BNC RESEARCH

The State of Digital Publishing in Canada 2017

BOOKNET CANADA

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Introduction

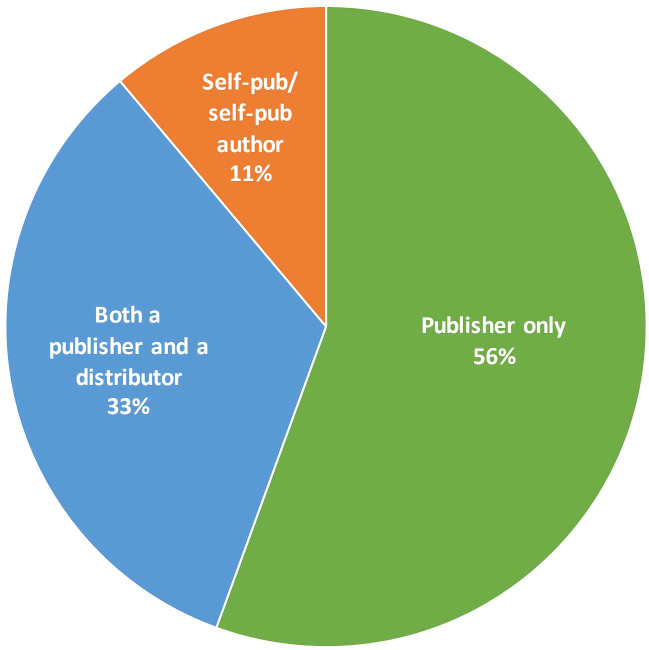
In January 2018, BookNet Canada set out to conduct the next installment of our annual *The State of Digital Publishing in Canada* survey, with a goal to explore the size, scope, and production processes of the nation's digital publishing landscape. While we continue to provide an overview of the current digital marketplace in Canada, along with year-over-year comparisons, the report has been expanded to include new sections, such as additional statistics on audiobook production and sales, and we conclude with a new section that looks at publishers' projections for how Canada's digital market may trend in the coming years.

For this study we have obtained responses from 54 publishers ranging from large multinationals and Canadian-owned firms to smaller, niche publishers. BookNet Canada surveyed publishers directly through an online survey, ensuring that representatives were included from all sectors of the market, such as the Canadian Publishers' Council (CPC) and the Association of Canadian Publishers (ACP). Any interested publishers were able to respond and, while the majority of responses are from trade publishers, educational publishers are also represented.

When it comes to ebook sales in Canada, our quarterly surveying of book-buying Canadians shows that sales have fluctuated over the past three years. In 2015, 19% of book purchases were ebooks and this declined by just over 2% between 2015 and 2016 (to 16.9%). In 2017, we saw sales increase again to 18.6%.

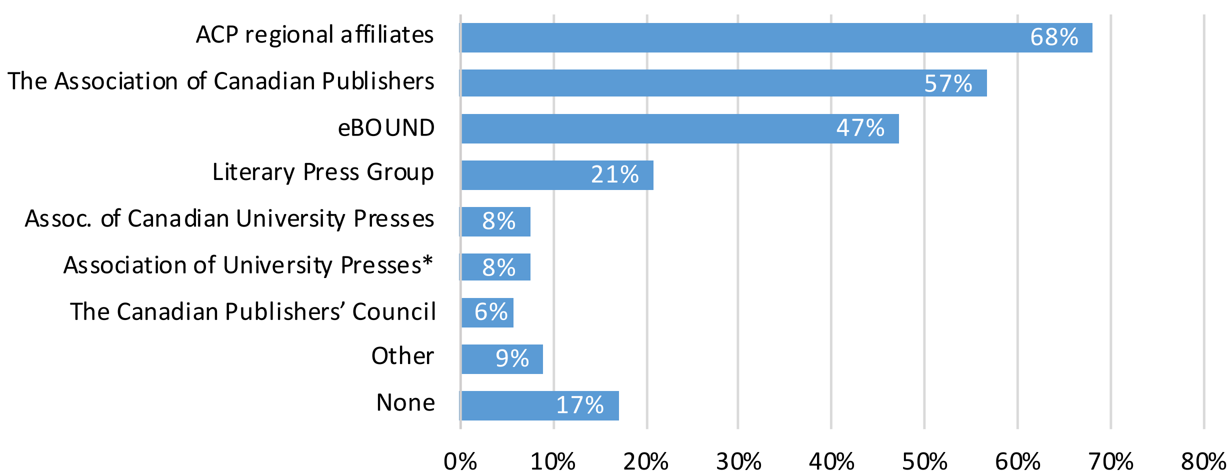
Respondent Profile

COMPANY TYPE



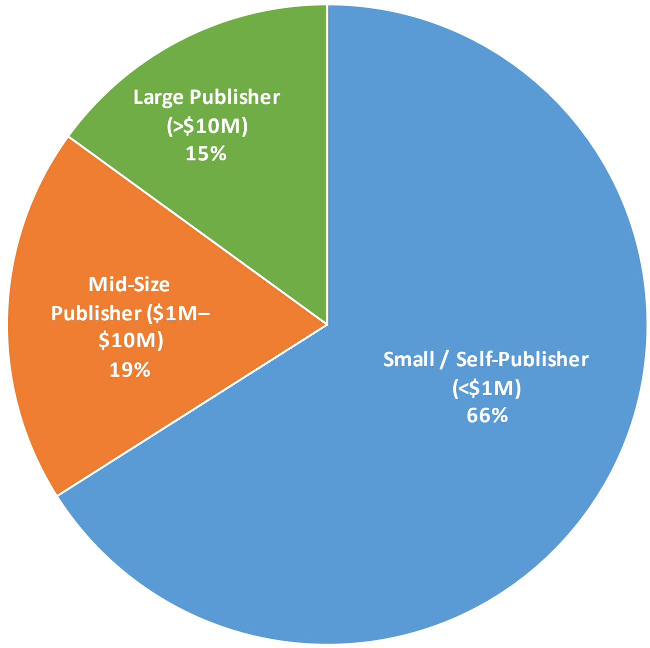
Question: Type of firm

ASSOCIATION MEMBERSHIP



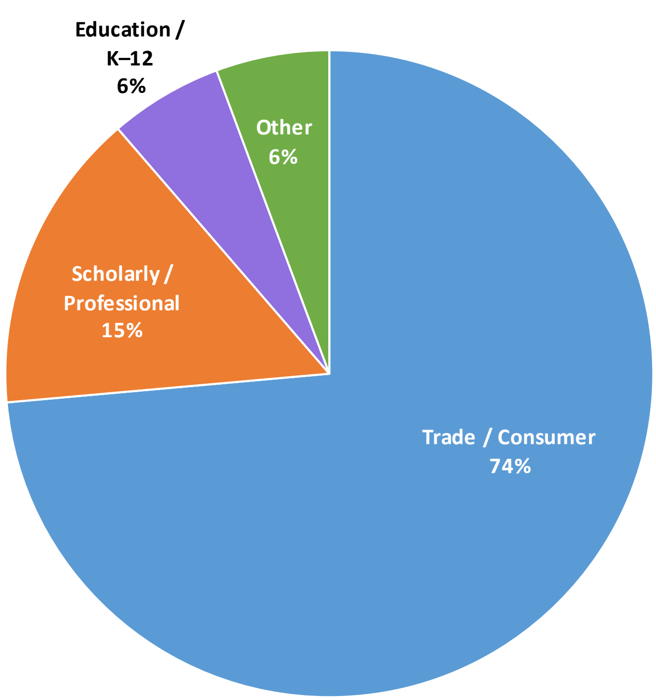
Question: Is your firm a member of: (Please select all that apply.)
**formerly Association of American University Presses*

COMPANY SIZE



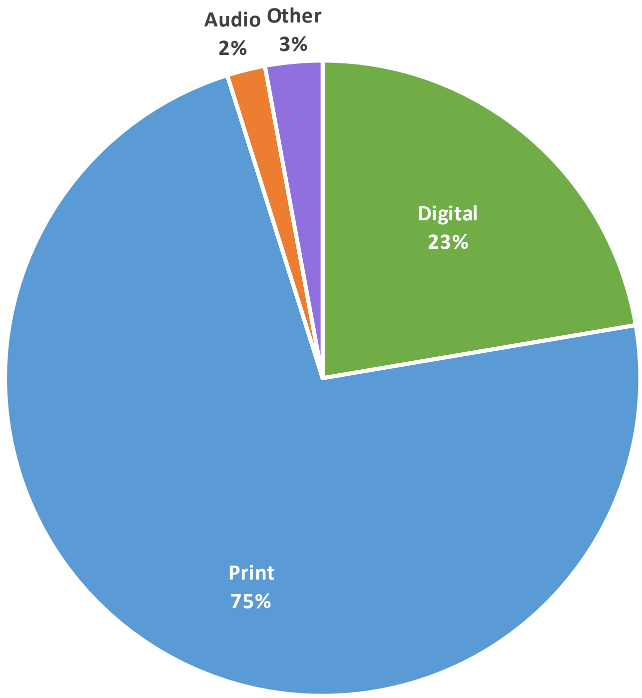
Question: Size of firm (annual Canadian revenue)

MARKET FOCUS



Question: What industry segment best describes your firm's market focus?

