:
/ The frequent use of non-traditional publishing models, such as self-published titles sold through Kindle Direct or Amazon Media, for the top authors, whose works are now mostly available in both digital and print
/ A significant presence of titles from the curated catalogues of Amazon Publishing, and a big following for J.K. Rowling's Potter series in audiobooks, which are published and distributed through her Pottermore platform (the relevance of audio overall)
/ The remarkably modest presence of traditionally published fiction authors, mostly in Germany if at all
Differences in the mix between the four selected non-English-language markets, Germany, France, Italy and Spain

### Germany

| Rank | Total points | Author | Category | Publisher | (Main) format | Original language | Series | Average price (€) |
|---|---|---|---|---|---|---|---|---|
| 1 | 169 | David Hunter | Fiction, crime | Argon, Wunderlich | Print + audio | EN | y | 21,75 |
| 2 | 154 | J.K. Rowling | Fantasy | Pottermore | Audio | EN | y | 27,76 |
| 3 | 83 | Marc Elsberg | Crime | Audible | Audio | DE | N | 8,1 |
| 4 | 73 | Marcus Hünneberg | Crime, fiction | Amazon Media | Kindle | DE | Y | 2,99 |
| 5 | 70 | Emily Bond | Romance | Amazon Publishing | Kindle | DE | Y | 4,99 |
| 6 | 65 | Emma Wagner | Romance | Self-published | Kindle + Print | DE | Y | 0,99 |
| 7 | 64 | Mary Ellen Taylor | Romance | Amazon Publishing | Kindle + Print | EN | Y | 4,99 |
| 8 | 60 | Daniela Arnold | Crime | Self-published | Kindle + Print | DE | Y | 0,99 |
| 9 | 59 | Catherine Shepherd | Crime | Self-published (Kafel Verlag) | Kindle + Print | DE | Y | 2,99 |
| 10 | 56 | Rachel Caine | Crime | Amazon Publishing | Kindle + Print | EN | Y | 4,49 |

### France

| Rank | Total points | Author | Category | Publisher | (Main) format | Original language | Series | Average price (€) |
|---|---|---|---|---|---|---|---|---|
| 1 | 310 | J.K. Rowling | Fantasy | Pottermore | Audio | EN | Y | 16,65 |
| 2 | 144 | Axelle Auclair | Romance | Self-published | Print | FR | Y | 5,99 |
| 3 | 87 | Camille Deneuve | Romance | Amazon Media | Kindle | FR | Y | 0,99 |
| 4 | 62 | J.R.R. Tolkien | Fantasy | Audiolib | Audio | EN | Y | 24,2 |
| 5 | 55 | Yuval Noah Harrari | Non-fiction | Audiolib | Audio | EN | N | 22,4 |

### Italy

| Rank | Total points | Author | Category | Publisher | (Main) format | Original language | Series | Average price (€) |
|---|---|---|---|---|---|---|---|---|
| 1 | 158 | J.K. Rowling | Fantasy | Pottermore | Audio | EN | Y | 8,99 |
| 2 | 119 | Federico Maria Rivalta | Crime | Amazon Publishing | Kindle + Print | IT | Y | 4,99 |
| 3 | 84 | Dima Zales | Fantasy, fiction | Mozaica (Genre publisher) | Kindle + Print | IT | Y | 4,86 |
| 4 | 75 | Alessia Gazzola | Fiction (TV series) | Longanesi | Kindle + Print | IT | Y | 9,99 |
| 5 | 70 | Jenny Anastan | Romance | Amazon Publishing | Kindle + Print | IT | N | 2,99 |

### Spain

| Rank | Total points | Author | Category | Publisher | (Main) format | Original language | Series | Average price (€) |
|---|---|---|---|---|---|---|---|---|
| 1 | 180 | Lorena Franco | Romance | Amazon Publishing | Kindle + Print | SP | Y | 3,52 |
| 2 | 121 | Olivia Kiss | Romance | Amazon Media | Kindle + Print | SP | Y | 1,99 |
| 3 | 111 | J.K. Rowling | Fantasy | Pottermore | Audio | EN | Y | 8,86 |
| 4 | 79 | Phavy Prieto | Romance | Amazon Media | Kindle + Print | SP | N | 3,02 |
| 5 | 78 | Marcos Chicot | Fantasy, Crime | Amazon Media | Kindle + Print | SP | Y | 3,99 |

