

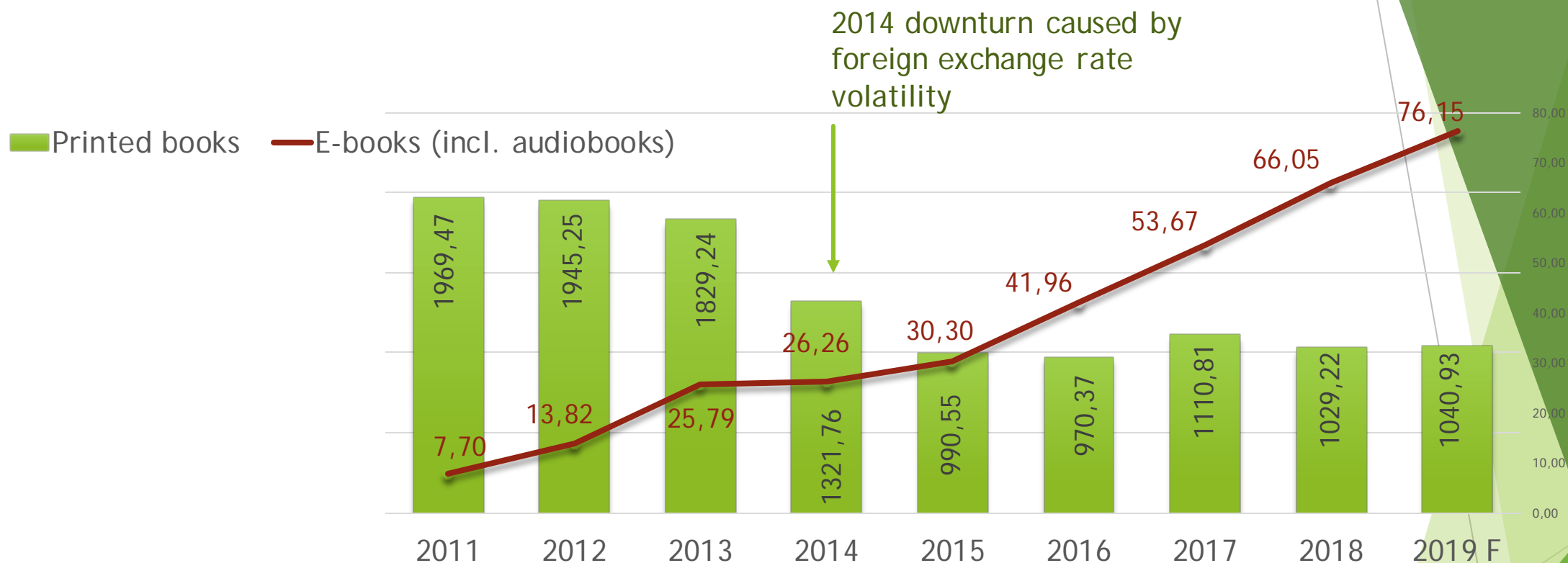
► Book Market in Russia

Infrastructure and Key Development Indicators



- Analytic reports of the Book Industry magazine
- Statistical data of the Russian Book Chamber
- Book Market in Russia 2010-2020 database
- Culture Map of Russia data

Book Market Revenue in Russia, mln EUR



Expert's Opinion

Due to ongoing financial problems in the country, the publishing business is rapidly losing profitability, inevitably narrowing the scope of innovation and scaling down prospective projects. That being said, the market is not falling, the demand for books remains stable while the decline in traditional book store sales is partly compensated by online sales, e-books and sales generated through non-book retailers.

Boris Kuznetsov, ROSMAN

Federal Law No. 77 "On the Legal Deposit of Publications" requires publishers to provide several copies of every publication to the Book Chamber of Russia for statistical purposes.

1994

Article 164.2 of the Tax Code is amended to guarantee a reduced tax rate of 10% for education-, science- and culture-related book production.

2002

By Order No. 1047 of the Russian Ministry of Education and Science, all school textbooks must be also published in electronic format starting from January 2015.

2013

1995

Federal Law "On Copyright and Related Rights" from 1993 goes into effect. Russia joins the Berne Convention.

2010

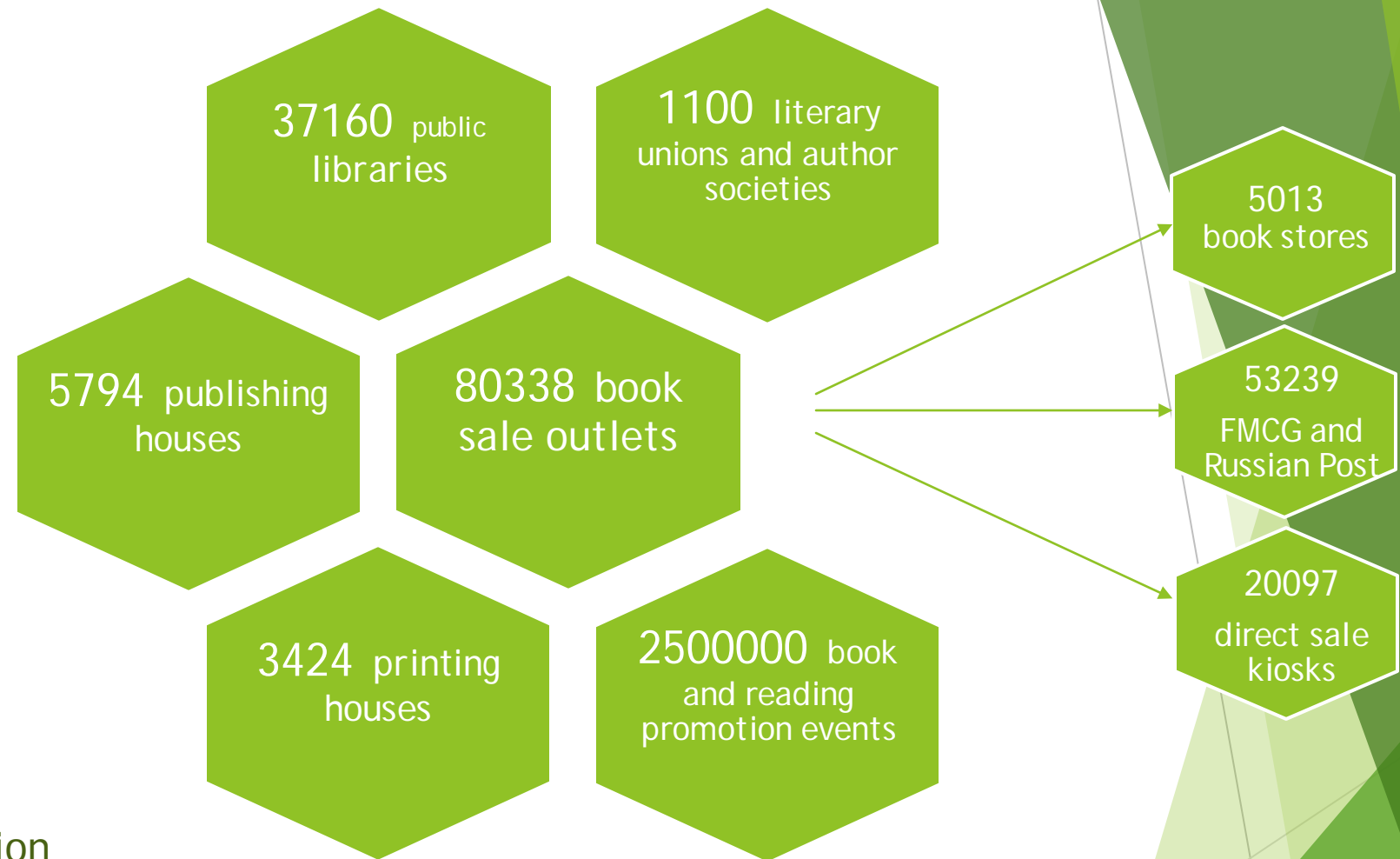
Federal Law No. 436 "On Protecting Children from Content Harmful for their Health and Development" introduces an obligatory content rating marking according to age restrictions.

2014

Federal "Anti-Pirate Law" No. 364 "On Amending the Information Protection Law and the Civil Code" enables restricting access to websites containing unlicensed content.

Legal Framework of the Publishing Industry in Russia

Book Industry Infrastructure in Russia



Expert's Opinion

Most of the Russian publishers are still using standards dating back to the early 20th century. To this day, new concepts like printing on-demand, book-on-demand or backlist management are met with raised eyebrows. Making your book seen is what matters the most. Marketing is crucial like never before. Dwindling profit margins are another painful symptom of the industry which is essentially financing itself at rates which are sometimes higher than the average bank interest rates.



Sergey Makarenkov, RIPOL

- Most of the publishing activity is focused on the metropolitan regions of Russia. In 2018, Moscow and St Petersburg accounted for 74% of titles and 90% of the copies. Only 12 more regional centers have a noteworthy yearly book production of 1000-3000 SKUs, normally using university publishing house imprints: Nizhny Novgorod, Kazan, Belgorod, Saratov, Ufa, Novosibirsk, Yekaterinburg, Chelyabinsk, Voronezh, Volgograd, Krasnodar, Rostov-on-Don. This makes Moscow a huge book distribution center, as it is from here that most books find their way into the Russian regions.

