

Do Readers Dream of Electronic Books?

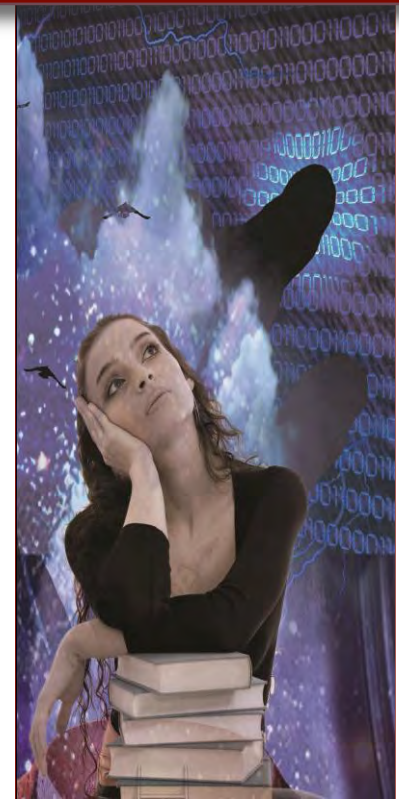
A Global Situational Review: Devices, eBook and app sales around the world

Publishers Launch Conference
eBooks Around the World

Frankfurt, October 10th 2011

ATKEARNEY

b  **k** republic



Preface

Objective

- Provide an overview of digital publishing in Europe, Asia, South America and North America, highlighting the primary differences and emerging trends

Approach

- We've surveyed countries that cover **80% of the global book market**
- All the numbers presented for 2011 derive from:
 - **40 interviews** with key players (publishers, retailers...) from major markets⁽¹⁾
 - **Analysis of public data** from public sources / press search
- This is an **ongoing research project** that debuted at IfBookThen 2011

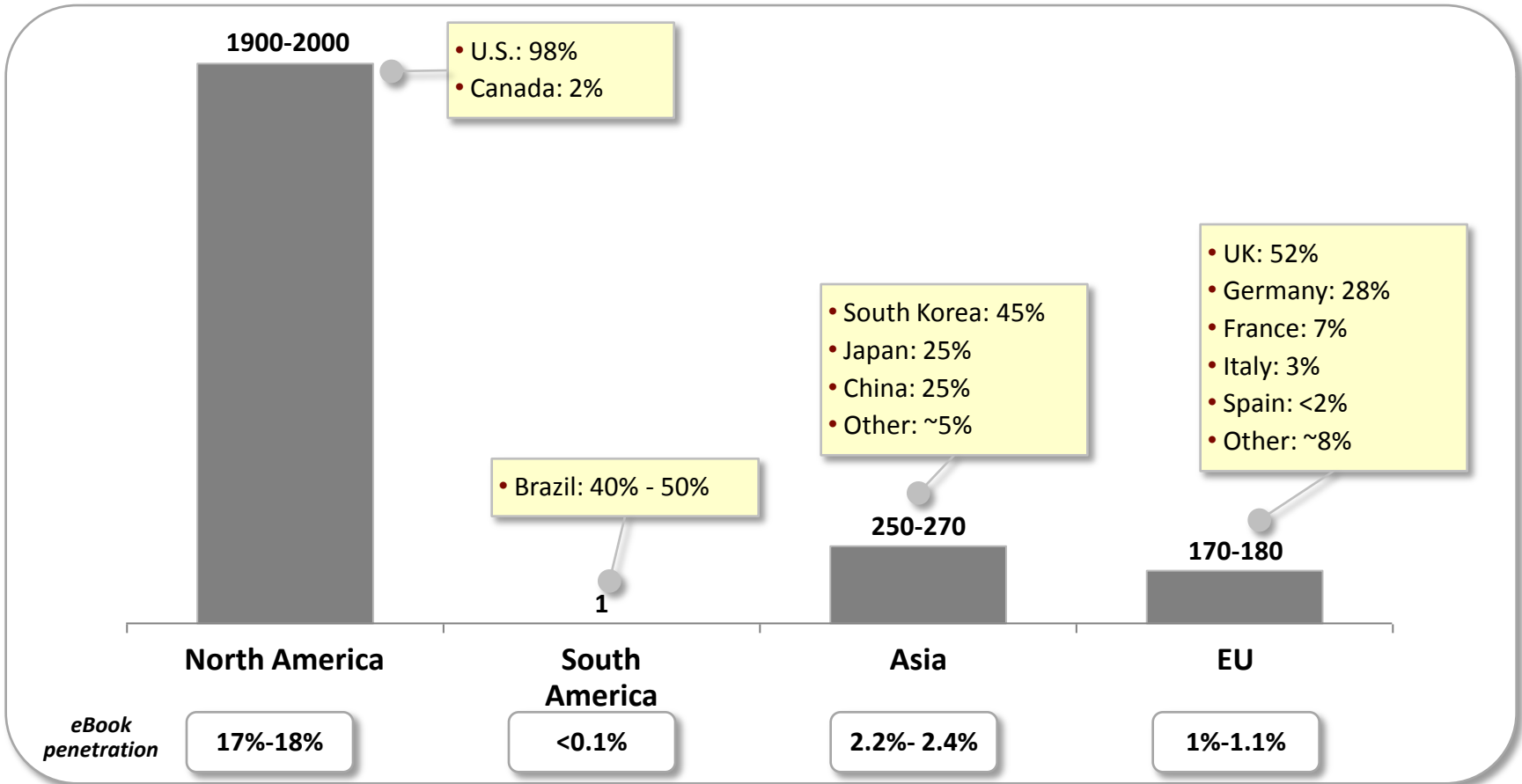
All the analysis presented in these pages are a summary of a larger research that was developed as a joint effort of A.T. Kearney and Bookrepublic