CANADIAN SALES



Question: In the last year (2017), what percentage of your Canadian sales (by value) were in digital, print, audio, or other formats?

Respondent Profile Highlights

For the purposes of this study, we have defined the size of each company based on publisher-reported revenue, ranging from small (<$1M) and mid-size ($1M-$10M) to large (>$10M). Using these parameters, 66% of respondents represent small publishers, 19% mid-size, and 15% large.

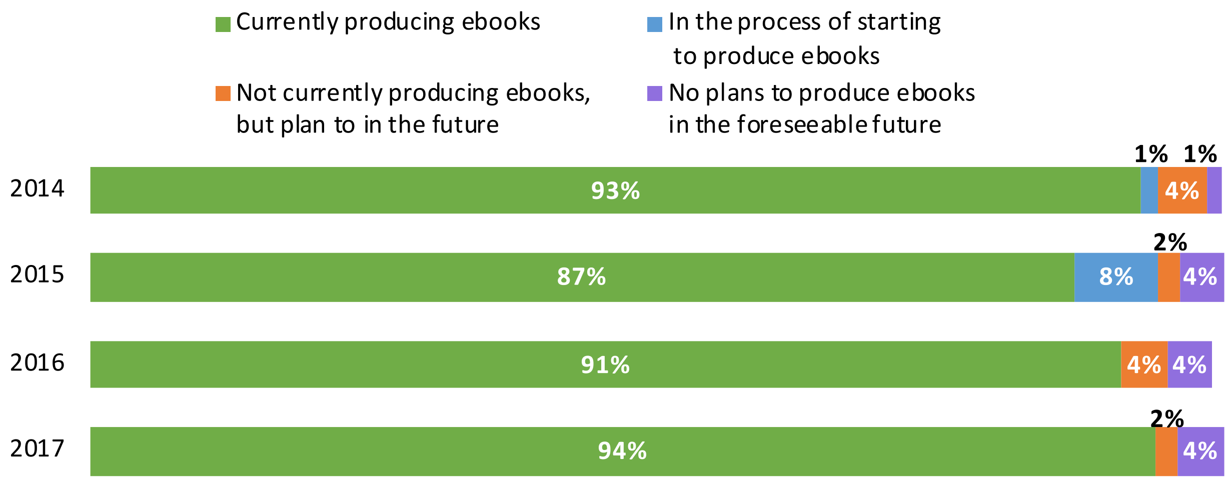
57% of responding firms belong to the ACP, and 47% of firms are eBOUND members. The largest percentage (68%) of respondents belong to ACP regional affiliates.

21% of firms are part of the Literary Press Group.

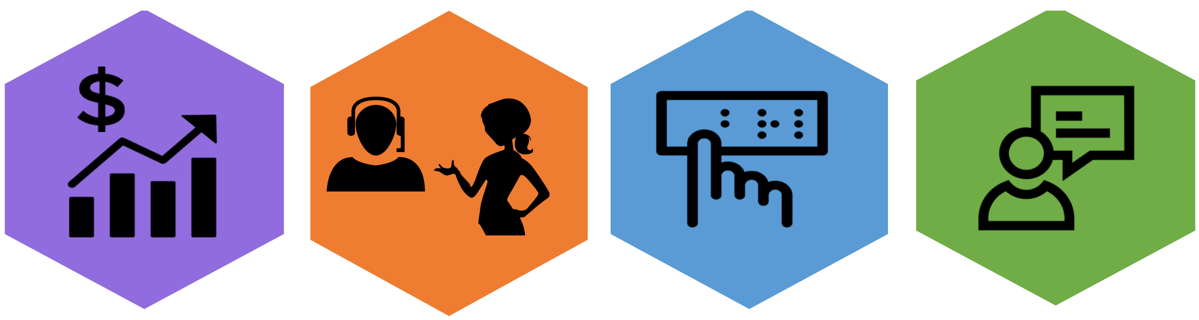
In a 6% increase from 2016, 11% of firms are self-publishers or self-published authors.

Ebook Production

EBOOK PRODUCTION



DRIVING FORCES FOR EBOOK PRODUCTION



80%
INCREASE SALES

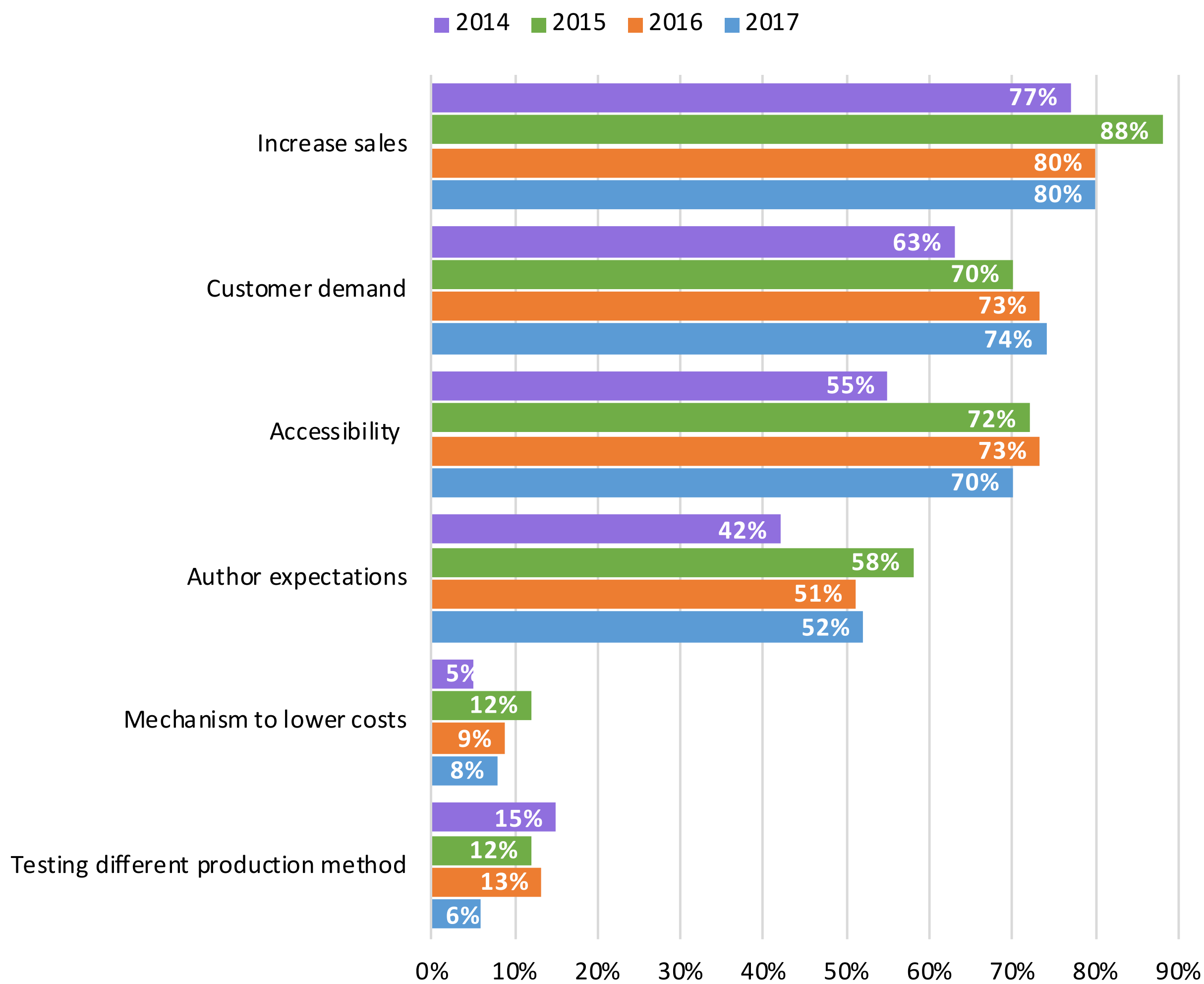
74%
CUSTOMER DEMAND

70%
ACCESSIBILITY

52%
AUTHOR EXPECTATIONS

Question: What are your firm's main reasons for publishing ebooks? (Please select all that apply.)
**Respondents could select multiple choices; totals will not add up to 100%*

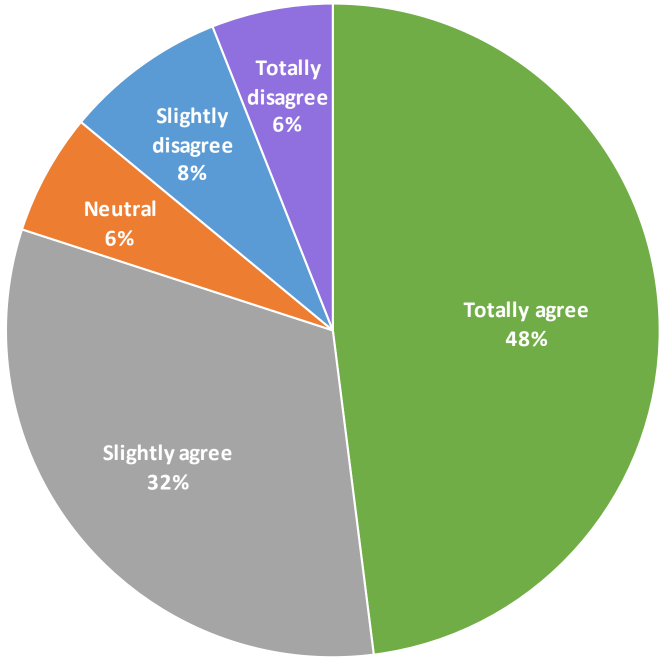
DRIVING FORCES FOR EBOOK PRODUCTION – YEAR OVER YEAR



Question: What are your firm's main reasons for publishing ebooks? (Please select all that apply.)