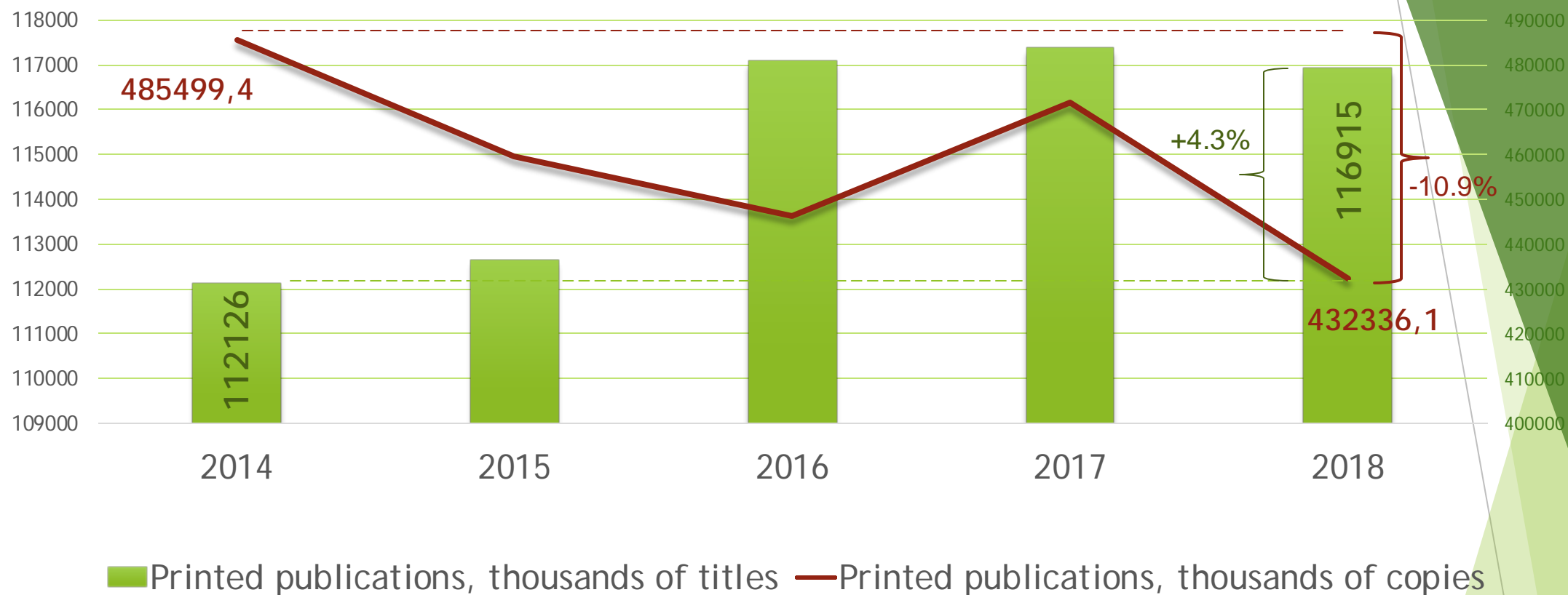


57% of published titles and
85% of printed copies

TOP-10 Book Publishing Houses

Imprint		SKU	thousands of copies
Prosveshcheniye	Moscow, St Petersburg	3401	81747.65
Eksmo	Moscow	9244	47109.92
AST	Moscow	7800	38591.47
Azbuka-Atticus	St Petersburg, Moscow	3046	16040.5
Examen	Moscow	1142	15518.0
Flamingo	Moscow	559	15300.0
Drofa	Moscow	1228	15120.1
Egmont Russia	Moscow	931	12616.0
Ventana-Graf	Moscow	714	10510.1
Rosman	Moscow	1179	2722.26

1/3 (1901) of all Russian publishing houses are small businesses producing one book per year. Only 191 publishing houses (3.3%) produce 100+ books yearly.



Over the last five years, the production of printed books in Russia has grown in terms of titles published but is shrinking in terms of the total number of printed copies.
The average number of copies per title has gone down from 4330 to 3698 (-14.6%).

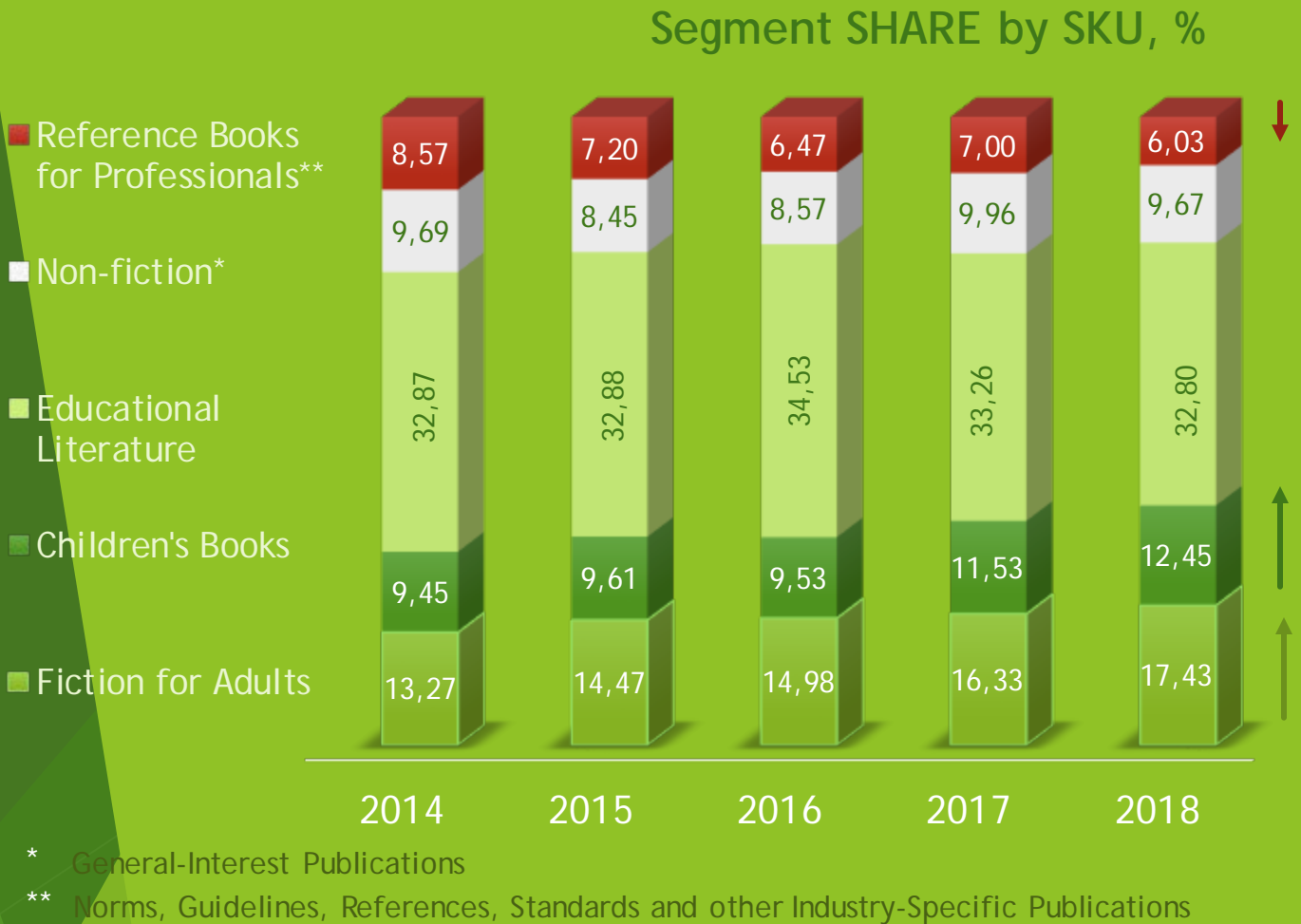
Investment Priorities of Russian Publishers



Expert's Opinion

Improving book quality is the key trend in the Russian book industry, which is a significant shift compared to the 2000s and leads to overall market growth. As for the specific segments, non-fiction and comics are obviously on the rise, young-adult titles as well as various licensed titles also continue growing. We are also experiencing a real shortage of talented people who are able to implement new ideas.

Yevgeny Kapryev, EKSMO



- Even though the Russian regulatory authority Roscomnadzor recently implemented the Runet Law and the Fake News Law and imposed some limitations on the Internet freedoms, the book market in Russia remains relatively open. Translated titles often exceed 20% in copies and sales, although only 10 foreign authors made it into the 2018 TOP-50 list, two of them being well-known kids franchises Harry Potter and Gravity Falls. But this does not mean that Russians are not interested in the global trends. In 2018, books of the Israeli historian Yuval Noel Harari were very well received by the Russian audience, while the tour of Till Lindemann, Rammstein's frontman, with his book of poems "Messer" garnered a whole lot of public attention.

Market SHARE of Translations

14.3% (2018)

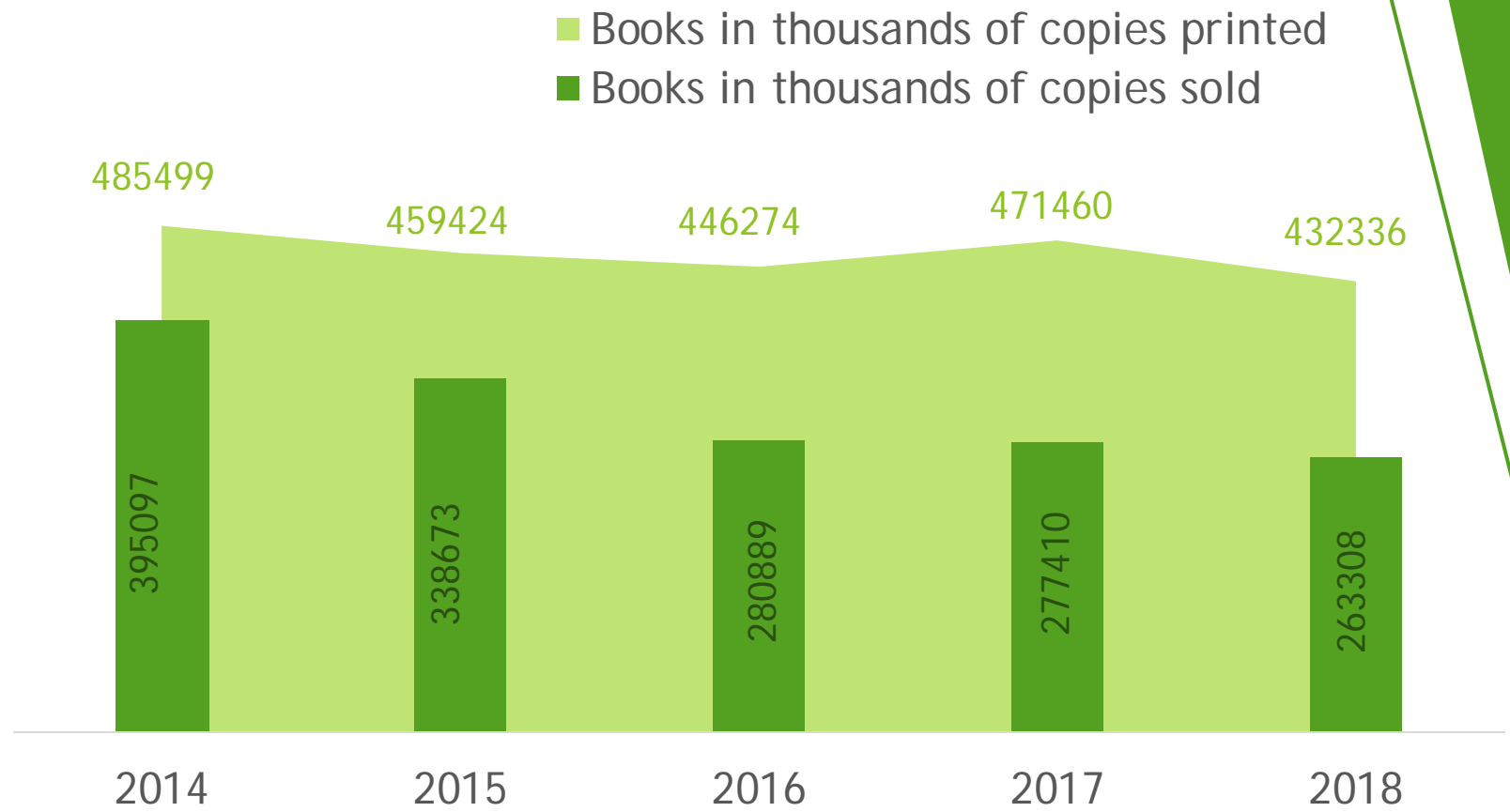


10.4% (2014)

Translations (Licenses) by Source Language, SKU

	2014	2018
► from English	6738	10277
► from French	955	1406
► from German	725	963
► from Italian	235	287
► from Spanish	112	112
► from Chinese	52	112
Total	11692	16765

- Every year, the Russian book industry prints close to half a billion books and brochures but is able to sell only 60% of this volume in the national market.