(1) EU: UK, France, Spain, Germany, Italy, Denmark, Sweden, Norway, Netherlands; North America: US, Canada; South America: Brazil, Mexico, Argentina; Asia: Japan, India, China, Australia, South Korea

Asia is the second largest market; South America is still negligible

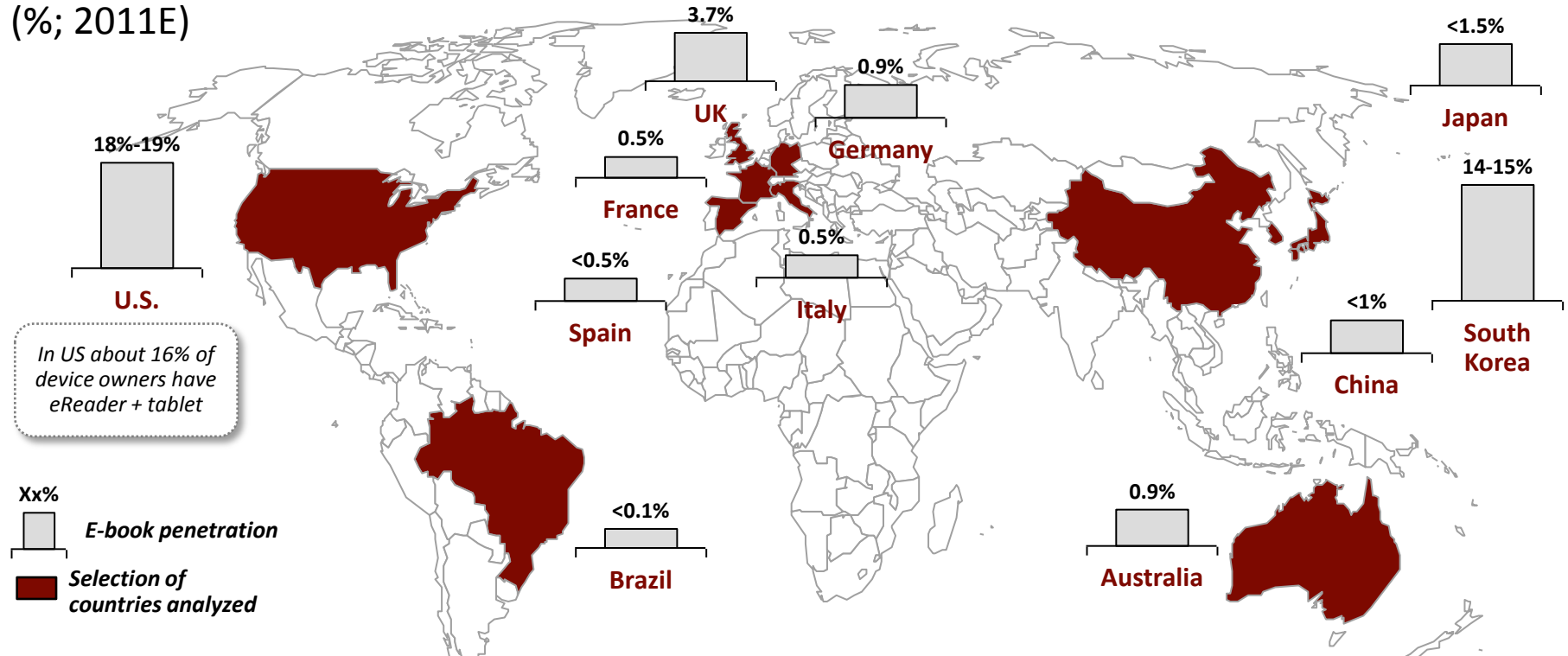
eBook Trade Market Size
(mln€; 2011E)