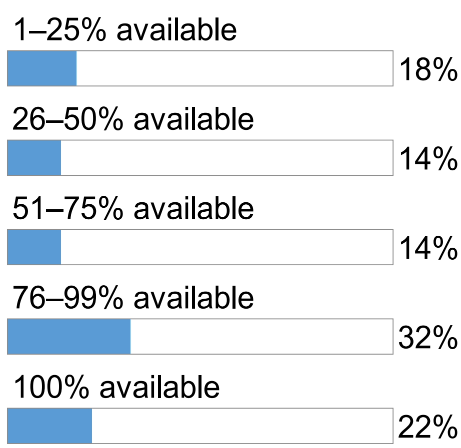
Breakdown by size of company	Increase sales	Customer demand	Accessibility – best way to serve consumers	Author expectations	Mechanism to lower costs	Testing a different production method	We are a digital-only publisher
Small / Self-Publisher (< $1M)	76%	70%	67%	52%	9%	0%	3%
Mid-Size Publisher ($1M - $10M)	100%	78%	67%	33%	0%	22%	0%
Large Publisher (> $10M)	75%	88%	88%	75%	13%	13%	0%

DIGITAL INTEGRATION



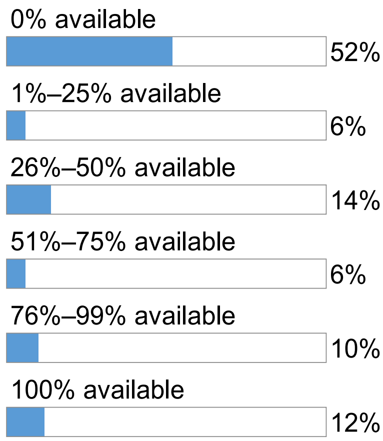
Question: How much do you agree with the following statement? 'Digital is fully integrated across my business.'

DIGITAL AVAILABILITY OF PRINT TITLES



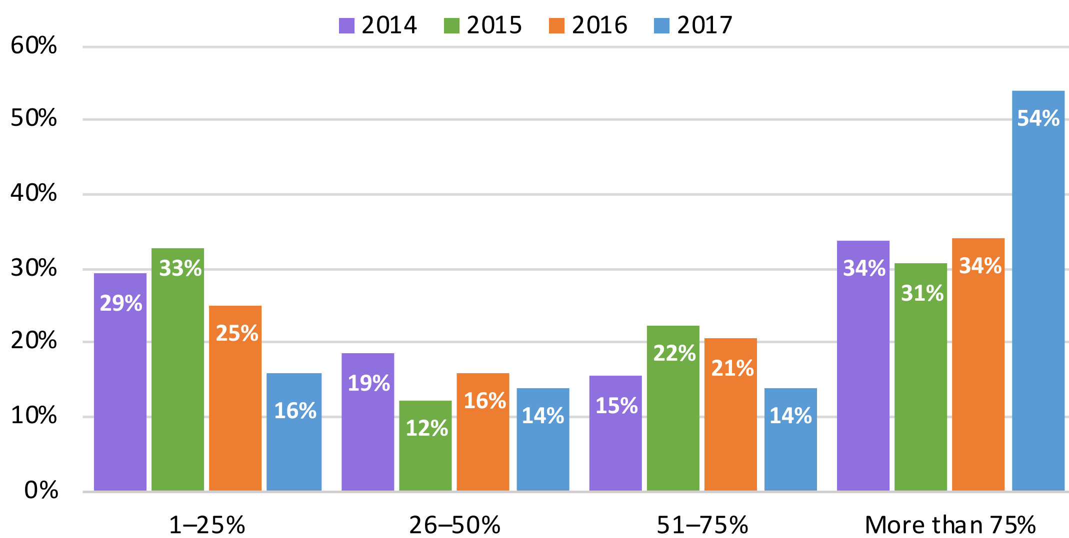
Question: Of your active print titles, what percentage are available as ebooks?

DIGITAL AVAILABILITY OF JUVENILE PRINT TITLES



Question: Of your active juvenile print titles, what percentage are available as ebooks?

BACKLIST CONVERSION



Question: What percentage of your backlist (i.e., more than six months past publication date) has been converted to ebook format?

Breakdown by size of company	0%	1-25%	26-50%	51-75%	>75%
Small / Self-Publisher (<$1M)	3%	21%	15%	18%	42%
Mid-Size Publisher ($1M-$10M)	0%	11%	22%	11%	56%
Large Publisher (>$10M)	0%	0%	0%	0%	100%

Breakdown by market focus	0%	1-25%	26-50%	51-75%	>75%
Trade / Consumer	3%	16%	14%	19%	49%
Scholarly / Professional	0%	0%	20%	0%	80%
Education / K–12	0%	0%	0%	0%	100%

Ebook Production Highlights

96% of firms are producing or just starting to produce ebooks, with only 4% with no plans to do so.

When asked for the main reasons they are producing ebooks, the primary reason (80%) is to increase sales followed by 74% citing customer demand. Only 8% of respondents feel that it is a mechanism to reduce costs.

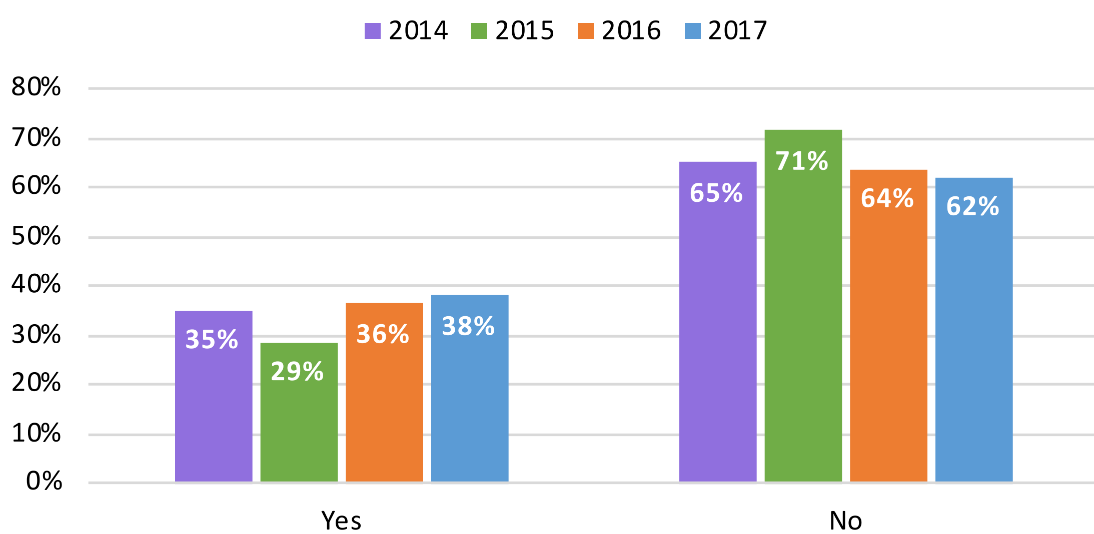
80% of respondents agree that ‘Digital is fully integrated across my business.’

For adult titles, 22% of firms have all of their active titles available digitally, while 32% have 76-99% available. For Juvenile titles, 12% of firms have 100% of their active titles available, while 10% of firms have 76-99% available.

We continue to observe increases in digitalization efforts for backlist titles, with 54% of firms having converted more than 75% of their backlist, up from 34% in 2016.