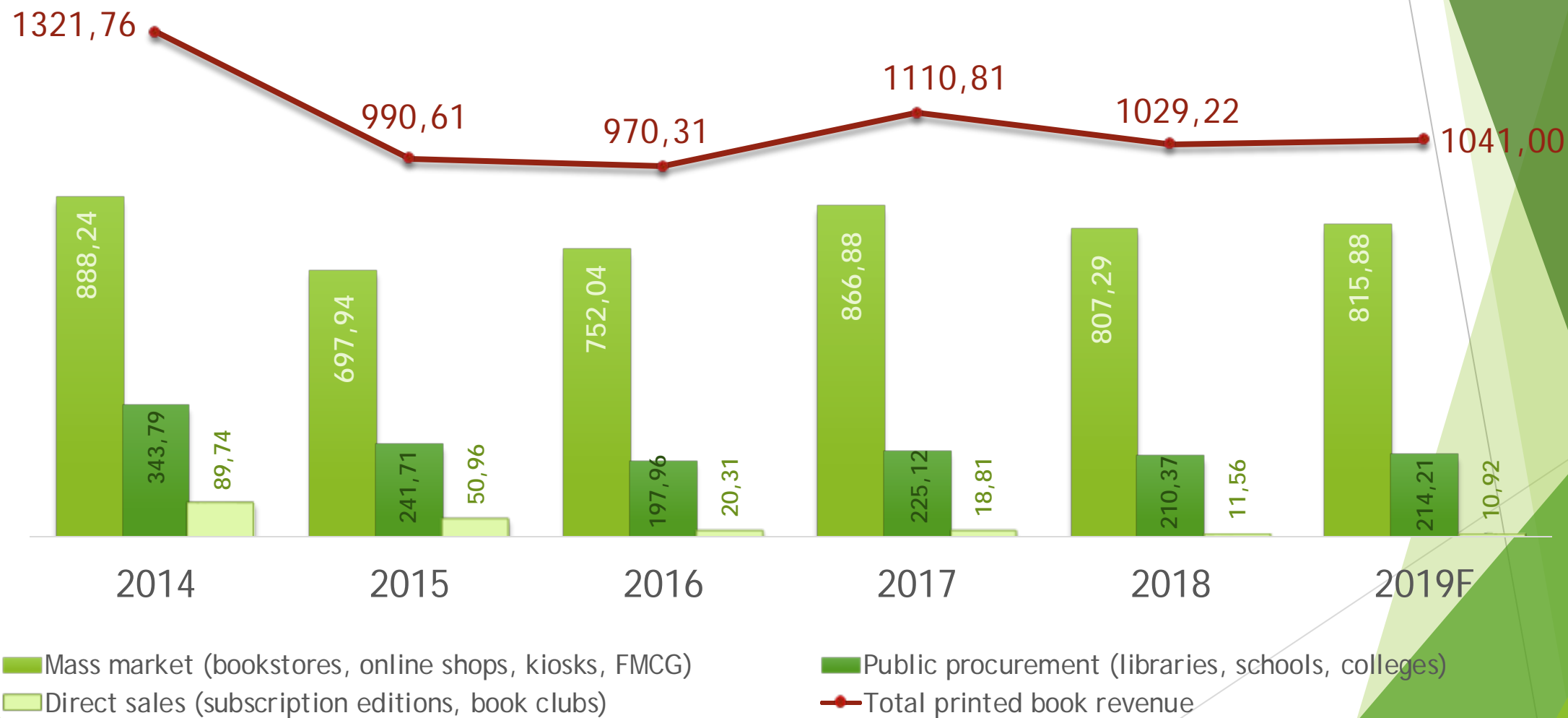
Expert's Opinion



I believe that the current structure of our industry is influenced by the following developments. Our market is split into two parts, namely the wide market and the educational literature with sales mostly to public institutions. The educational segment is very narrow and monopolized. Here, success is determined by the lobbying power of market actors. The wide market is very competitive, although it is dominated by 10 large players. The professional level of all the leading publishers is very high. They are mostly competing in three areas: publishing rights and authors, advertisement and PR, on-shelf availability.