eBook Market Share by Country



Key market drivers vary by country

eBook Market Penetration (%; 2011E)



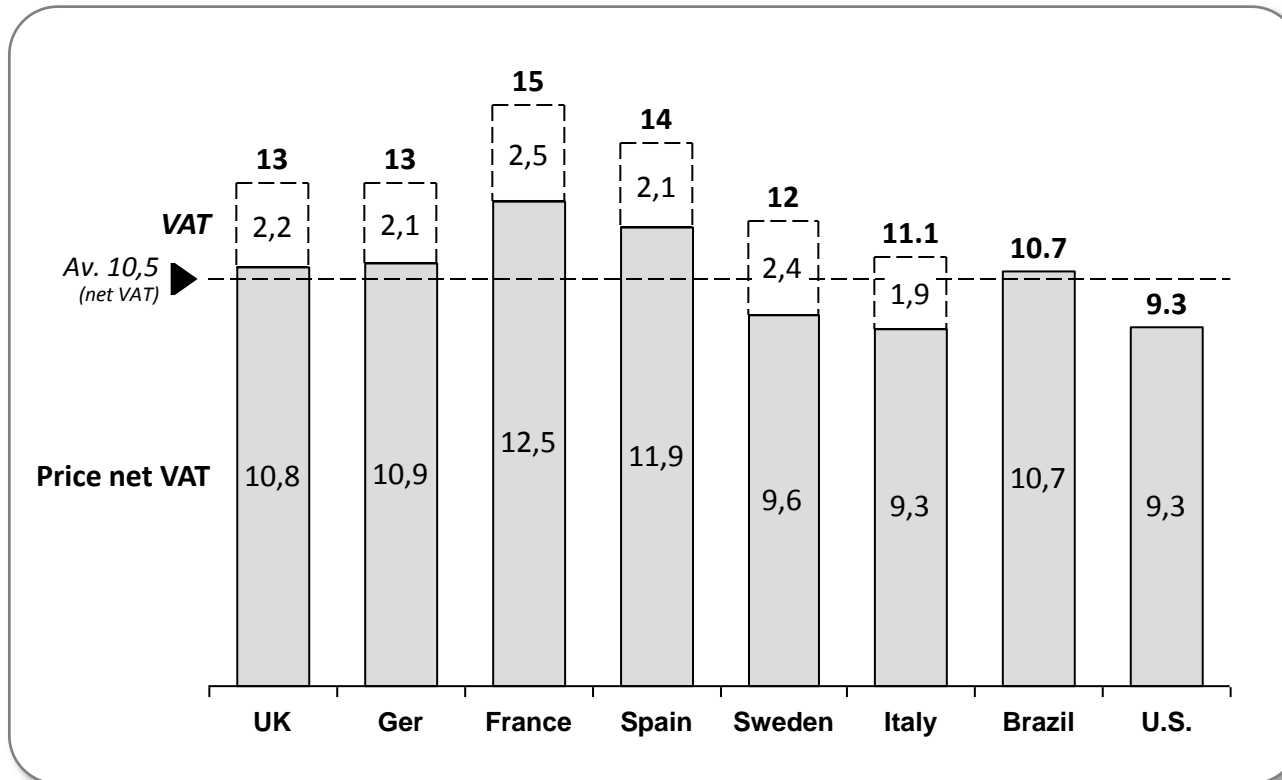
Drivers as of 2011	USA	Brazil	Australia	Japan	China	UK	Germany	France	Italy	Spain
Availability of titles in local language	1,000,000	6,000	35,000	50,000	270,000	400,000	80,000	80,000	20,000	15,000
Tablet Penetration (mln; %)	19-20 8%-9%	0.5 <0.5%	0.8 4%	2 1.6%	7 0.5%	2.1 3.4%	2.4 2.9%	1.8 2.9%	0.7 1.2%	0.4 1.3%
eReader Penetration (mln; %)	20-21 9%-10%	n.a.	n.a.	<0.1%	7.8 0.6%	1.6 2.6%	0.4 0.5%	0.1 0.2%	0.2 0.3%	0.3 0.6%