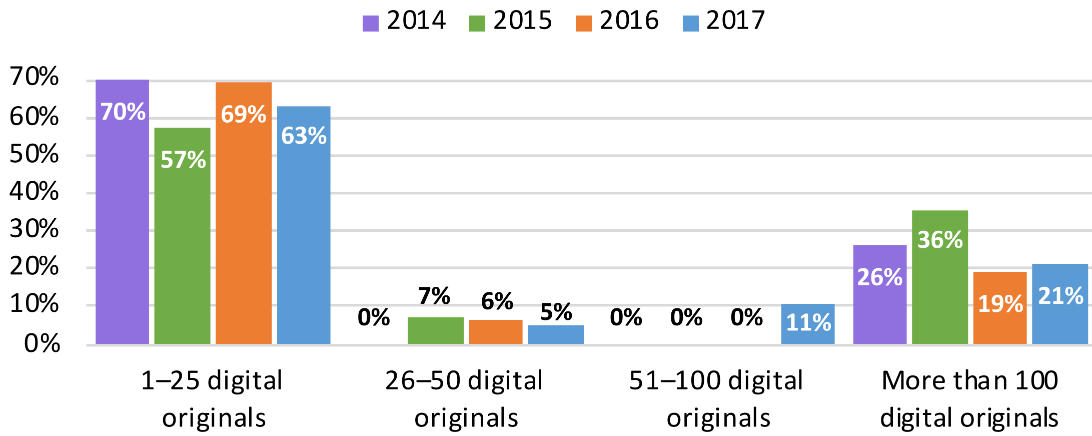
Digital Originals

DIGITAL-ONLY EDITIONS



Question: Do you have a digital-only publishing program where, for certain titles, you produce only digital editions?

ACTIVE DIGITAL ORIGINALS



Question: How many active digital originals do you have?

Digital Originals Highlights

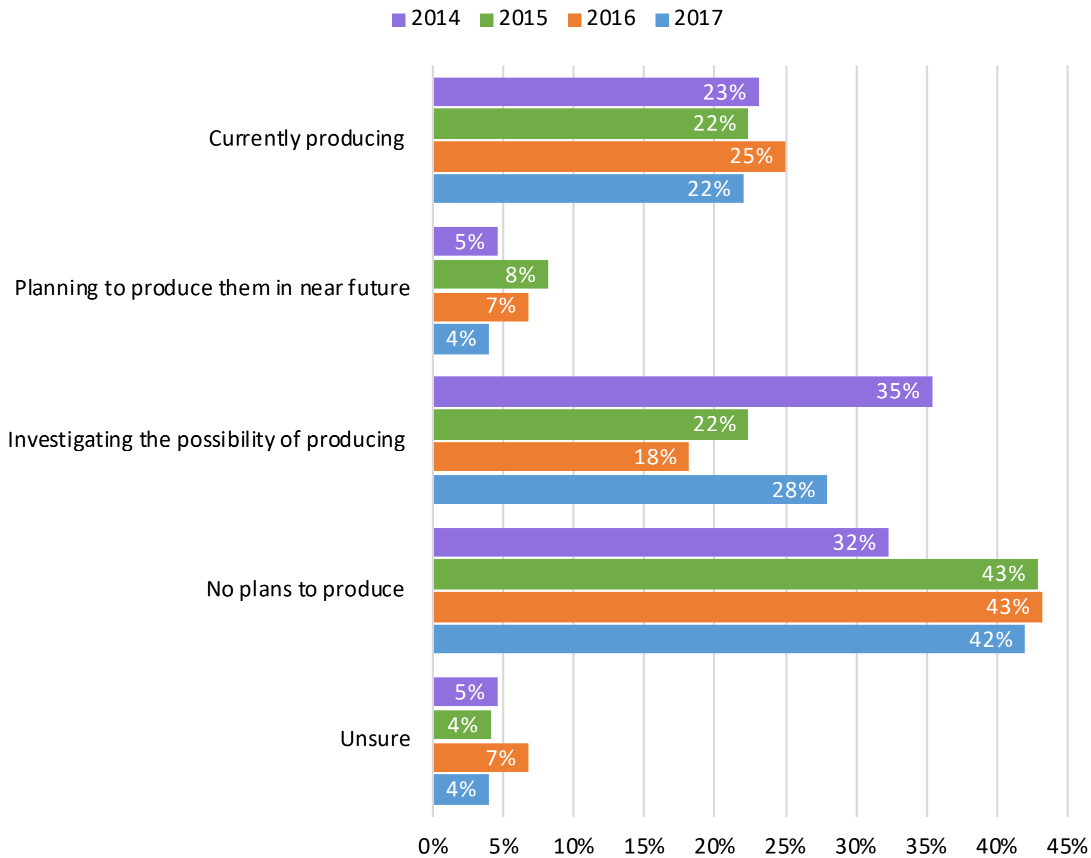
38% of firms have a digital-only publishing program where, for certain titles, they produce only digital editions. This has remained relatively flat for the past three years.

The percentage of large publishers with a digital-only publishing program dropped 25% from 100% in 2016.

The majority of respondents (63%) have 1-25 active digital originals, while 21% have more than 100 active digital originals.

Enhanced Ebooks

ENHANCED EBOOKS

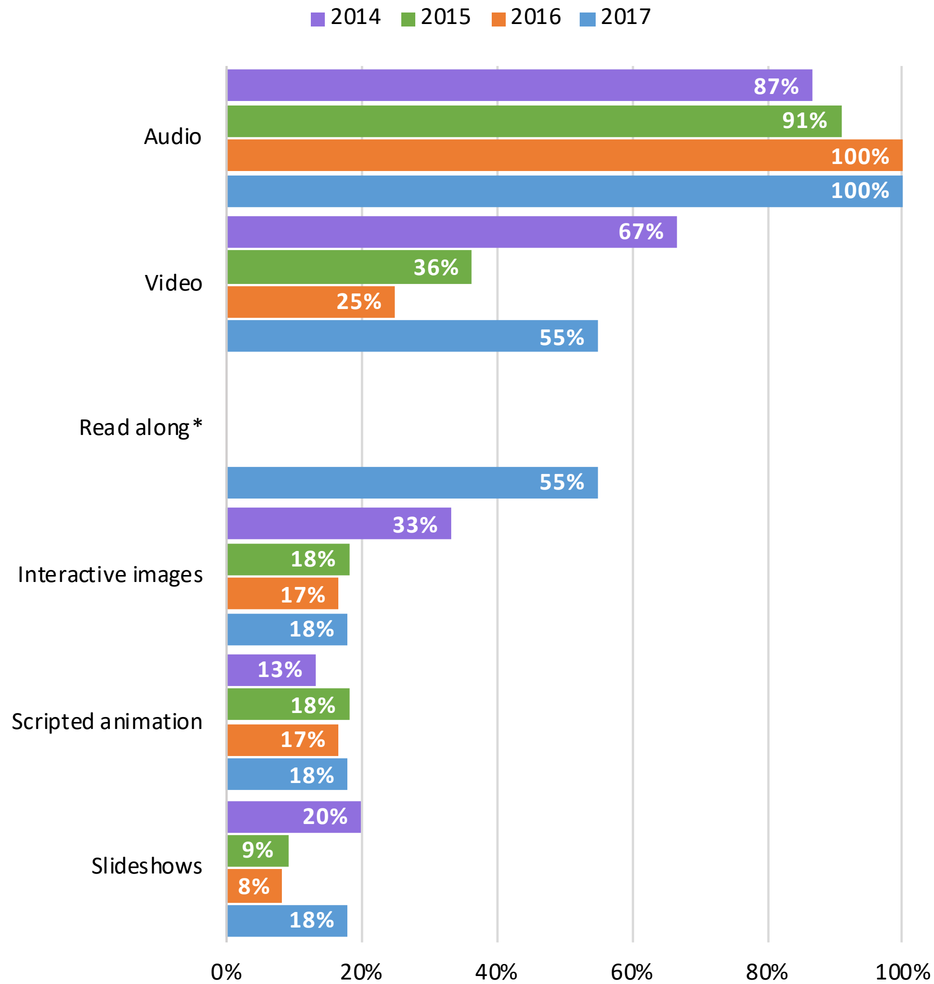


Question: Are you producing, or do you plan to produce, enhanced ebooks (i.e., with extra content such as audio/video)?