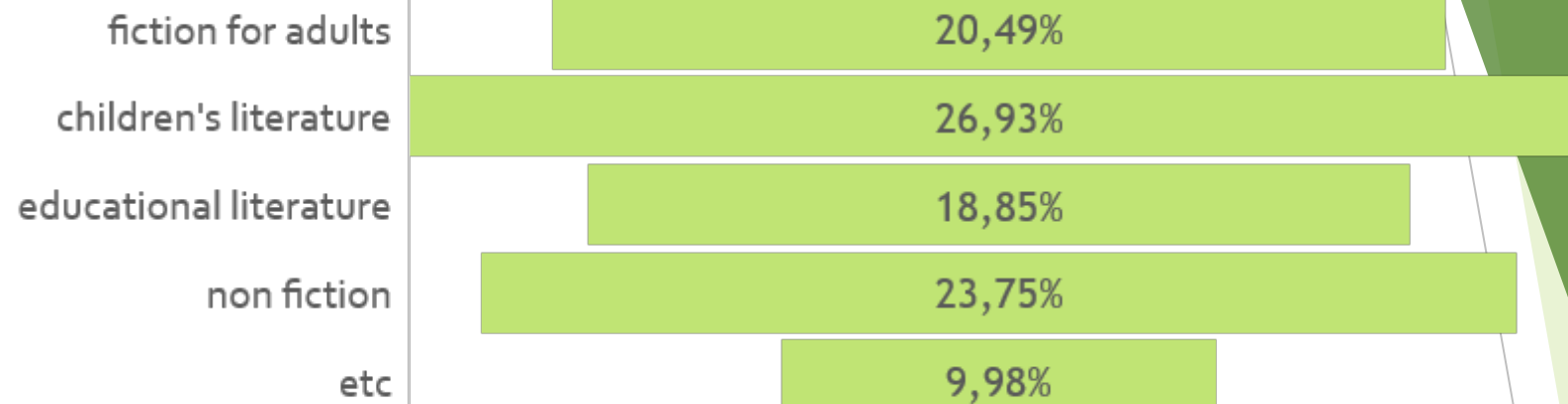
Aleksey Ilyin, ALPINA

Printed Book Sales in Russia, mIn EUR



2018

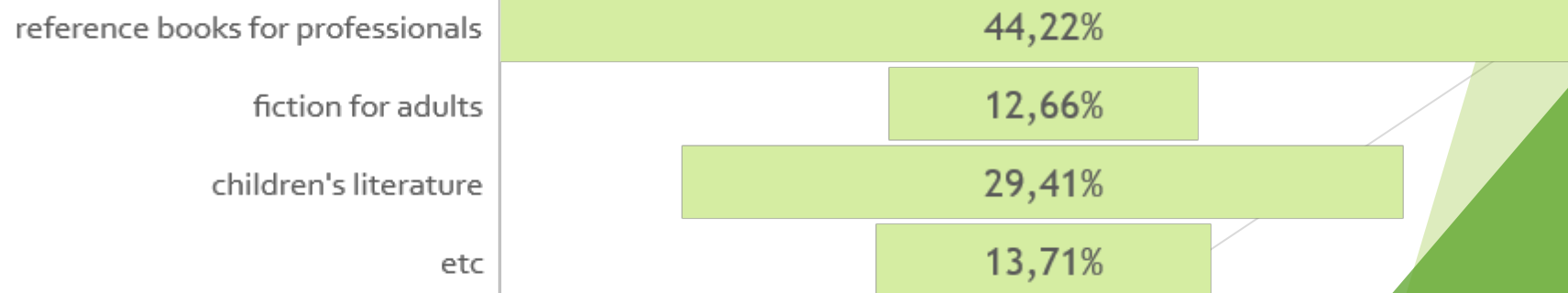
Mass Market
€ 807.29 m



Public Procurement
€ 210.37 m

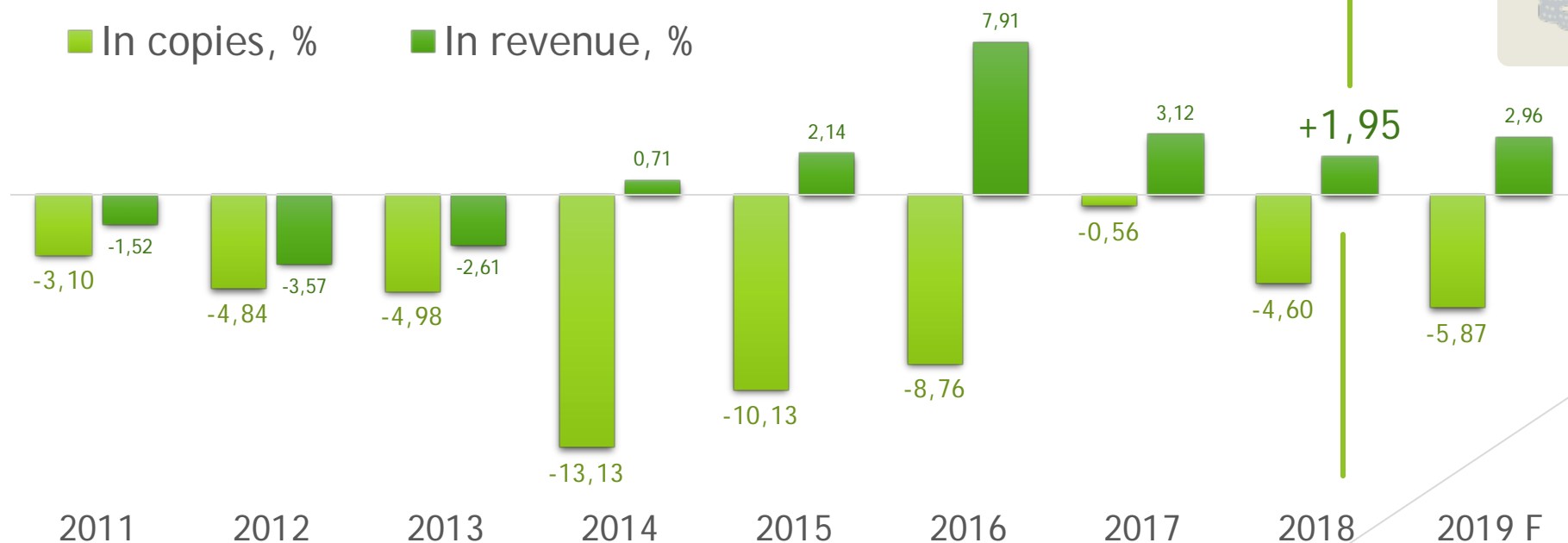


Direct Sales
€ 11.56 m



Mass Market € 807.29 m

Annual growth rate of the book market in terms of revenue and copies printed



Internet sales
channel growth

+ 11%



Increase in number of book sales
points



High consumer
price index

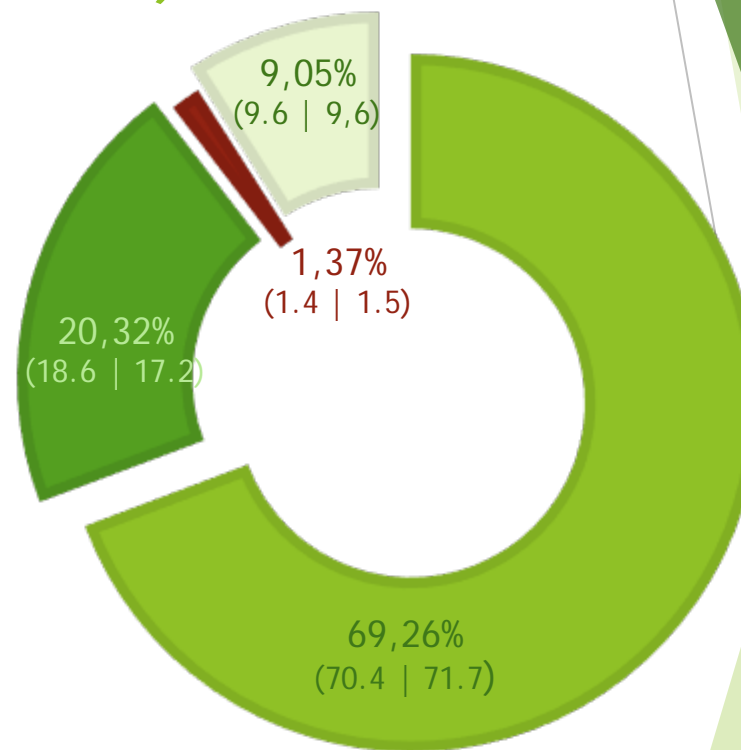
103 – 113%

Mass Market € 807.29 m

Retail Channel Structure in 2018 (2017 | 2016)

Channel Share in Overall
Industry Turnover

- bookstores
- online shops
- kiosks printed publications
- FMCG etc.



Expert's Opinion

Today, we see some sales opportunities disappear but this simply opens other ones. There are lots of unoccupied segments you can reach and achieve good sales. For instance, we have launched our own monobrand retail store chain. By the end of 2019, we will have 20 locations, most of them in Moscow. The stores are operating without losses, they are profitable and the chain continues growing. On top of this, we also have our online shop, meaning that we sell over 25% of our products using our own channels. Our experience shows that sales grow as we increase the number of direct contact points between the publisher and the consumer.

Aleksandr Alperovich, CLEVER

- ▶ Almost 70% of printed books are sold in traditional book stores (over 5000 locations nationwide as of January 2019), however

- 55% of all bookstores in Russia are under 100 sq. m
- Store locations are unevenly distributed (high density in larger cities, often no locations at all in cities with under 80,000 inhabitants).
- Stores have a low average bill of €7.25.
- Store owners experience a decline in consumer traffic and conversion rate, facing a low turnover of the book stock (6-8 months).

As there are hardly any large books wholesalers in Russian regions, this role is taken over by book store chains consisting of 10+ retail locations along with a company-owned online sales platform.



Chitay-Gorod /
Bookvoed

Prodalit (Irkutsk)

Amital (Voronezh)

Mirs (Khabarovsk)

Pegas (Tatarstan)

Chakona (Samara)

Moya Kniga (Saratov)

Magistr
(Rostov-on-Don)

Zhivoye Slovo
(Yekaterinburg)

AVF-Kniga
(Arkhangelsk)

etc.

- On average, online sales amount for 10-30% of the total turnover for large and middle-sized publishing houses, reaching 35-40% in fast-growing companies such as Alpina or Clever and being as low as 5-7% for educational book publishers.



Expert's Opinion

The book market in Russia is already highly monopolized and this development will continue. Independent book sellers are having trouble to operate in a low-competitive environment, book suppliers are going out of business, contractual conditions are getting worse and worse. Also, the introduction of a compulsory electronic version for educational books is very concerning as this will hit all book stores, reducing their margins and eventually resulting in closures.

Tatyana Larina, AMITAL

OZON.ru

Labirint.ru

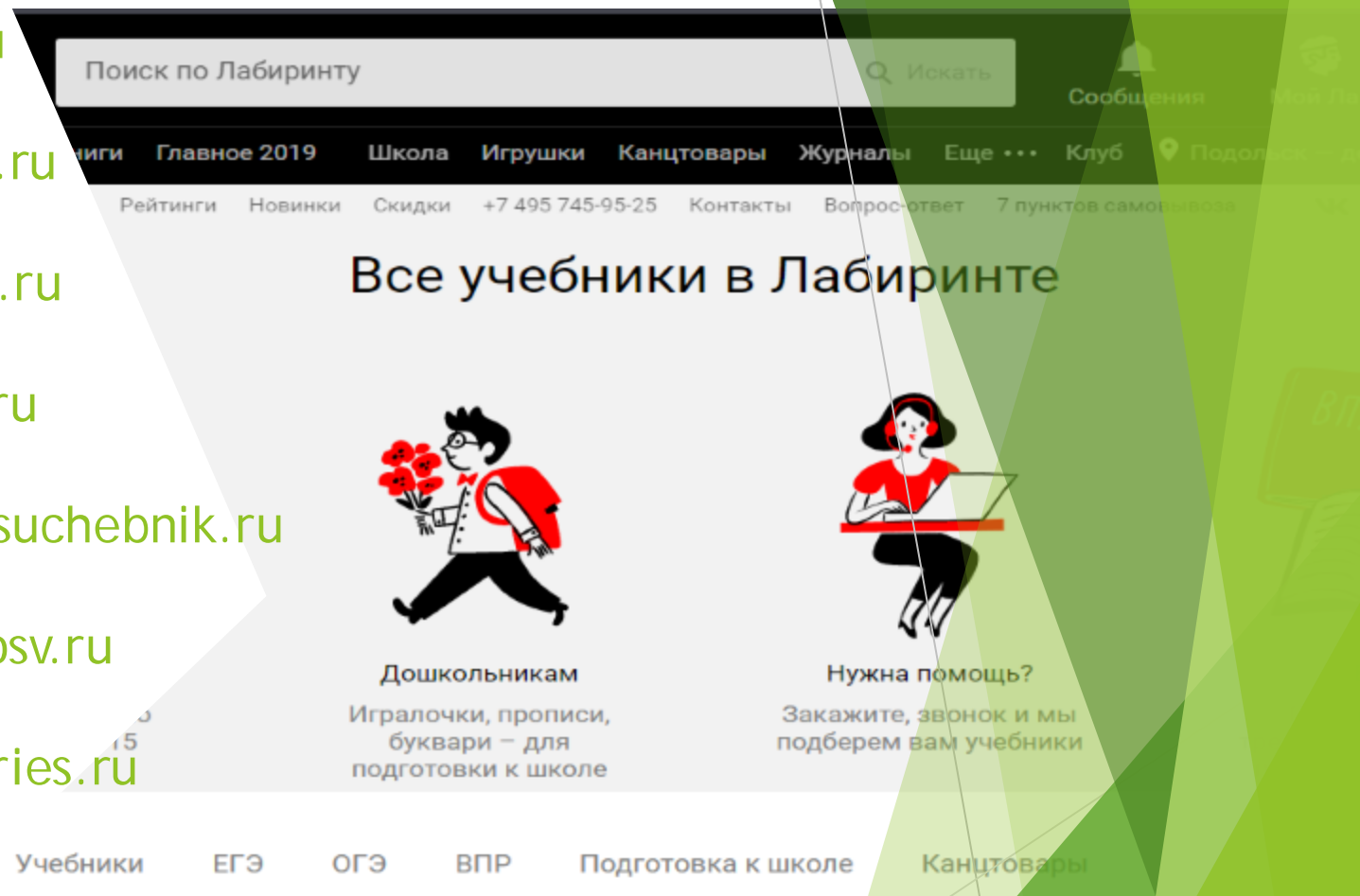
My-shop.ru

Book24.ru

lecta.rosuchebnik.ru

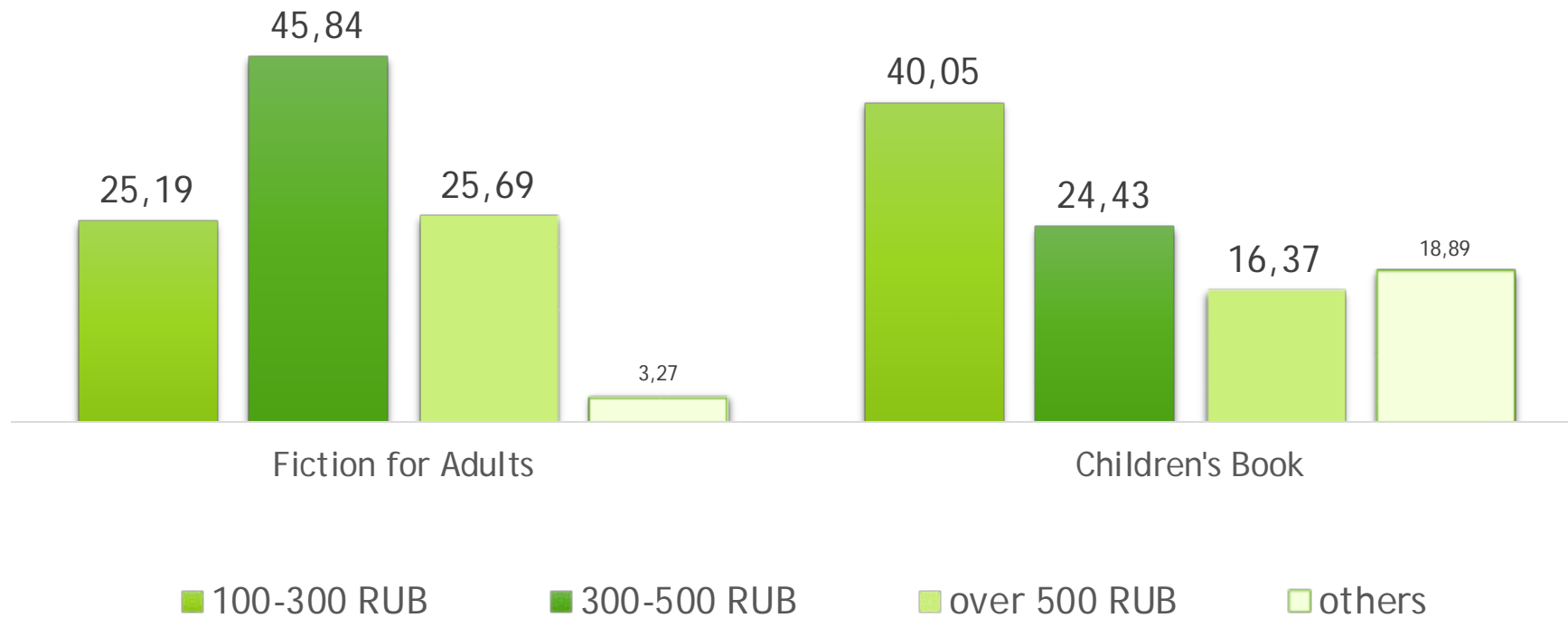
shop.prosv.ru

WildBerries.ru



How much should a book cost?