*Table 1 Snapshot of top-selling titles on Amazon, in selected digital genre and format categories (e.g. books, fiction and literature, romance, fantasy, downloaded audiobooks, Kindle) in Germany, France, Italy and Spain, on 13 June, 2019. Analysis by RWCC.*

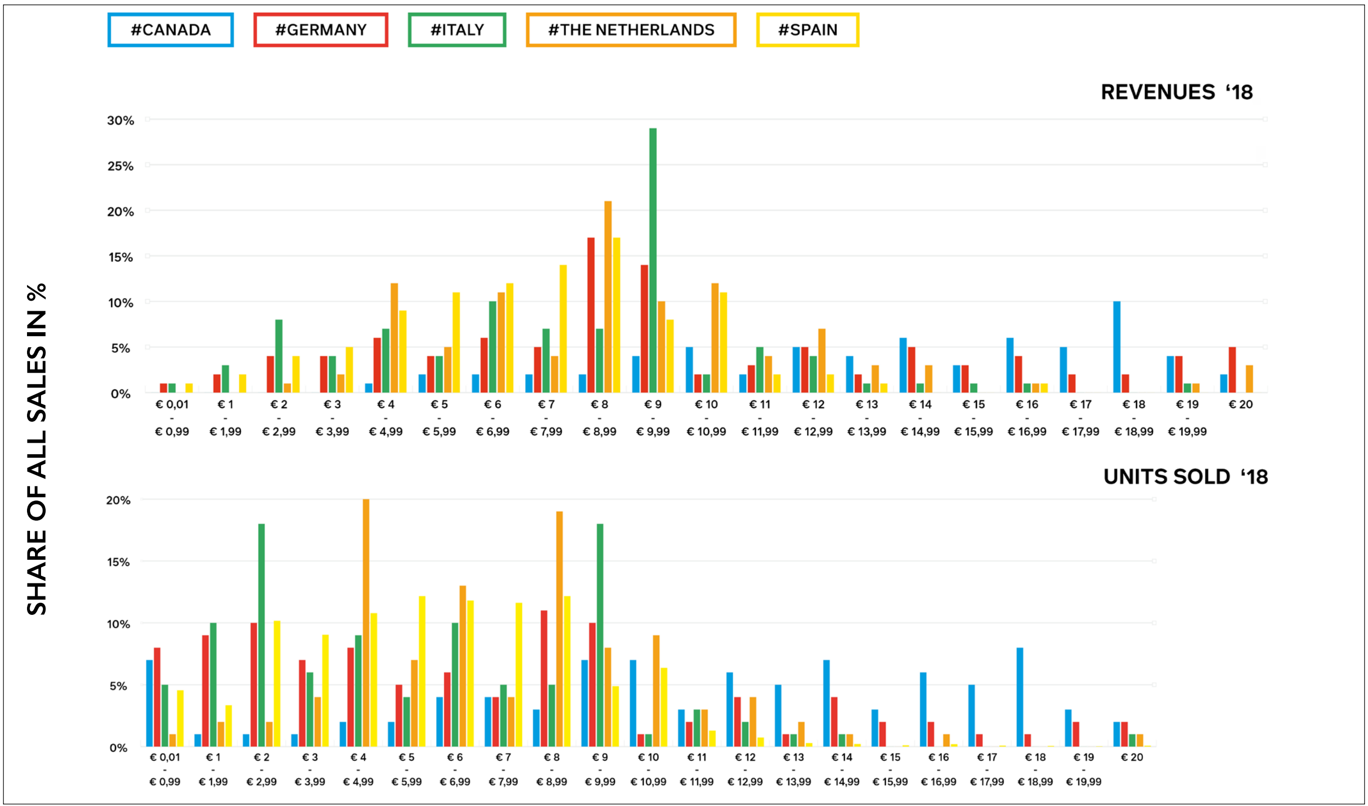


*Figure 4: E-books sell at widely differing prices in different countries and in different genre categories. Source: Digital Consumer Book Barometer 2019, www.global-ebook.com*

The strong presence of local authors in the genre fiction categories, to the disadvantage of a globalised offering of internationally branded authors.

A second "deep dive" approach has been undertaken with the recently published Digital Consumer Book Barometer 2019. In a broad collaborative effort involving digital distributors, it was possible to develop a detailed and more realistic analysis of the extremely segmented set of digital niche markets, with sample snapshots based on aggregated sales data in largely French-speaking Canada, Germany, Italy, the Netherlands and Spain (including Spanish exports into Latin America).