Breakdown by size of company	Currently producing enhanced ebooks	Planning to produce them in the near future	Investigating the possibility of producing them	No plans to produce enhanced ebooks	Unsure
Small / Self-Publisher (<$1M)	12%	3%	33%	46%	6%
Mid-Size Publisher ($1M-$10M)	33%	11%	11%	44%	0%
Large Publisher (>$10M)	50%	0%	25%	25%	0%

Breakdown by market focus	Currently producing enhanced ebooks	Planning to produce them in the near future	Investigating the possibility of producing them	No plans to produce enhanced ebooks	Unsure
Trade / Consumer	16%	5%	30%	43%	5%
Scholarly / Professional	40%	0%	20%	40%	0%
Education / K–12	67%	0%	0%	33%	0%

EBOOK ENHANCEMENTS CURRENTLY EMPLOYED

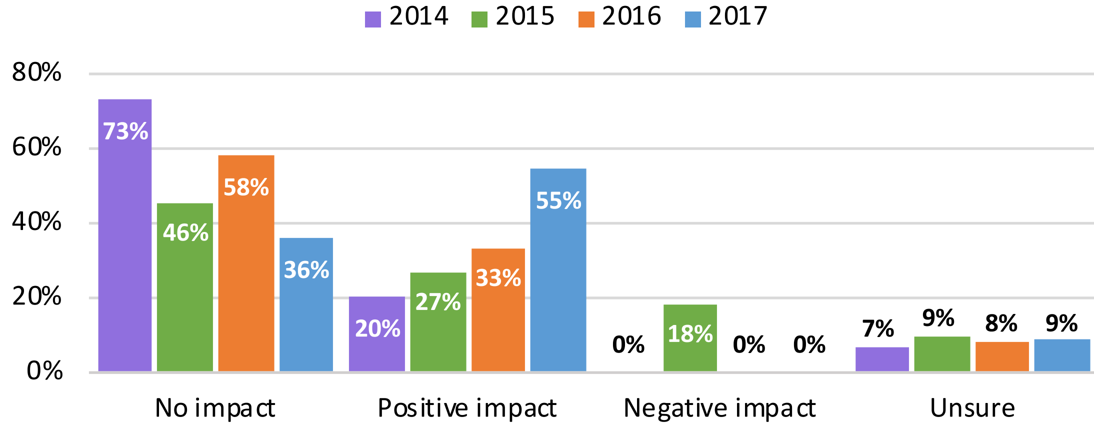


Question: What type of ebook enhancements do you currently employ? (Please select all that apply.)
**"Read along" was added as an option in 2017.*

Breakdown by size of company	Audio	Video	Interactive images	Read along	Scripted animation	Slideshows
Small / Self-Publisher (<$1M)	100%	50%	0%	25%	0%	0%
Mid-Size Publisher ($1M-$10M)	100%	0%	0%	67%	33%	0%
Large Publisher (>$10M)	100%	100%	50%	75%	25%	50%

Breakdown by market focus	Audio	Video	Interactive images	Read along	Scripted animation	Slideshows
Trade / Consumer	100%	50%	17%	50%	17%	17%
Scholarly / Professional	100%	100%	0%	0%	0%	0%
Education / K–12	100%	0%	0%	100%	0%	0%

CORRELATION BETWEEN EBOOK ENHANCEMENTS AND SALES



Question: Have you seen any correlation between enhancements and an increase in ebook sales?

Enhanced Ebook Highlights

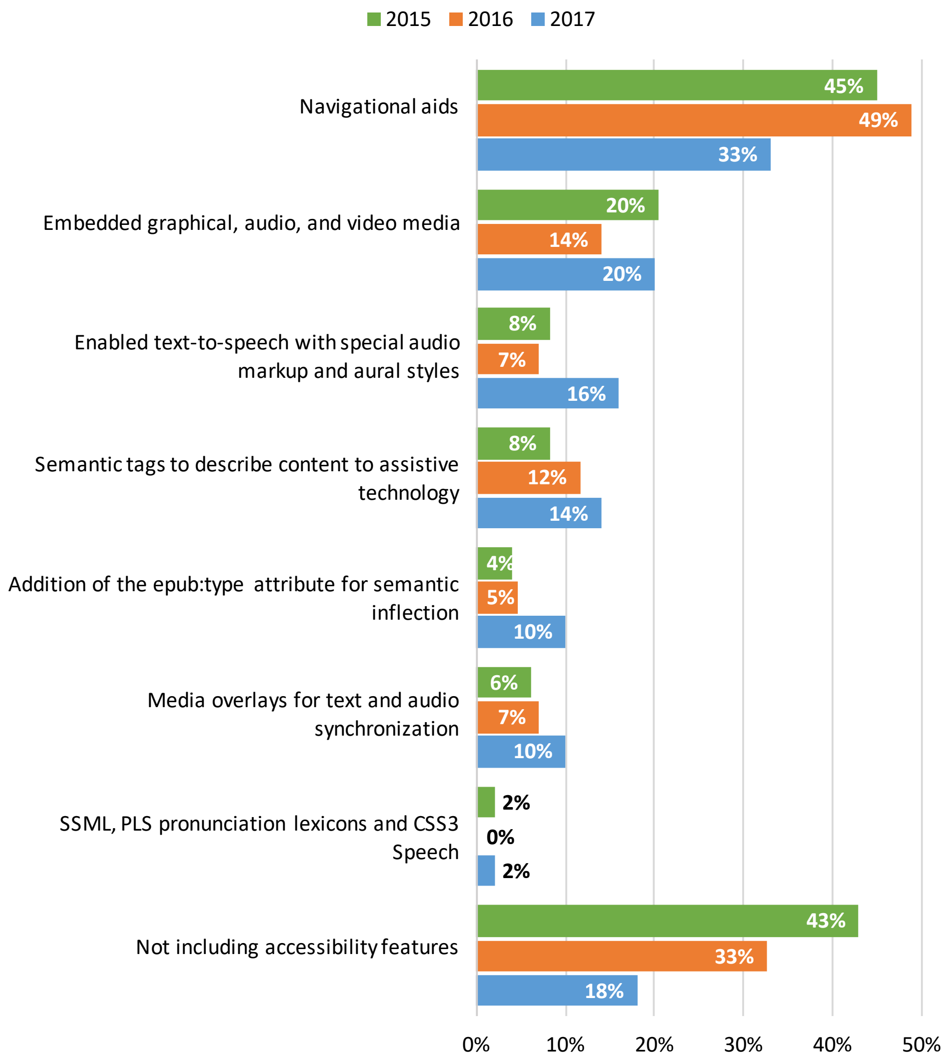
For enhanced ebooks (i.e., with extra content such as audio/video), 54% of respondents are currently producing them or considering it, while 42% of respondents have no plans to produce enhanced ebooks.

For those firms producing enhanced ebooks, although the sample size is small, all respondents noted that audio is an ebook enhancement currently being employed in their enhanced ebooks. Video has increased notably since 2016 with 55% of respondents currently employing the feature, up from 25% in 2016.

There was an increase from 33% to 55% between 2016 and 2017 for firms who reported seeing a positive increase in the correlation between enhancements and an increase in ebook sales.

Ebook Accessibility

BEST PRACTICES FOR ACCESSIBLE EBOOKS



Question: Are you including any of the following features in your ebooks, which are best practices for accessible ebooks? (Please select all that apply.)

Ebook Accessibility Highlights

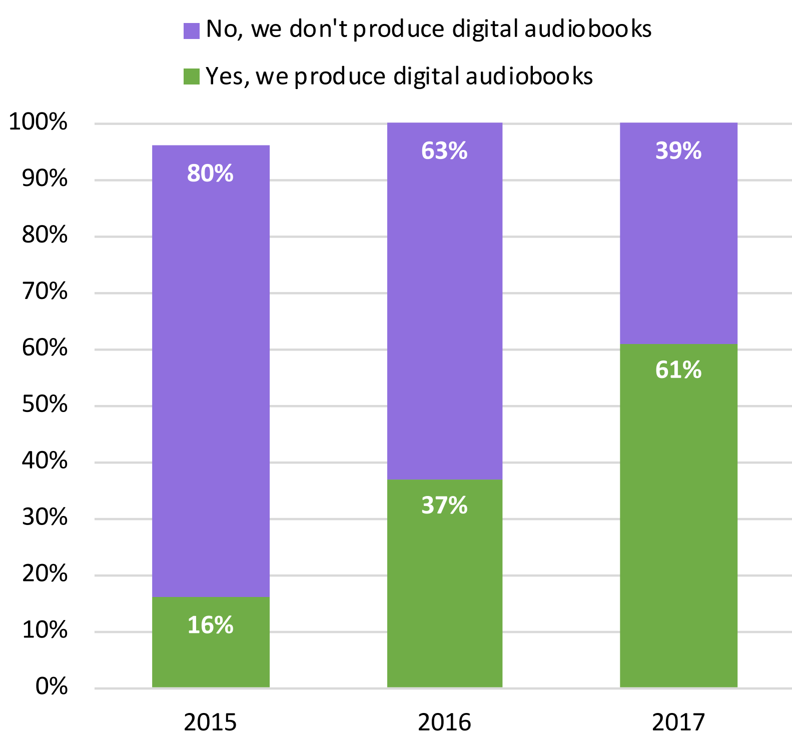
Notably fewer firms indicated that they are not including accessibility features, down to 18% from 33% in 2016.

While there is a reduction in the inclusion of navigational aids, down 16% from 2016, there is a notable increase in many of the other features, such as embedded media, enabled text-to-speech, and semantic tags.