% responses, closed question,
one answer option allowed



Data from an opinion poll
among visitors of book stores
located in Moscow (1000
responses sampled according
to the geographical
distribution of offline sales
points, Sep 28 - Oct 2, 2018)

What book store visitors think

In Russia, the publisher does not have control over retail book prices. Retailers are free to decide on the title price, meaning that prices for the same book may vary depending on the sales channel. In offline book stores, the mark-up over the supplier price ranges from 60 to 200%; in online sales, it is between 30 and 100%. Price dumping in online book stores is a serious problem of the Russian book industry.

	2014	2015	2016	2017	2018	2019 F	CAGR 11-14	CAGR 15-19
Average Price of Printed Book, EUR	3.35	2.92	3.45	4.00	3.91	4.20	4.75	6.99
Annual Inflation, %	115.92	113.65	118.28	103.69	106.86	109.39		



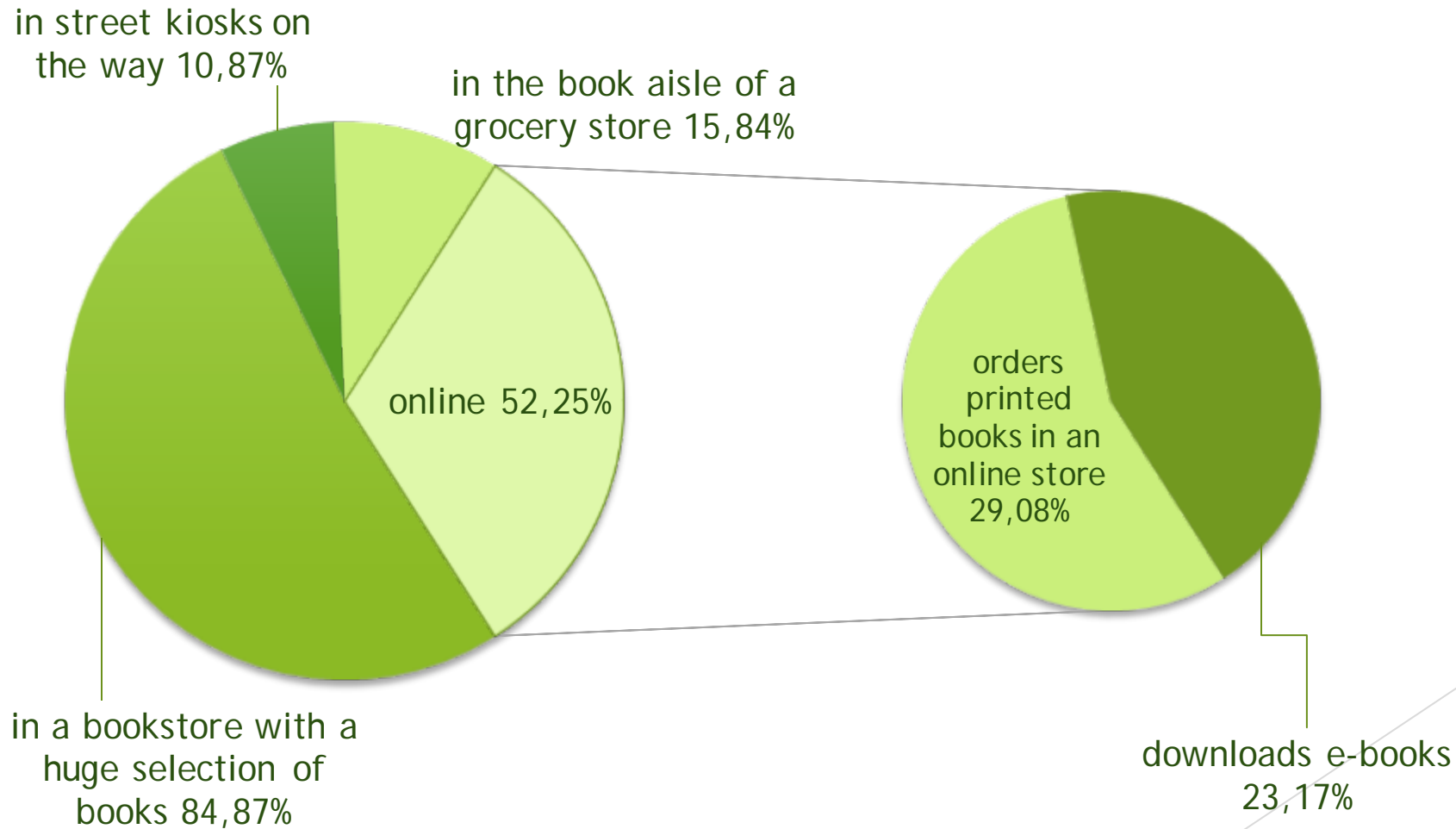
Expert's Opinion

In Russia, publishers are not allowed to set retail prices in sales points as this is illegal under the current legislation: “Setting prices for competitors in the goods market is considered as creating a cartel, which is prohibited according to Art. 11 of the Antitrust Law”. This means that publishers can only influence retail prices indirectly through their own pricing system, taking into account all the sales channel parameters and features, i.e. discounts, bonuses, deferred payments and compensations along with channel mark-up, turnover rate etc.



Aleksandr Boguslavskiy, AST

Where do you normally buy books? Where are the sales points located?

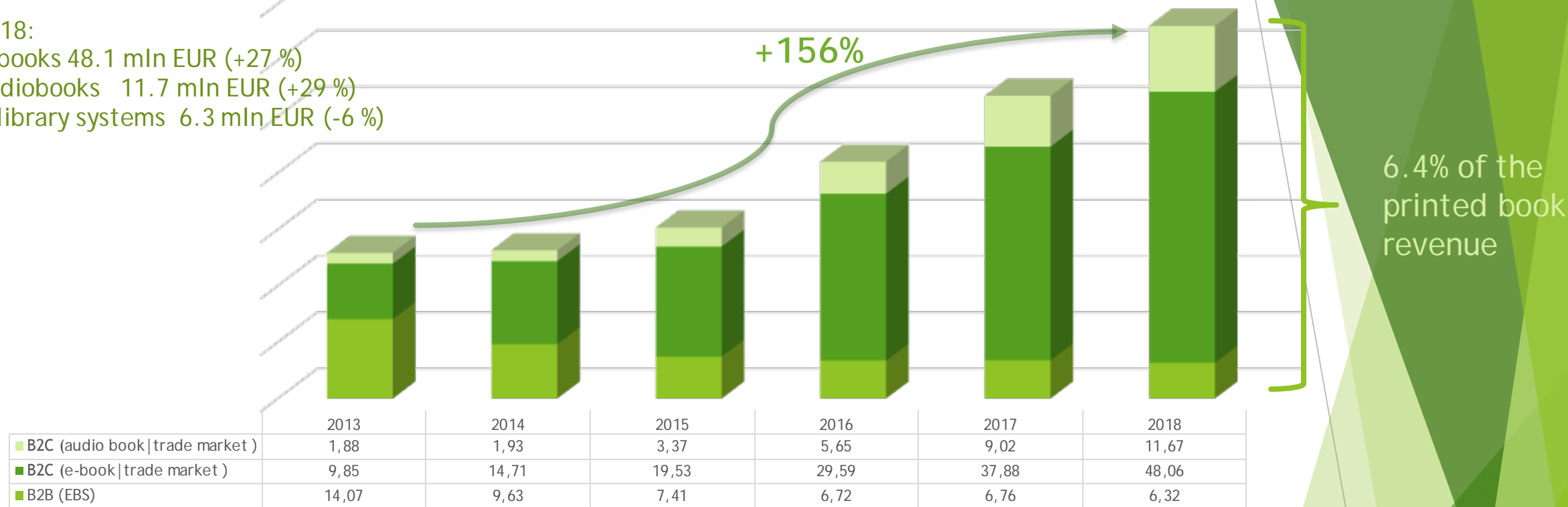


% responses, closed question, multiple answer options possible

Data from an opinion poll among visitors of book stores located in Moscow (1000 responses sampled according to the geographical distribution of offline sales points, Sep 16 - 18, 2019)

Digital Distribution Revenue in Russia, mln EUR

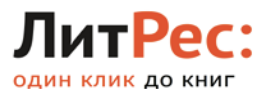
2018:
E-books 48.1 mln EUR (+27 %)
audiobooks 11.7 mln EUR (+29 %)
E-library systems 6.3 mln EUR (-6 %)



Expert's Opinion

The audiobook market is currently booming. In 2018, our platform has generated 86% more audiobook downloads and nearly 46% more e-book downloads compared to January-August 2017. Bundling audiobook and e-book releases, we are able to achieve very positive results, reaching 30,000 e-book downloads and 15,000 audiobook downloads for top-selling titles. Self-publishing is also expanding rapidly, having nearly tripled from 1.9% in 2017 to 5.4% in 2018.

Sergey Anuryev, LITRES



- ▶ In 2018, only 7.6% publishers chose not to partner with digital content distribution platforms (in 2014, these were 26.7%), most of them being educational book publishers. Leading textbook publishing houses have their own digital distribution channels (LECTA.ru|PROSV.ru).
- ▶ Over 60% of the e-book market in Russia is controlled by LitRes.