The two juxtaposed charts highlight several patterns in the e-book market segments in Canada, Germany, Italy, the Netherlands and Spain. In all these markets a low-price segment has formed, in which often huge volumes of unit sales occur, producing appreciable income at prices between three and four euros. This is where self-published authors have found a strong niche, but even in markets with regulated prices, some traditional publishers have also learned to use this segment for promotional purposes.

In most countries, publishers have chosen to keep their new digital releases at prices close to those of the print editions. We can easily identify two sweet spots: between 8 and 10 euros, and at a lower level around 13 euros. For Canada, the lower value of the Canadian dollar must be taken into account for assessing relevant sales above 10 Canadian dollars.

A lesson that immediately suggests itself is to recognise how deeply segmented digital consumer book markets are. They are shaped by price, but also, as will be shown below, by genre category and by new formats like audiobooks.

## 2.2. Digital books – Widening the horizon

By 2019, however, a broader view was opening up of what digital books could evolve into: not just a new format, like hardcover print, and then paperback, but something that complements all the various existing manifestations and the value propositions that books stand for. Three approaches serve to illustrate the transition and its driving forces:

/ Learning platforms

/ The advent of streaming and audiobooks

/ Scientific research on the differences between reading a book in print or on a screen, and listening to or watching a story been told.

Educational publishers learned early on, often from their peers in professional and academic publishing, that their content can be broken down into "learning objects". This means it can be offered to a community of users on a platform, mixed up sometimes quite randomly – with user-generated pieces, and monetised through subscriptions rather than by selling items one-by-one from a shelf. This development has been driven strongly by the declining revenues of the US textbook market, as well as the replacement of overpriced textbooks by lending services.

After recovering from bankruptcy, the

US company Cengage implemented a radical turn-around. Now, rather than addressing teachers as their key clients, it speaks directly to learners. Subsequently, to balance the sales lost to lending schemes, Cengage managed to create a subscription service for its clients, who pay a flat-rate fee for all textbooks, study tools and related content.
Many other digital platforms, big and small, in multiple markets, have been created to bring together teachers and learners, and to monetise digital content in combination with social interaction and scoring. Unsurprisingly, major publishers have increasingly targeted professional learning and vocational training, rather than work in the more regulated – and cash strapped – school environment.
Probably the most important lesson to learn from the digital approaches to education is a simple one: that it could pay off to break up the traditional workflow and model of publishing, to allow entirely different models, and even to risk cannibalising existing old businesses in an experiment that suggests the tail wagging the dog.

Audiobooks are different beasts altogether. In many cases, certainly, an audiobook can bring an already proven story, from a bestseller or a well known, long-selling author, to the attention of the customer. Adding a voice not only entails extra costs, but it changes everything from the listeners' point of view: the way of getting a story into their heads, the activated regions of the brain, the price-point and thus the marketing approach, and even – as streaming and subscription models kick in – the distribution and the business model.
Market research on audiobooks provides convincing evidence that customers listen to stories at different moments in their daily routines. They experiment readily with new gadgets ("Alexa, read my book!"), and are open to a much broader set of genres. The e-book trap of being caught in low-price romance plus serial crime and fantasy/sci-fi does not constrain the more playful audiobook world.
Finally, science also has a word to say about why, if they are to work with the users, digital books must be more than a bland copy of the print version. Recent research has shown convincingly that reading is a hugely complex exercise involving an array of very different cognitive processes in the human brain. Between reading printed texts and texts displayed on a screen, the results engage the reader in significantly different ways, and have a strong impact on comprehension and retention, especially when reading long-form, informational text. This has a direct influence on the effectiveness of learning processes.
E-Read, a four-year research project that systematically compared current reading studies, across disciplines and methodologies, concluded that the differences that derive from modes of reading and different media are factors often "underestimated by readers, educators and even researchers." The Stavanger Declaration, with which the researchers concluded the E-Read project, strongly emphasises the need to design better digital tools, improve the reading and learning environments, and more carefully to balance the use of the printed page and electronic screens in reading. (Stavanger Declaration: http://ereadcost.eu/wp-content/uploads/2019/01/StavangerDeclaration.pdf)
In the context of consumer book publishing, which is the focus of this white paper, the E-Read project provides helpful evidence on why e-books, as simple and direct digital copies of printed books, have found only limited success so far. Indeed, the gap between reading physical and digital formats emphasises why and how e-books quickly became popular with readers of certain narrative genres, yet remain much less popular for content more heavily loaded with factual information. E-Read also provides rich and detailed evidence on how the design of devices and usability can deeply influence the reading experience.
After the first decade of mainstream digital reading, publishers, designers and marketers might be well advised to return to the drawing board and reconceive their digital approaches.