Navigational aids continue to be the most included accessibility feature at 33%, followed by embedded graphical, audio, and video media (20%), and enabled text-to-speech at 16%. There are many more features that can be added to digital publications to comply with best practices for accessible ebooks. For more information, check out the BISG Quick Start Guide to Accessible Publishing.

Audiobooks

AUDIOBOOK PRODUCTION



Question: Do you produce digital audiobooks (either directly or through a partner)?

PRIMARY SALES CHANNELS FOR DIGITAL AUDIOBOOKS

77% AUDIO RETAILERS/ SUBSCRIPTION

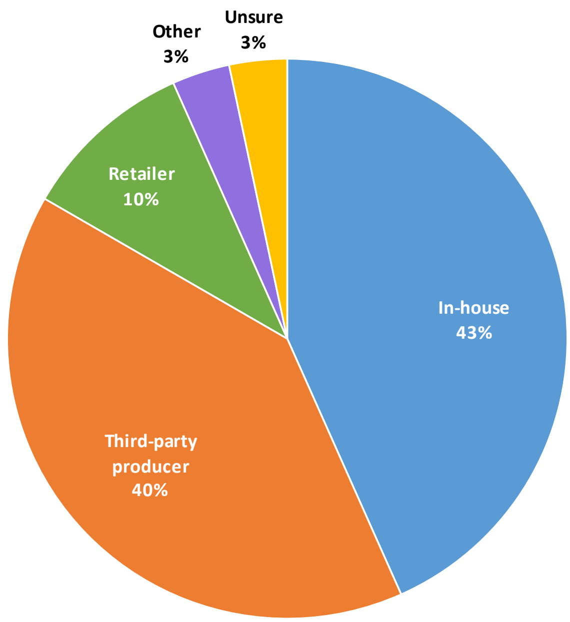
60% LIBRARY WHOLESALE

13% DIRECT/ CORPORATE WEBSITE

7% UNSURE

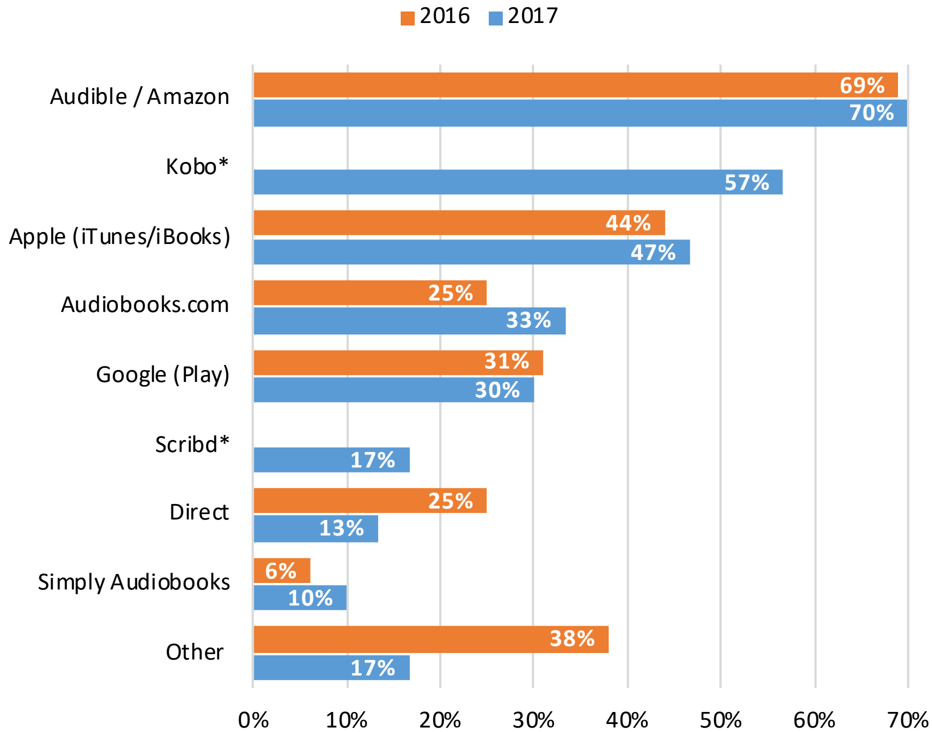
Question: Which of the following are your primary sales channels for digital audiobooks? (Please select all that apply.)
**Respondents could select multiple choices; totals will not add up to 100%*

HOW AUDIOBOOKS ARE PRODUCED



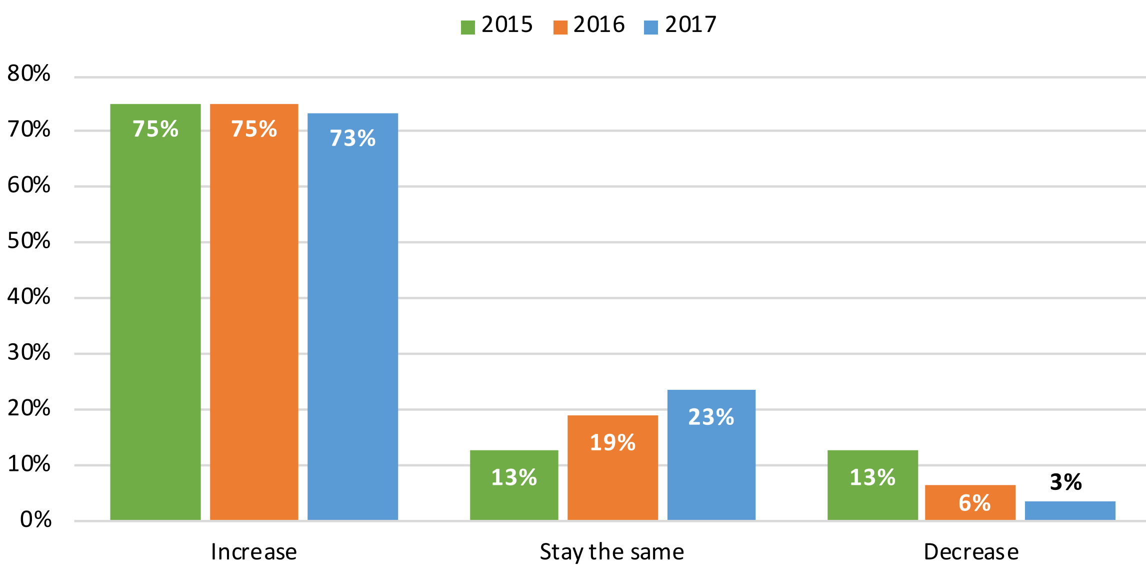
Question: How do you primarily produce your digital audiobooks?

USE OF AUDIOBOOK RETAILERS



Question: Which audiobook retailers do you sell your audiobooks with? (Please select all that apply.)
**Was not asked in 2016*

AUDIOBOOK SALES PROJECTIONS



Question: In the next year (2018), do you expect your audiobook sales to increase/decrease/stay the same?

Audiobook Highlights

Audiobook production has seen continuous growth for the past three years, with the percentage of firms reporting that they produce digital audiobooks increasing by 24% since 2016, up to 61%.

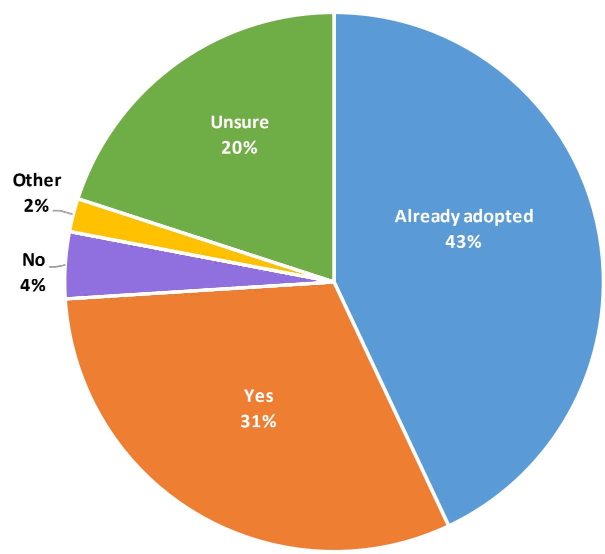
The two primary ways respondents say they produce their digital audiobooks is in-house (43%) and through a third-party producer (40%).

When firms were asked how they felt audiobook sales may trend over the next year, confidence seems to be up slightly; 73% said they think it will increase (which is similar to last year), more firms feel it will stay the same, and fewer firms feel that audiobook sales will decrease.

With many firms of all sizes responding, answers about active audiobook titles spanned up to 9,215 ISBNs while the average number for small and mid-size publishers was nine.