	2014	2015	2016	2017	2018
Average Audiobook Price, EUR	2.93	2.28	2.51	3.29	2.98
Average E-Book Price, EUR	1.83	1.77	2.07	2.45	2.24

Expert's Opinion

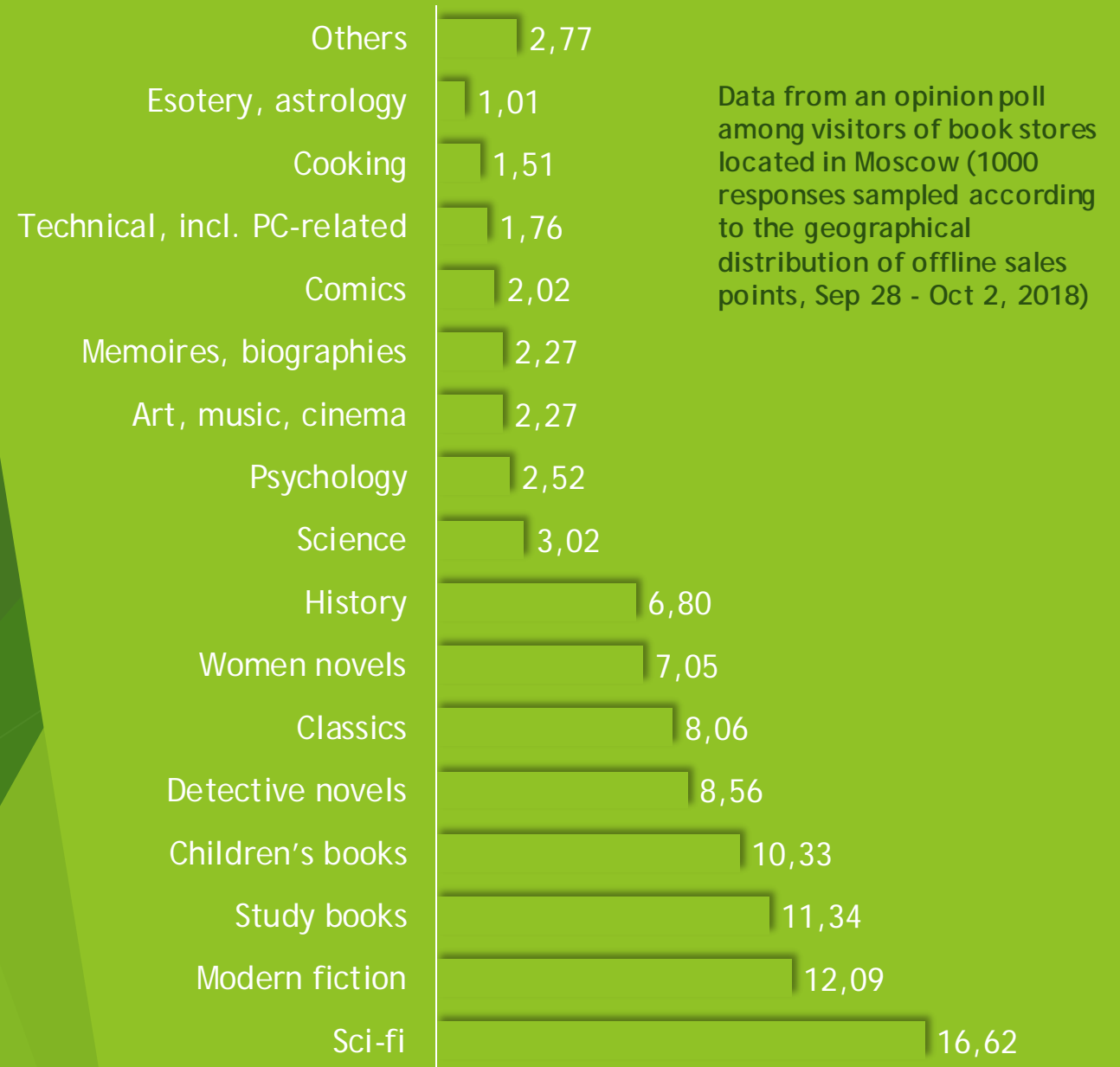
Last time in Frankfurt, I was shocked by a British startup. They are a content distribution platform offering authors a 98% payout, with only 2% of the retail price going towards the platform. At LitRes, authors receive 25% of the retail price of the e-books sold. It's obvious that our business is in an imminent danger of being overwhelmed by startups like this one. The book industry should be actively implementing online technologies. We have already set up a Personal Account feature on our website, where authors can view the profile of their readers. We will also try to implement a digital signature feature to reduce unnecessary in-person visits and provide detailed and transparent sales data to the author.

Yevgeny Kapryev, EKSMO



Most Preferred Genres among Book Store Visitors

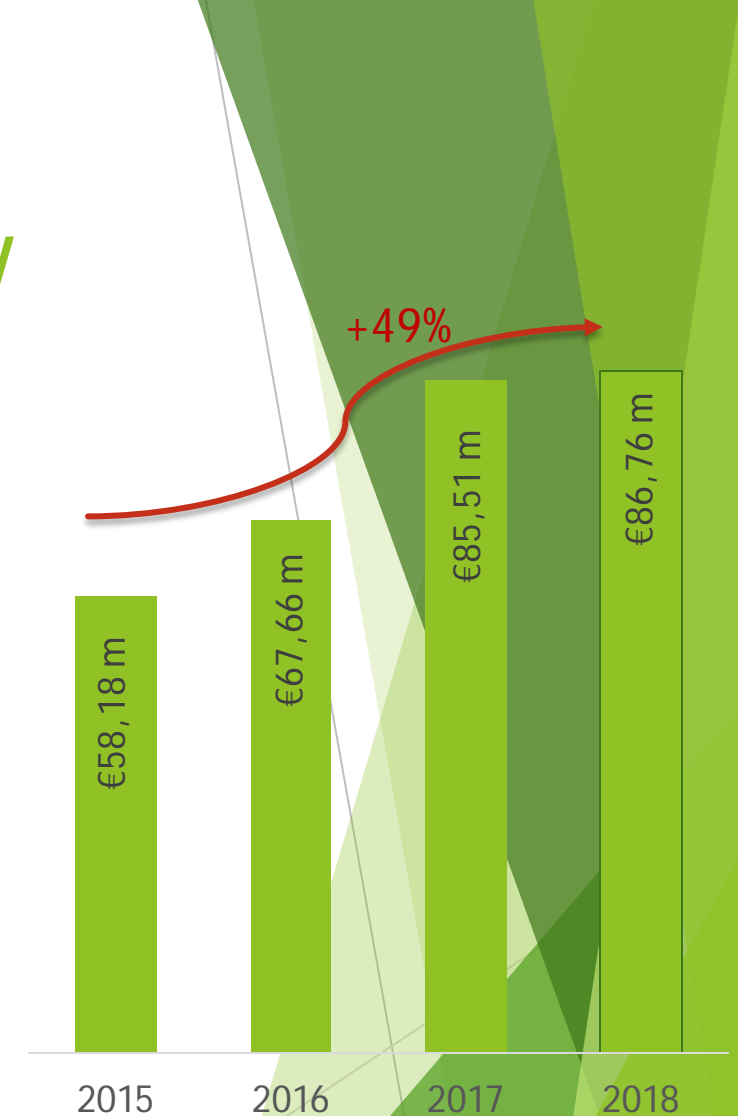
% responses, open question,
multiple answer options allowed



Non-Fiction Politics. History. Engineering. Economy



Various short-term “Get rich quick”, “Make your career” or “Reach serenity or personal efficiency” trainings and lectures are very popular in Russia. Most of these trainings are incompetent fakes but even books of those self-proclaimed “gurus” enjoy a lot of attention.



Non-Fiction: Politics. History. Engineering. Economy

10.9% of the mass market

70% of the titles are texts of and commentaries to the Traffic Code, various laws, regulations and norms.

This is a healthy and competitive market with several major players such as Alpina Publisher, Eksmo, Rezept-Holding, MIF and Popurri.

Sales in this category are growing both online and in supermarkets. There is also a significant growth in e-book downloads.

The average price in 2018 was 301.29 RUB (112,6% to 2017). This is one of the highest values in the Russian market.



Expert's Opinion

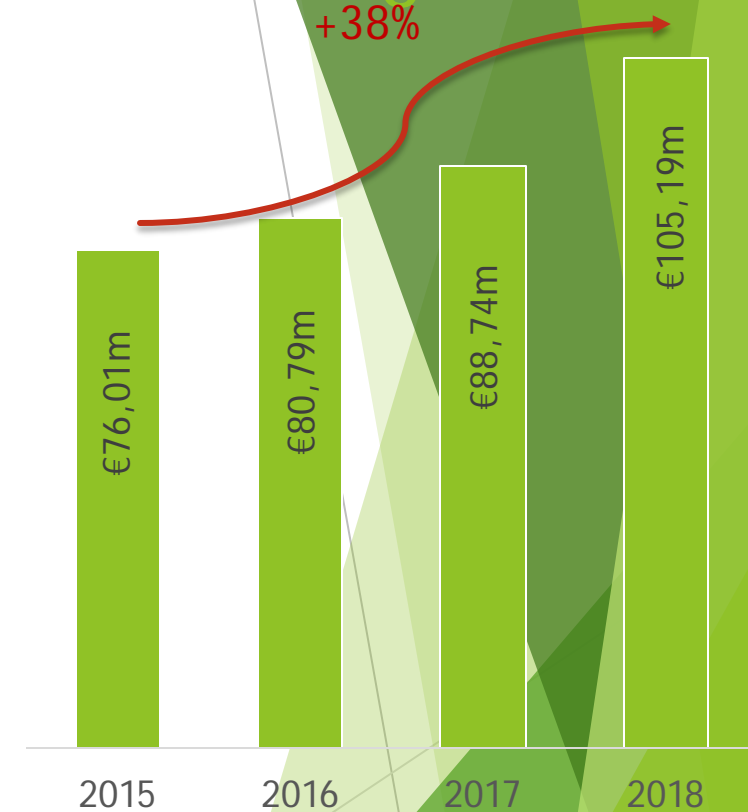
The most remarkable development of the recent years is that new authors are born and marketed online, to be later successfully monetized offline. However, this does not make the Russian market less conservative: no other market in the world except Russia has a reprint share of over 50%.

Leonid Shkurovich, Azbuka-Atticus

Non-Fiction Entertainment. Psychology. Healthy Lifestyle. Cooking



A notable trend in Russia is to involve popular bloggers in book production. This requires a lot of media support and a significant investment from the publisher in the preliminary phase (e.g. paying writers, editors etc.). Several years ago, these were numerous “healthy lifestyle” TV shows that propelled “doctors” Myasnikov and Bubnov to literary fame.