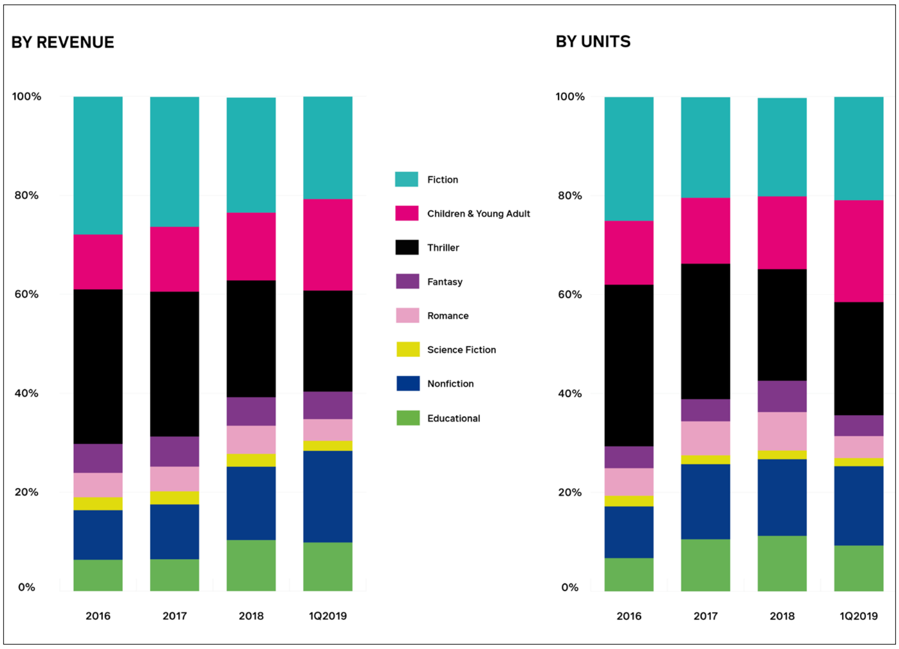


*Figure 5 Audiobooks in Germany by genre, evolution between 2016 and 1Q 2019. Data from Bookwire, analysis Digital Consumer Book Barometer 2019, www.global-ebook.com*

# 3. How changing cultural practices reframe book markets

Over the past twelve months, leading international publishing markets have produced few surprises. Rather, trends have continued to show patterns familiar from previous years: some growth, or at least stability, in English-language markets; a slight decline in Europe; continued growth, albeit at a slower pace, in China and India; and flat movements in real terms in most emerging economies. At first glance, not much new seems to have happened in the book universe.

Below, we contrast some more detailed snapshots of market evolution with some more dramatic events, adding greater depth to the observations.

In the USA, in the first quarter of 2019 the publishing market was "extremely flat", according to NPD Bookscan, with early increases in print sales stalling, after sustained increases over a six-year period. E-books continued to slide, as they have done every year since their all-time peak in 2014. The big question was now if the recent surge in audiobook and streaming revenues would help the digital market to grow, without eating into existing formats.

In 2018, according to Nielsen Bookscan, the UK saw 2.1% growth in the value of the print market for the "fourth year running", and a "marginal volume increase, too." The positive development was driven by rising prices and a small number of strong bestsellers. These included Michelle Obama's memoir, "Becoming", which was even topped in terms of copies sold by British comedian Adam Kay's secret diaries of a junior doctor, "This is Going to Hurt" – a home-grown success story. Moreover, according to Philip Jones of The Bookseller, the turnaround of the Waterstones bookshop chain, and improvements at smaller chains and independent book retailers has helped. In Germany, as described in the introduction to this survey, revenue generated through publishing and bookselling was flat from 2017 to 2018, but has been in a long-term decline since the peak of 2010.

In France, the market value shrank by 1.7% in 2018, and the volume by 3.5%. This, despite prices rising modestly by one percent and some promising signals early in the year, after negative growth in seven years of the past decade. Consumer frequency fell across all physical sales channels, with the hypermarkets losing 10.5%. Only children's books and graphic novels (bandes desinées) escaped the overall pattern, according to Livres Hebdo, with data from I+C.