Source: interview with a panel of publishers / bookretailers, press search, EUROSTA, PWC, U.S. Bureau, AAP, A.T. Kearney / Bookrepublic analysis

eBook price of new releases is around 10€ with some differences among countries

Average eBook price for new releases⁽¹⁾

(€ - average from interviews with publishers / book retailers)



■ Differences in eBook price derive from factors like:

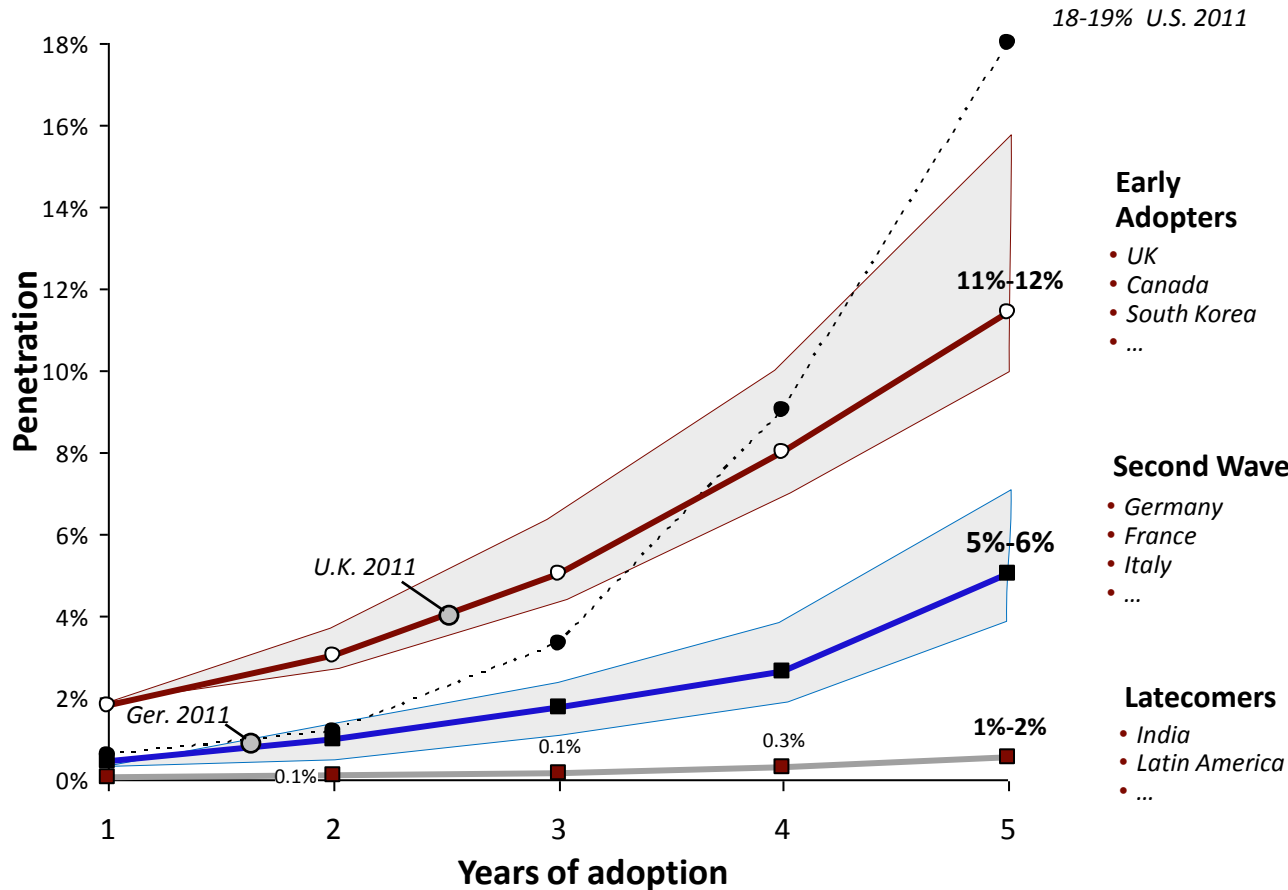
- Taxation (VAT)
- Difference in pricing of “correspondent” print book
- Legislation (ex. max discount of print book)
- Agency model
- Currency fluctuations