Non-Fiction: Entertainment. Psychology. Healthy Lifestyle. Cooking

12.9% of the mass market

In 2018, segment sales have increased by almost a third (29.8%) compared to 2017, fueled by a revenue growth nearly in all sales channels.

2017-2018 also saw a very rapid expansion of Eksmo/Bombora, which is very likely to satisfy up to 70% of the overall segment demand.

Cooking, gardening and astrology brochures slowly disappear from the shelves, followed by fashion and sport-related titles.

The average price in 2018 was 291.64 RUB (107,5% to 2017). The demand is clearly shifting from brochures and folio-sized books to mid-price range titles.

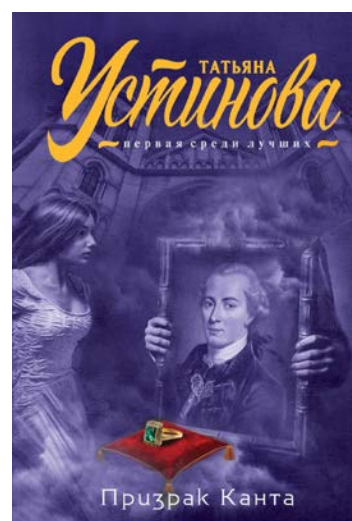
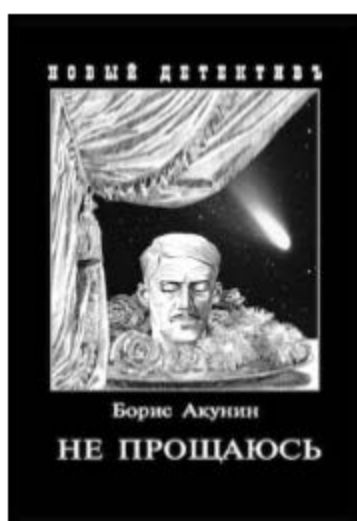


Expert's Opinion

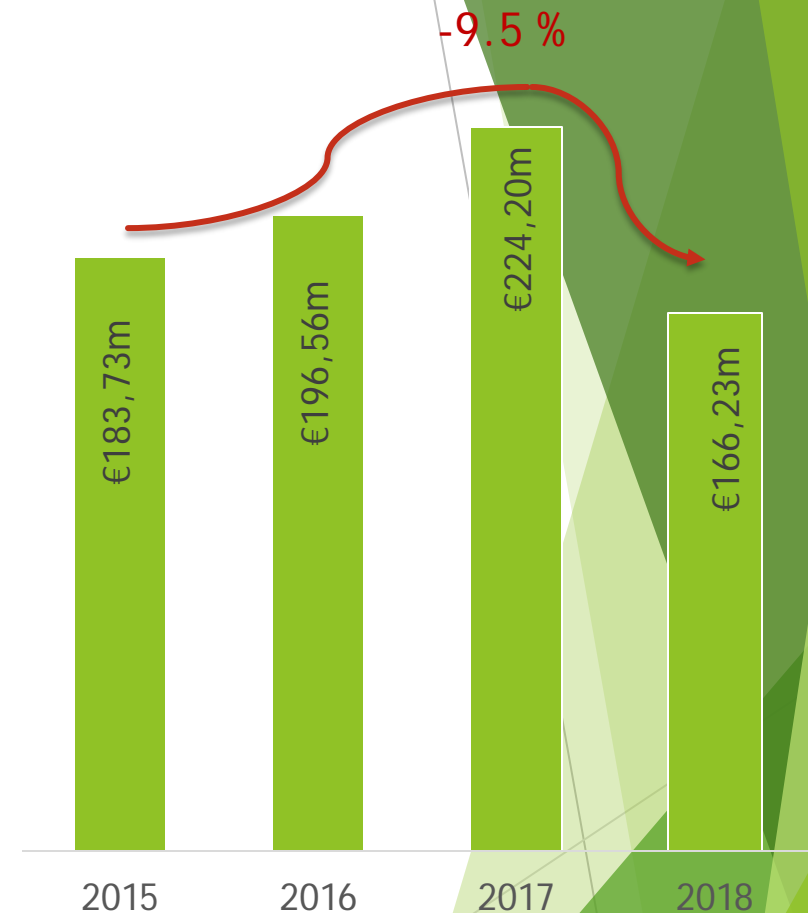
We don't have a "bestseller formula" and I don't believe in trends too much. Yes, we have managed to sell nearly 750,000 copies of "I Want and I Will" in 1,5 years but this is not a trend, there is only something about this particular book and author, a bit of chemistry and our competence to drive the full project potential.

Aleksey Ilyin, ALPINA

Fiction for Adults



In recent years, this market segment remains quite conservative. Sales are mostly centered around literary classics series from AST, Azbuka and Eksmo as well as new titles from well-known author brands like Akunin, Ustinova, Dontsova or Vilmont. Comics and graphic novels are slowly gaining traction, but only in the metropolitan regions. Works of literature prize winners such as Yevgeny Vodolazkin, Guzel Yakhina or Aleksey Salnikov also reach their audiences only in Moscow and St Petersburg.



Fiction for Adults

20.5% of the mass market

2018 saw fiction sales decline in all channels, reaching -19% to 2017.

90% of this segment are controlled by EKSMO-AST and Azbuka-Atticus. These publishers define trends, present foreign bestsellers and laureates of literature prizes.

Despite Russia having dozens of literature awards, being nominated or winning the prize does not result in a significant sales boost.

The average price in 2018 was 300.19 RUB (103,8% to 2017). Old classics and boring sequels, even re-packed ones, could not increase sales to an acceptable level.



Expert's Opinion

We're all full of noble motives, we want to publish brilliant inspiring texts... However, the reality is that book production is a business, making turnover and profit the key indicators. Very often, this clashes wildly with the creative process of publishing. For instance, I manage the young-adult imprint and closely follow the latest trends and fashions but, unfortunately, the literary aspect is not the top priority here.

Sergey Tishkov, AST

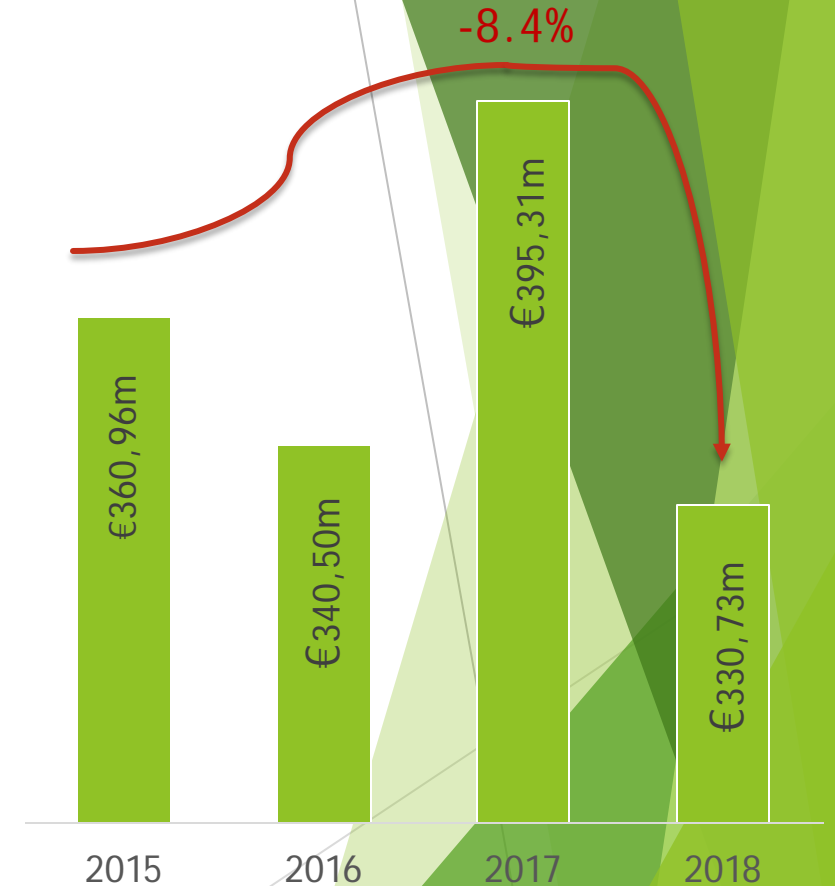
Educational Books



Expert's Opinion

For some time now, the Prosveshcheniye publishing group is not only and not so much an educational book publisher. Prosveshcheniye has expanded beyond and we are now interested in everything related to new trends in education, including monitoring regional educational systems, training teachers and building schools.

Dmitry Klimishin, Prosveshcheniye



Educational Books

18.8% of the mass market to 85% public procurement

In 2018, segment sales have decreased by 20% compared to 2017, caused by a reduction in public procurements and the failed start of the traditional "school campaign".

The market situation in the segment fully depends on actions of the regulatory authority, the Russian Ministry of Education, responsible for compiling the list of approved schoolbooks and vetting certified publishers.

60% of the market segment are controlled by the Prosveshcheniye holding. Other significant market players include Rossiyskiy Uchebnik, Ekzamen, Russkoye Slovo.

The average price in 2018 was 292.55 RUB (112,3% to 2017). Household incomes are going down, however prices for schoolbooks are steadily increasing.