In Spain, the country hardest hit by the economic crisis of 2008, having lost around one third of the value of its book market, the subsequent turnaround since 2015 still persists. 2018 brought an increase in value of 2.1 % (after 4.2% in 2015, and 2.9% in both 2016 and 2017, according to GfK and the distributors' association Fande). A mix of drivers for the recovery have been identified. These range from improvements in the major publishing groups, like Planeta and Penguin Random House Grupo Editorial, significantly increasing their organisational efficiency, to sectoral growth, especially for children's books, and the continued strong emphasis on exports into Latin America.

In Latin America, against the backdrop of the industry's generally increasing professionalism, domestic markets followed highly diverse trajectories, from relatively consistent market development in Mexico and Colombia, to renewed negative growth in Brazil, and a fall into deep crisis in Argentina. In each case, the developments in these countries' national book markets have reflected their recent overall economic paths.

Russia is another example of solid recovery after a dire situation, which has since stood its ground for several years, reporting an increase of 7% to 8%, according to Oleg Novikov, owner of its largest publishing group, Eksmo AS. Unsurprisingly, China's publishing sector continues to expand, albeit at the much slower pace of 11.3%, compared to just a few years ago.

The Indian sub-continent is practically a continent in its own right. This is especially true of the publishing sector, due to the many languages written and spoken there. With a publishing market worth an estimated 6.76 billion dollars in 2017, and growing at a compound annual rate of around 20%, the industry is focused much more on educational books than on trade titles. Primary and secondary school (K-12) textbooks account for 71% of the market, higher education titles 23%, and trade titles a modest six percent (Source: All About Book Publishing, www.allaboutbookpublishing.com).

It is often overlooked that almost half (44.4%) of the turnover comes from books in Indian languages. (Of these, Hindi accounts for 35%, Malayalam 8%, Bengali 6% and Marathi 4%. Other languages combined make up 47% of the Indian language market). Meanwhile English accounts for just over half the total turnover (55.6%, according to the Nielsen India Book Market Report 2015). Indian languages continue to gain ground, a fact corroborated by the growth of non-English Internet use, from 234 million users in 2016 to an expected 536 million in 2021 – an annual growth rate of 18%. That compares to 175 million predominantly English-language Internet users in 2016, a figure expected to grow by three percent annually to reach 199 million by 2021.

## 3.1. Turbulence beneath the surface

***"We may be drowning, and not even know it." Philip Jones, The Bookseller***

Deeper shifts in many of these markets require us to dive beneath the surface. From Argentina, Brazil and Mexico, to the United Kingdom and, to a slightly lesser extent, even traditionalist Germany, self-publishing has managed

to establish itself as a new industry segment of significant scope – one that has achieved remarkable economic success. However, due to a lack of data, our understanding of this segment is appallingly incomplete.
In Argentina, for instance, three local aggregators and service providers to self-published authors – Ediciones Plaza, Dunken and Autores de Argentina – are among the top-seven organisations with the highest number of registered ISBNs.
In Germany, as in Spain and Italy, the bestseller charts released by Amazon bear hardly any resemblance to the lists of bestsellers offered by traditional publishers. And self-published literature has successfully established a low-priced segment for e-books. Achieving significant sales for books priced below five or even three euros, this not only accounts for an amazing volume but also generates significant turnover. However, little light has so far been shed on this thriving and expanding market segment.
Overall title production is skyrocketing pretty much everywhere in the world. In the USA, we lost track when Bowker announced that over a million books had been self-published in 2017 alone. Discussing the UK, Philip Jones said in The Bookseller that, "E-books, self-publishing and audio add to the glut, as do the infinite bookshelves of online retailers. Where once we used to track this, the size of the problem has become unquantifiable. We neither know how many digital books without ISBNs are published, nor how many they are selling." As a result, even among Britain's top 5,000 list in 2019 average sales of each title had sunk to 2,800, such that, according to Nielsen, a title selling a mere 250 copies made it into the top 5,000.
At the same time, in the USA a very small number of top sellers are expanding more quickly than ever before. The top 100 titles in 2018, mostly new front-list titles, achieved 23% higher sales than in 2017. At least in some markets, book publishing now shows a high-risk trend towards becoming a blockbuster market – at the expense of all the rest.