■ In each country we identified several cases of eBook prices that differ significantly from average

- Will the eBook market experience a price harmonization?
- Will this convergence also impact the print book market?

We expect different growth rates depending on level of technology proficiency and eBook market readiness

Expected penetration of eBooks after 5 years from adoption
(% of trade book sales)



■ eBook penetration is expected to grow with varying speeds depending on:

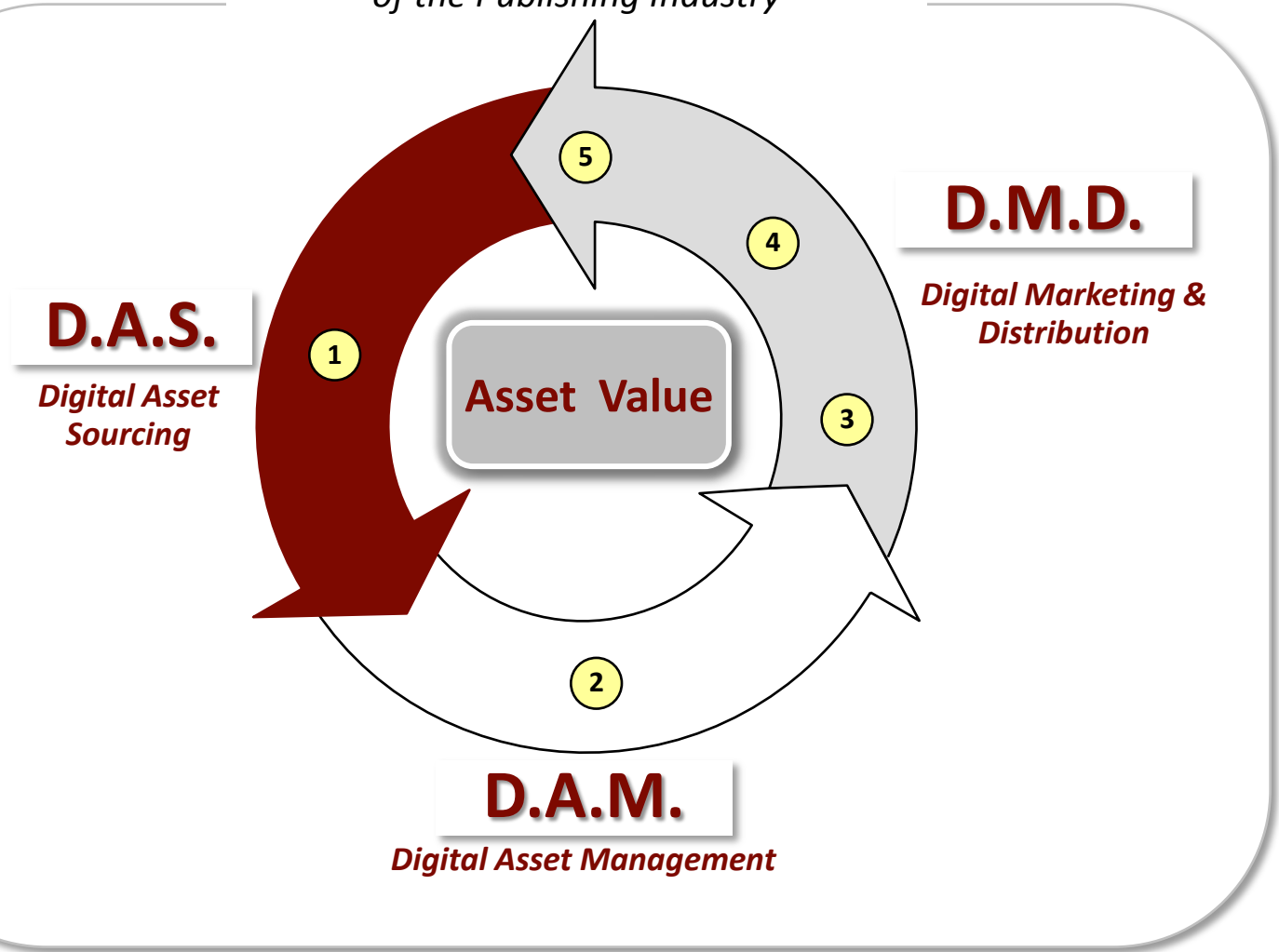
- **Technology “proficiency” :**
 - Internet penetration
 - Mobile penetration
 - eReader/ tablet penetration
 - eCommerce penetration
- **eBook market readiness:**
 - eBook title availability
 - eBook price strategy
 - Taxation (VAT)
 - Big player presence