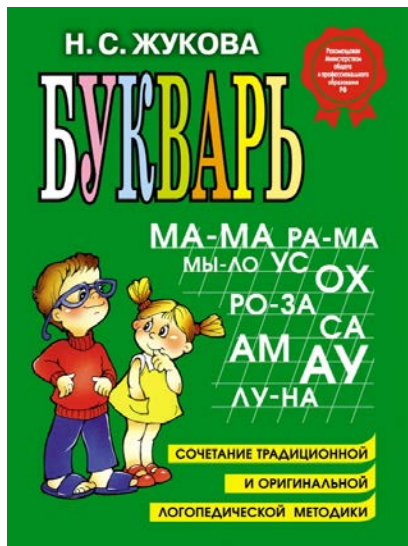


Expert's Opinion

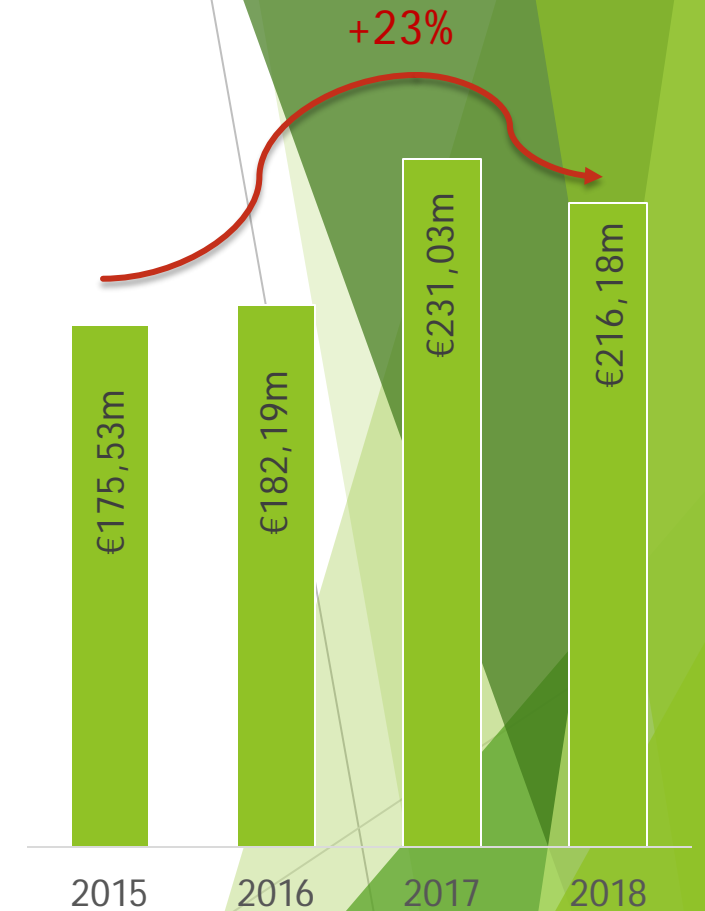
Our scientific advisory board includes corresponding and ordinary members of the Russian Academy of Sciences and the Russian Academy of Education who support us in our projects and creation of new educational books. It's in collaboration with our partners that we shape our unique competence. Rossiyskiy Uchebnik works together with advanced vocational training institutions all over the country and provides personalized assistance to 300,000 teachers nationwide. Every year, our classroom trainings are attended by over 200,000 teachers.

Aleksandr Brychkin, Rossiyskiy Uchebnik

Children Books



In recent years, publishers tend to invest into the “7+” and Young Adult segments: in 2018, books aimed at the middle- and high-school ages grew both in terms of titles published (+18%) and average number of copies per title (+1.5%) while the overall printed book production in Russia is declining. Even so, there is a catastrophic shortage of teenager books in the market. Had it not be for Harry Potter, this segment’s share would be lower than 1% in children’s book sales.



Children's Book

26.9% of the mass market

Every year, the market sees around 13-14 thousand kids book titles with an average circulation of 6-8 thousand copies each.

Children's book imprints enjoy a very competitive and healthy market environment. Publishers Rosman, Makhaon, Eksmo, Mozaika-Sintez, Strekoza, Sfera and Samovar keep a high profile in the market.

Being the market driver, the segment remains the most conservative, with most of the products being new issues of Soviet classics and textbooks for pre-schoolers.

The average price in 2018 was 259.9 RUB (102,6% to 2017), one of the lowest among all of the market segments in Russia.



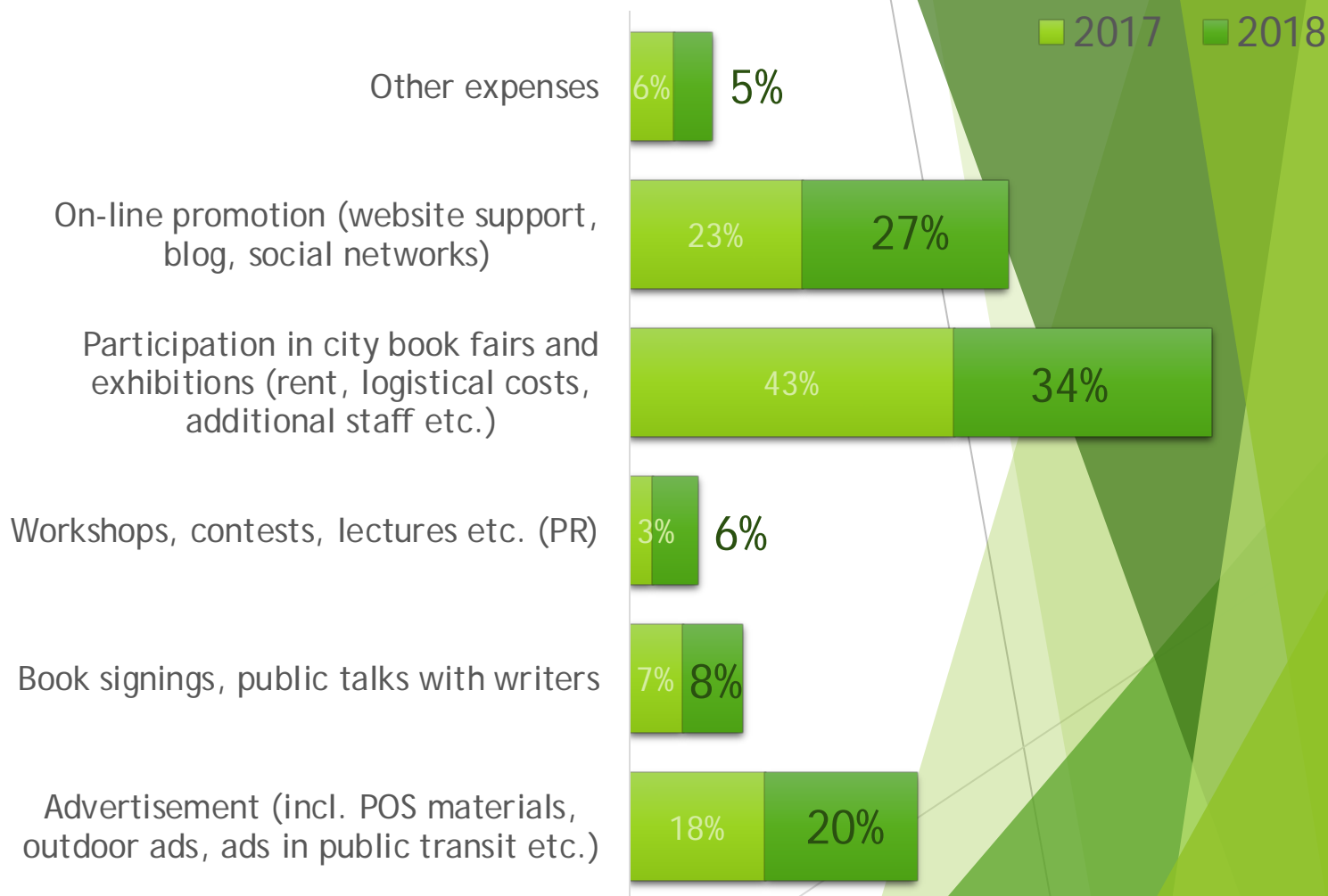
Expert's Opinion

In kids books, I see a very clear trend towards modern creative and informative content as well as towards replacing classics with modern authors for kids. Previously, these were only hopes, but right now, it's a matter of fact, there are lots of modern authors with tens of thousands of copies annually.

Boris Kuznetsov, ROSMAN

Book Promotion

In modern times of book overproduction, paying particular attention to the promotion of own products is crucial. Over 90% Russian publishers plan to increase investment into promotion by 5-25% in 2019. Advertisement budgets for own catalogs range from several hundred thousands rubles (e.g. 400.000 RUB for Vremya) up to several hundred million rubles (e.g. 164 mln RUB for the Eksmo group). Main promotional activities are book presentations (RIPOL and Atticus) or author lectures (Alpina), participation in exhibitions (AST), organization of own book awards (Rosman) or holding conferences on outlooks in pre-school education (Prosveshcheniye).



Promotion Budget Structure



Promotion: Publisher-Driven Initiatives



Rosman has tried organizing tours for its authors in the past but they turned out to provide virtually no return on investment. This is why I think that the interaction between the publisher and the bookstore should be indirect, meaning that the publisher has to engage with the audience directly, using women portals or schools to reach parents, or using VK and Instagram groups to reach teenagers, and trying to bring them to any book store, be it online or offline.

Boris Kuznetsov, ROSMAN

Expert's Opinion



We provide an all-round support for bloggers, we try to provide them with information. It's fabulous to see book bloggers become famous, to see books themselves driving tens or even hundreds of thousands loyal readers or viewers. Today, book bloggers are an important part of the ergonomic ecosystem where the publisher, the critics and large media co-exist.

Leonid Shkurovich, Azbuka-Atticus

Promotion: Retailer-Driven Initiatives

Expert's Opinion

Right now, our event programme is overflowing with events. Publishers keep coming with new ideas for a presentation, a certain author, a book, a promotion...

Previously, we wanted to become a community center and aimed to attract as many visitors as possible through these events, hoping that they eventually will buy something on the go. However, the tables have turned since then, we are now shifting our focus from the quantity to quality with these events, meaning that we now want to have them organized properly.

Natalya Korotkaya, Moscow House of Book



Book Fairs and Festivals in Russia

- ▶ St Petersburg International Book Fair (annually, late May)
- ▶ Books of Russia festival in the Red Square (annually, the first week of June)
- ▶ Moscow International Book Fair at VDNKh (annually, early September)
- ▶ Non/Fiction International Fair for High-Quality Fiction and Non-Fiction (annually, early December)

and a lot of other regional projects...



Book and Reading Promotion in Russia: National Initiatives

- ▶ **BIBLIO-NIGHT** (annually, since 2012): a social and cultural reading promotion event held nationwide every April. During this night, libraries, book stores, literature-related museums and art galleries extend their office hours and host special events. The Biblio-Night is aimed at developing the library museum and book community, promoting reading and establishing new urban cultural entertainment options.
- ▶ **TOTAL DICTATION** (annually since 2004): an educational event held simultaneously in Russia and abroad and aimed at popularizing the Russian language. Dictation texts are written by famous writers, publicists, classic and modern philosophers alike. Famous artists are invited to read the texts in front of the audiences.
- ▶ **LIVE CLASSICS** (annually, since 2013): a contest for young reciters of Russian prose. This is the largest literary educational project for teenagers in Russia, attracting over 2,5 mln participants from 85 Russian regions every year, promoting reading and expanding their literary horizons.
- ▶ **THE BIG BOOK** (national literary prize for the best prose work written in Russian, awarded since 2005). Prize laureates over the years include Daniil Granin, Vladimir Sorokin, Lyudmila Ulitskaya, Yevgeny Vodolazkin, Leonid Yuzefovich, Zakhar Prilepin, Guzel Yakhina, Lev Danilkin.
- ▶ **THE MOST READING REGION**: a national contest among Russian regions for the title of the Literary Champion of Russia to recognize and foster the regional efforts in promoting literature across the national cultural landscape and bringing the world of books closer to people. The contest was initiated during the National Year of Literature. Regions Ulyanovsk (2015), Voronezh (2016) and Irkutsk (2018) as well as St Petersburg (2018) have since become Literary Champions of Russia.

**ТОТ АЛЬНЫЙ
ДИКТАНТ**