## 3.2. Consolidation and structural change

Other industry developments are more likely to generate headlines that even a less specialist audience will take note of: bankruptcies, mergers and takeovers. Indeed, the past year was rich in such developments.
The sale of the largest bookstore chain worldwide, America's Barnes & Noble, was just the latest and most spectacular change following a decline that had been broadly visible for several years. The company's takeover by the Elliott Management Corporation was not necessarily the most remarkable part of the news, but rather the fact that Elliott had already bought another ailing chain, Waterstones in the UK. James Daunt, the CEO largely credited with the turnaround of Waterstones, will now oversee a similar task at Barnes & Noble. The most surprising aspect of the move could therefore be that the new owners want to find a solution from within the trade itself.
Only a month earlier, Baker & Taylor, another big brand involved in the wholesale distribution of books, announced that it would close that part of its business so that it could focus more on the educational and library services of Follett Corp, which acquired the distributor only in 2016.
In Germany, the largest wholesaler and distributor by far, KNV, declared its bankruptcy in February 2019. This has triggered fears across the publishing industry, not only of imminent tremendous losses for many publishers, but also of deep structural damage to the entire sector. In June 2019, it is still unclear if an investor can be found to keep the fulfilment provider afloat.
Distribution and retail obviously come under pressure when the value chain of an industry and, more broadly, the preferences of many of its customers shift. The latter has resulted in a reversal of ownership for the second largest publishing entity in France, Editis.
Editis was originally created in 2004 when, in a complex series of manoeuvres, a huge multimedia conglomerate was created in France under the name of Vivendi. This encompassed, among other components, the advertising agency Havas, TV (with Canal+), games and publishing. A ruling by the European competition authority required it to sell off most of the publishing arm. After an intermediate step, this was acquired by Planeta, the largest Spanish-language publishing and media company, based in Barcelona.
At the time, and following several other failed attempts in the early 2000s to combine TV, films, music and publishing in "convergence of content and media" strategies, trade publishing largely adhered to the conviction that books should be kept separate from audio-visual media.
The return of Editis under the umbrella of Vivendi in late 2018, this time given a green light by Brussels, shows there has been yet another shift in these fundamentals.
Storytelling and entertainment, delivered through digital streaming channels to huge audiences of consumers, usually in a subscription model, is the new magical formula for today's "Netflix era".

# 4. Where are the books in the new storytelling?

*"This revolution in bookselling is about books vs. Everything Else."*
*Michael Tamblyn, Kobo Rakuten*

In a talk at the annual meeting of the US Book Industry Study Group, in New York in April 2019, Kobo Rakuten's Michael Tamblyn raised some eyebrows when he divided the history of bookselling into five waves, starting with "independent bookselling", and followed by "big box and chain bookselling", the arrival of the Internet, and then the emergence of e-books. But now, he argued, the fifth wave is no longer just about formats, or some inventory management optimisation. Instead we are facing the "attention economy", in which books and reading, authors, publishers and retailers find themselves competing against anything and everybody else that connects with the audience. (Michael Tamblyn: Money on the Table: Opportunities Missed in the eBook Supply Chain. www.michaeltamblyn.com)

The result is truly complex. Publishers' competitors, for instance, are not just other publishers, but also Netflix and YouTube. The change accompanying the new frenzy for "on-demand television is in its very early stages," says Cindy Holland, VP Original Content at Netflix. (Deadline, 11 March 2019, www.deadline.com/2019/03/netflix-cindy-holland-on-future-streaming-competition-1202573130)

In summer 2018, in a mega bidding war, the global media leader Disney fought it out with Comcast, a cable TV and Internet provider, to acquire the huge content libraries of Rupert Murdoch's 21st Century Fox movie studio. Disney won – at least this round – with a bid worth 71 billion dollars. CNN, 19 July 2018, https://cnnmon.ie/31MhogG.

Meanwhile, the technology giants, Apple, Facebook and Google, as well as Alibaba and Tencent in China, have all earmarked billions of dollars for building their positions as providers of media content to consumers. Already many of the biggest publishing groups have entered into cross-media content exploitation, with activities that would have been regarded as exotic only a few years ago. For several years now, for instance, Hachette has been cooperating with the authors' platform Wattpad. In 2018, Wattpad was rebranded Wattpad Studio, underlining its intention to exploit formats well beyond books and reading. This has already materialised in deals with the Hachette parent company, Lagardère, through its own Studio division, and with the Dutch NL Film, Singapore's Mediacorp and Sony Pictures.

Hachette, the book publisher, has secured the global publishing rights for Fortnite, one of the hottest games of the moment. In a similar move, Harlequin, HarperCollins' romance fiction arm, has created a Studio arm, the better to exploit its authorial brands.