Digital Best Practices

EPUB 3 ADOPTION

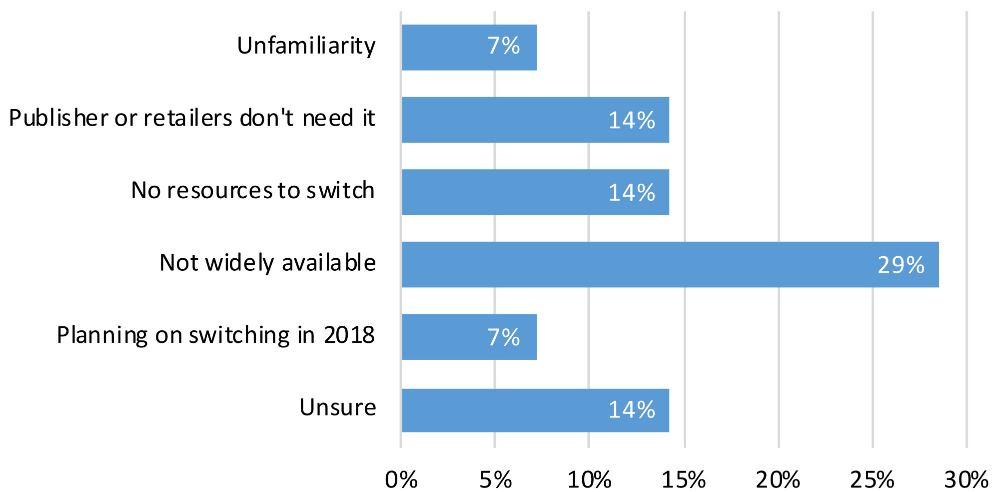


Question: Do you plan on moving to the EPUB 3 ebook formatting standard once it's more widely adopted by mobile device manufacturers?

Breakdown by size of company	Yes	No	Already moved to EPUB 3	Unsure
Small / Self Publisher (< $1M)	33%	6%	37%	24%
Mid-Sized Publisher ($1M - $10M)	13%	0%	63%	13%
Large Publisher (> $10M)	38%	0%	50%	13%

Breakdown by market focus	Yes	No	Already moved to EPUB 3	Unsure
Trade / Consumer	30%	3%	41%	24%
Scholarly / Professional	60%	0%	40%	0%
Education / K–12	0%	0%	100%	0%

REASONS FOR NOT MOVING TO EPUB 3



Question: If you haven't moved to EPUB 3, is there a reason why you haven't made this change?

Digital Best Practices Highlights

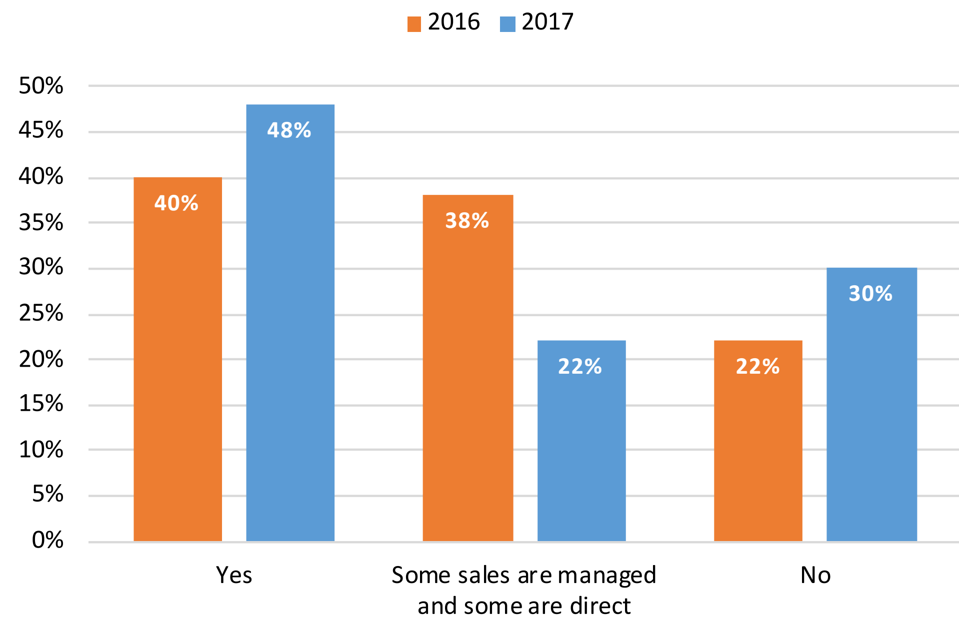
There has been a notable change in the number of firms planning to adopt EPUB 3 since 2016, when 72% reported that they planned to do so. In 2017, this percentage is down to 31% with an additional 43% having already adopted it, which was not a possible response in previous surveys.

Although a small sample, of the respondents who have not yet moved to EPUB 3, 29% report that it is because the format is not widely available. Publishers or retailers not using/requiring it and not having the resources to switch are tied at 14%, alongside those who are unsure.

For more information about EPUB 3 features and capabilities for devices and reading platforms, visit the EPUB 3 Support Grid (epubtest.org).

Digital Asset Management

USE OF A DIGITAL ASSET MANAGEMENT FIRM



Question: Are your ebook sales managed (i.e., converted and distributed) by a digital asset manager/digital distributor? (e.g., eBOUND Canada, Transcontinental, etc.)

Breakdown by size of company	Yes	No	Some sales are managed and some are direct
Small / Self-Publisher (< $1M)	55%	54%	21%
Mid-Size Publisher ($1M - $10M)	56%	11%	33%
Large Publisher (> $10M)	13%	75%	13%

Breakdown by market focus	Yes	No	Some sales are managed and some are direct
Trade / Consumer	46%	24%	30%
Scholarly / Professional	60%	40%	0%
Education / K–12	100%	0%	0%

Digital Asset Management Highlights

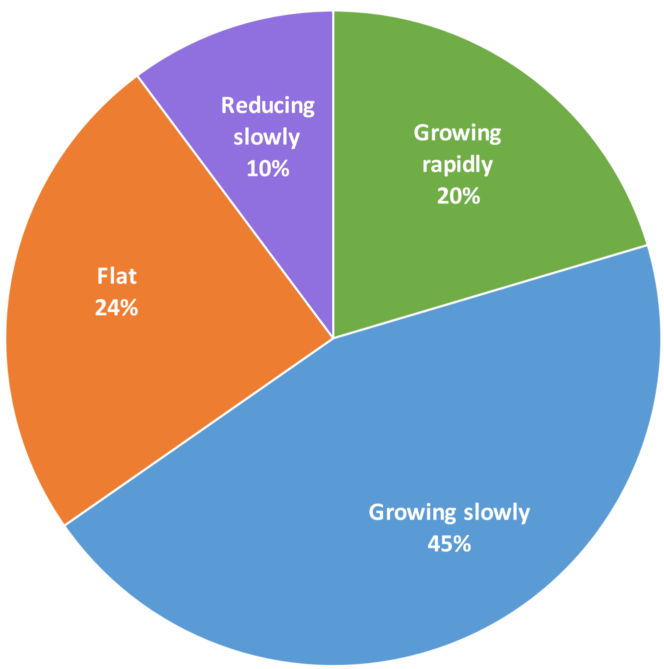
There has been a large increase between 2016 and 2017 in firms employing a hybrid strategy, meaning that they are both managing their own digital assets while also relying on a digital asset manager.

There is also a notable increase from 20% in 2016 to 54% in 2017 of small/self-publishers who don't have their ebook sales managed by a digital asset manager/digital distributor.

For mid-size publishers, we see a large increase from 29% in 2016 to 56% in 2017 of those who have their ebook sales managed by a digital asset manager/digital distributor, in addition to a 31% decrease of mid-size publishers whose ebook sales are both managed and direct.