In addition to “traditional” drivers, new technological trends could change the book value chain into a virtuous circle

Technological drivers of change

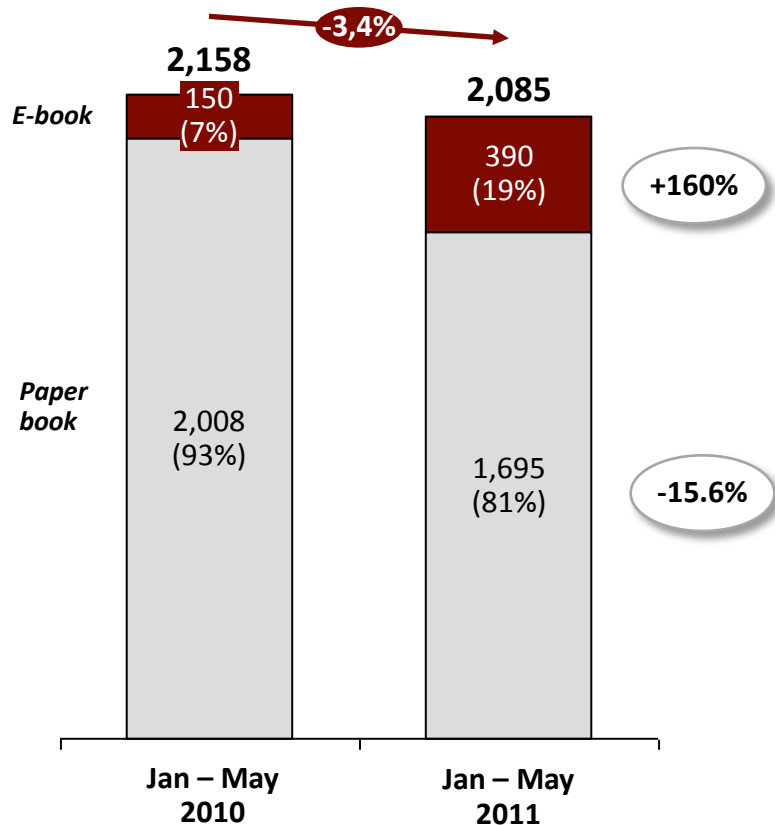
- 1 Self publishing & digital publishing programs
- 2 Customer reading behavior
- 3 Customer behavior profiling
- 4 Ratings, reviews (Metadata)
- 5 Social reading and networking (Metadata sharing)

The new “Digital Wheel” value chain of the Publishing Industry



Will the drivers of change impact the size and structure of the book market?

Example - U.S. trade book market (\$mIn)



What's next?

- What is the trend in volume terms?
- What is the “side effect” of the new technological drivers for the U.S. book market :
 - Cannibalization?
 - Price pressure?
 - Retail crisis?
 - Piracy – illegal downloading?

Will the rest of the world experience the same trends?

Questions and answers

About A.T. Kearney

**We combine global insights
with local expertise,
wherever our clients operate:**



- **55 offices in 38 countries**
- **More than 2,800 colleagues**

About BookRepublic

- BookRepublic is one of the leading Italian eBook stores and the front end of a system including:
 - eBook distribution
 - Readers community
 - Metadata management
 - Customer behavior profiling
- We organize IFBOOKTHEN, an international conference on digital publishing in Milan and strongly believe in the direct experience of new publishing; for this reason, we launched 40K books, a native digital imprint based on a hybrid publishing / self-publishing model.

IFBOOKTHEN
{the future of publishing, now.}



zazie :)

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