## 4.1. Books: new opportunities, new practices and new roles

*"No single model for success" Hazel Kenyon, Nielsen, on book-to-film adaptations*

In Germany a year ago, a novel based on another game, Minecraft, authored by YouTuber and gamer, Patrick Mayer (aka Paluten), jumped to the very top of the authoritative Der Spiegel bestseller chart in Germany. A sequel has since been announced for this summer. The publisher of both books is Community Editions, a joint venture between Bastei Lübbe and a marketing and merchandising specialist, which provides a platform for social media influencers who want to enter the publishing industry. In this and in a growing number of other examples, the book stands not at the beginning, but at the end of the storytelling value chain. Litres, the leading digital publisher in Russia, has started experimenting with the sale of books by the chapter. Planeta, the largest publisher in Spanish, is investing in "transmedia storytelling", a shortcut for content and authors that stand out in channels such as Wattpad and YouTube. And at Penguin Random House, an entire division has been created for "platform driven" fiction and non-fiction, targeting a young adult audience, and tapping directly into that group's changing media preferences.

In the context of shifting consumer habits and media practices, there are huge new opportunities for books, too, with adaptations as films, TV series and even games. However, this playing field has become utterly complex of late.

From Boris Pasternak's "Doctor Zhivago" and Tanja Blixen's "Out of Africa", to the global craze earlier this year surrounding the last season of George R.R. Martin's "Game of Thrones" – the unique case of a film adaptation of a book that has yet to be written – there are so many ways for a book to make it onto the screen.

One new, and still unusual model of exploitation was seen in the adaptation of Elena Ferrante's global bestseller "Una amica geniale" in Germany, where the film version was bought by a telecoms corporation. Written in Italian in Naples under a tightly guarded pseudonym, the original book was published by the small independent Edizioni E/O. It was quickly picked up for the American market by Europa Editions, the Italian house's English language imprint in the USA. After its worldwide success, "Una amica geniale" was unsurprisingly chosen by HBO for a TV series adaptation, with Italian RAI as a production partner, and major TV companies buying distribution rights, such as Sky in the UK, Canal+ in France and NPO in the Netherlands. In Germany, the phone and Internet service provider Deutsche Telekom secured distribution rights for the German translation of Elena Ferrante's title, "Meine geniale Freundin", for its on-demand video service MagentaTV. Two years earlier, it had already done a similar deal, acquiring the distribution rights for the "The Handmaid's Tale" after the dystopian novel by Canadian Margaret Atwood.

Film adaptations of books carry multiple risks. They can be hugely successful, as demonstrated by the German series "Babylon Berlin", by star director Tom Tykwer, with its fulminant dive into Berlin's legendary 1920s as an early modern metropolis, bursting with political turmoil, sex and crime. The series is loosely based on the first book in a series of crime thrillers by German author Volker Kutscher ("Der nasse Fisch", or "The Wet Fish", 2008). Without doubt, it has brought the writer recognition and solid sales, but nowhere near the top of the bestseller charts.

In France, Canal+ turned the bestselling "Vernon Subutex" by Virginie Despentes into a series. The three original books were characterised by one critic as a "Condition humaine" about "France losing itself between hate and deprivation". The celebrated author chose to stay away from the first screening, frustrated by the film people, who "didn't grasp a thing" about her story. (Allociné, 16 May 2019, www.allocine.fr/article/fichearticle_gen_carticle=18681360.html)

Alienated authors are certainly a common point of conflict, as directors and producers often make decisions in their adaptations that the writer finds hard to accept. But today's working methods, especially for the production of serials, usually involves teams in a "writers' room", are transforming what used to be a solitary process into an exercise of industrial creation, with little room for manoeuvre by individualistic authors.

Perhaps even more important is the complex and competitive system of sifting, filtering and framing a story or an idea before it is finally selected for the screen, as a product that should ideally attract audiences worldwide. Paradoxically, this does nothing to produce more globally streamlined content.

The global player Netflix has reversed this approach, turning to more "authentic" foreign language properties, as these can resonate well with "universal audiences". This was explained recently by Kelly Luegenbiel, Vice President, Creative International Originals at Netflix. "We'll continue to look to books to find new voices," she said, "especially as we're expanding into the African continent. There's a lot of great literature there." (Publishers' Weekly, 12 April 2019, www.publishersweekly.com/pw/by-topic/industry-news/page-to-screen/article/79793-the-netflix-literary-connection.html )

Or, as New York Times columnist Farhad Manjoo summarised it, when Netflix' Mexican production "Roma" competed successfully at the Oscars in February 2019: "Instead of trying to sell American ideas to a foreign audience, it's aiming to sell international ideas to a global audience." (NY Times, 22 February 2019, www.nytimes.com/2019/02/22/opinion/sunday/netflix-oscars.html)

## 5. The outlook: stormy weather or climate change?

The book and reading markets have already changed profoundly over the past few years, although many professional observers have hardly noticed the fact. For the main part, the transformation is not only about new players, new perspectives or new competition involving Netflix or Amazon or Disney. Many outstanding film adaptations – and even more often, TV series – do not derive from current bestselling book titles, even though such multi-hit wonders do occur. Elena Ferrante's "Una amica geniale" is one such example.

Perhaps more often, hungry producers and content developers pick up books of an entirely different character, often years or even decades after their original publication. These might even arise from contexts that would never reasonably suggest an international book career with a traditional publisher.

Ivica Dikic is a Croatian-Bosnian investigative journalist, who for decades covered political scandals and corruption cases in the Balkan region. He then turned the essence of his cover-up stories into a book, which was initially selected for serialisation by a local TV channel, albeit in a fictionalised adaptation. At some point, Netflix noticed. They found it interesting for a wider audience, and turned it into a "Netflix Originals" series, "The Paper".

Adapting good journalism into a fictionalised story has become a common process lately. Misha Glenny, a seasoned British journalist, who started his career reporting on the Balkan wars, moved on to explore international organised crime. His non-fiction account "McMafia" was subsequently fictionalised for a highly successful TV series produced by the BBC.

One of the most unlikely examples of local prose ending up as a global narrative is the original story behind one of the most popular historical role-playing games worldwide, "The Witcher". In 1986, in the industrial city of Lodz in then Communist Poland, 38-year-old Andrzej Sapkowski won a competition run by the local magazine "Fantastyka" with his story "Wiedźmin", or "The Witcher". That short story introduced the hero Geralt of Rivia. It laid the foundation for the now iconic work that spans books, games and films. As Netflix summed up their reasons for turning the franchise into a streamed TV series, three decades later, it caters to "legions of fans worldwide" (Netflix press release, 17 May 2017). The series is due for release in 2019, with former Superman actor Henry Cavill starring as Geralt. (See the "Diversity Report 2018" for a more detailed account: www.culturaltransfers.org )

There are countless examples of adaptations of hardly recognisable books, or of original TV series, which, at different moments over the past decade or more, have tapped successfully into the zeitgeist and explored issues of relevance to global audiences, fully justifying their production as stories that resonate with people all around the world, in their daily lives and their aspirations.

A number of provocative questions arise from this observation:

- Do audio-visual creatives have better antennas, ingenuity or intuition than book publishers, enabling them to connect these stories with their audiences?
- Or are book people somehow too detached from peoples' minds and concerns?
- Is this just a temporary irritation from some heavy weather front, a hyped up distraction, while, in the long run, publishers will always prevail as gatekeepers for the stories that matter, without getting their feet wet from the adversities of climate change?

The challenge facing publishers is as exciting as it is demanding:

Publishing is embedded seamlessly between all the other content and media industries, and it has to compete with them for the attention of the consumers. Readers are also always listening to, and watching out for stories that excite them. Authors can speak to readers and to other audiences more directly than before. And the consumers are only just starting to learn how to choose from the abundance confronting them.

This dramatically changes the publishers' responsibility. Not only must they carefully curate what they propose to their customers, they must also learn to engage directly with their many different audiences, and to do so as individually and as profoundly as they can. This is a hard thing to do, certainly, but it is also a rewarding vocation.

# About the author and research reports related to the Business of Books 2019

Rüdiger Wischenbart is the founder of Content and Consulting (RWCC), which specialises in analysing the transformation of international publishing, and related culture and media markets. He also co-founded the non-profit BookMap initiative. His reports include the "Global eBook" reports (since 2011), the "Digital Consumer Book Barometer" (since 2019), the "Global 50 Ranking of the International Publishing Industry" (since 2007), the "Diversity Report" series on translated fiction markets across Europe (since 2008), and "How Big Is Global Publishing?"
Michaela Anna Fleischhacker, RWCC, contributed to this report.

www.wischenbart.com
Blog wischenbart.com/booklab
Twitter @wischenbart

# Imprint

The white paper "The Business of Books 2019" is presented by the Frankfurter Buchmesse Business Club.


Braubachstraße 16
60311 Frankfurt am Main / Germany
buchmesse.de

buchmesse.de/businessclub
E-mail: businessclub@buchmesse.de

Copy editor: Alastair Penny
Cover Design: Vier für Texas
Adaptation: www.weirauch-mediadesign.de



July 2019