Ebook Sales

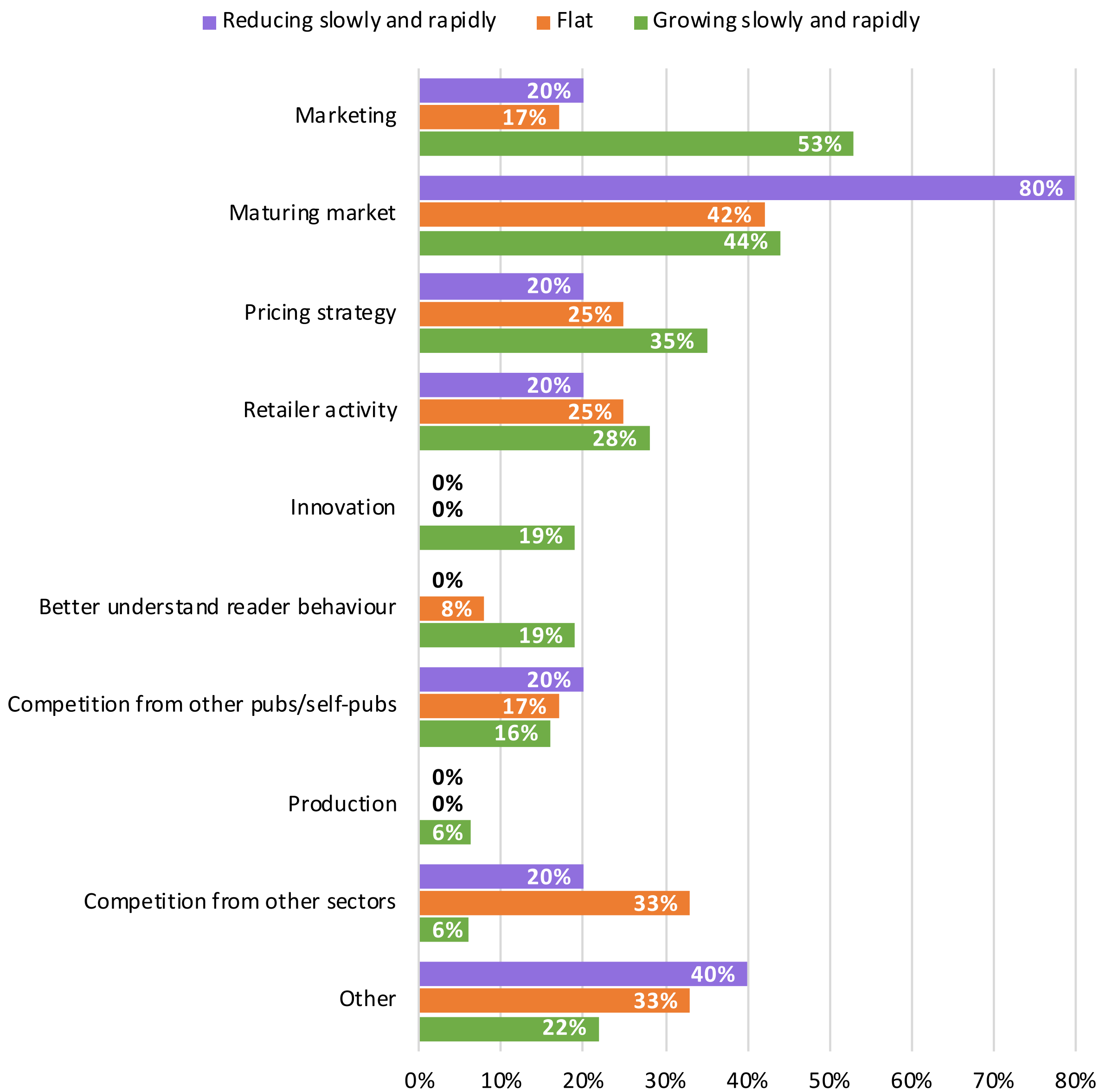
RATE OF GROWTH OF DIGITAL SALES



Question: In the last year (2017), were your digital sales (by value):

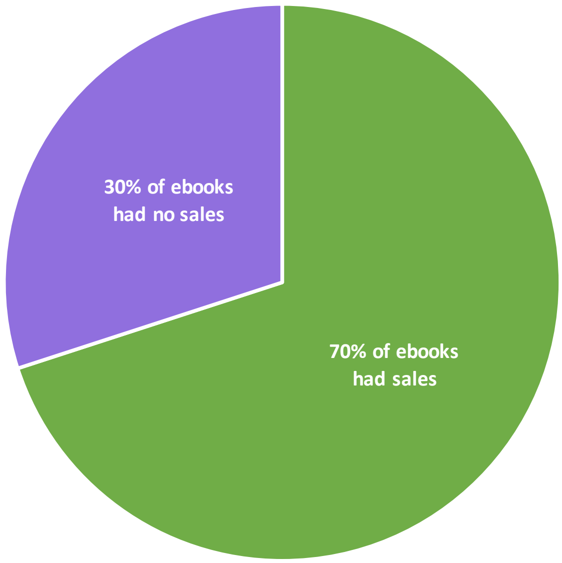
After asking respondents how their digital sales have been trending, we asked what they consider to be the main reasons for why these sales may be growing, staying flat, or reducing. Depending on how the respondent answered above, we have broken out answers to be specific to those with sales that are growing (combining "growing slowly" and "growing rapidly"), flat, and reducing (combining "growing slowly" and "growing rapidly").

REASONS FOR RATE OF SALES GROWTH



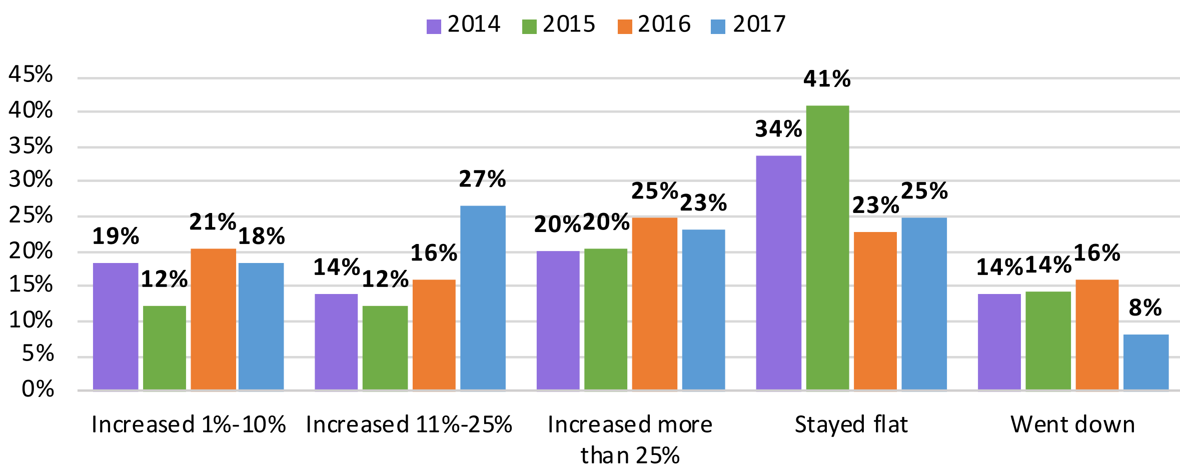
Questions: In the last year (2017), were your digital sales (by value): growing (slowly and rapidly), flat, or reducing (slowly and rapidly)? What do you consider the reasons for this? (Please select all that apply.)

EBOOKS WITH CANADIAN SALES



Question: What percentage of your available ebooks had sales in the Canadian market in the last 12 months?

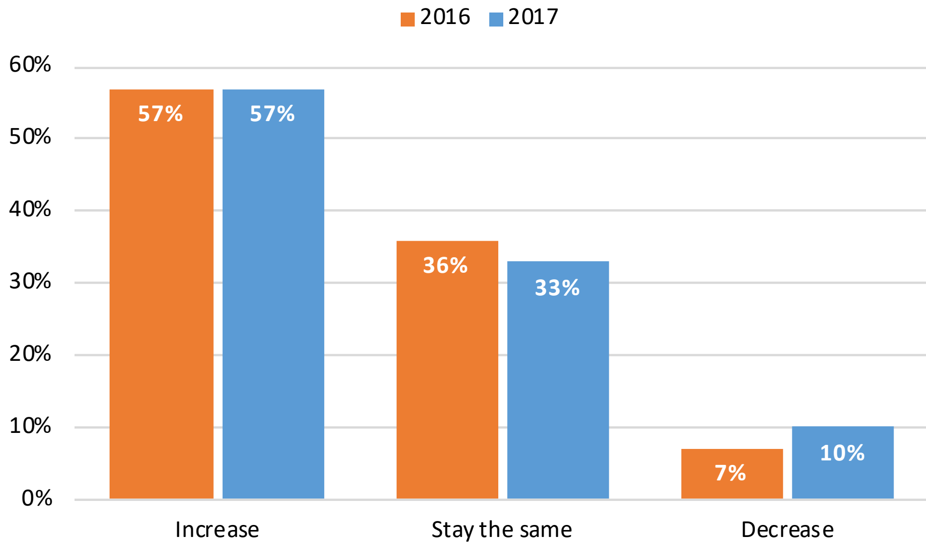
CHANGE IN DIGITAL REVENUE FROM 2014 TO 2017



Question: Comparing your digital sales revenue in the Canadian marketplace between 2016 and 2017, would you say your firm's digital revenue:

Breakdown by market focus	Increased 1–10%	Increased 11–25%	Increased more than 25%	Stayed flat	Went down
Trade / Consumer	16%	24%	22%	30%	8%
Scholarly / Professional	20%	40%	20%	0%	20%
Education / K–12	0%	50%	50%	0%	0%

EBOOK SALES PROJECTION FOR 2018



Question: In the next year (2018), do you expect your ebook sales to increase/decrease/stay the same?

Ebook Sales Highlights

69% of publishers report that year-over-year sales are either growing slowly or saying flat.

For those firms who reported that sales are growing (either slowly or rapidly), most said they feel this is due to marketing efforts (53%) or a maturing market (44%).

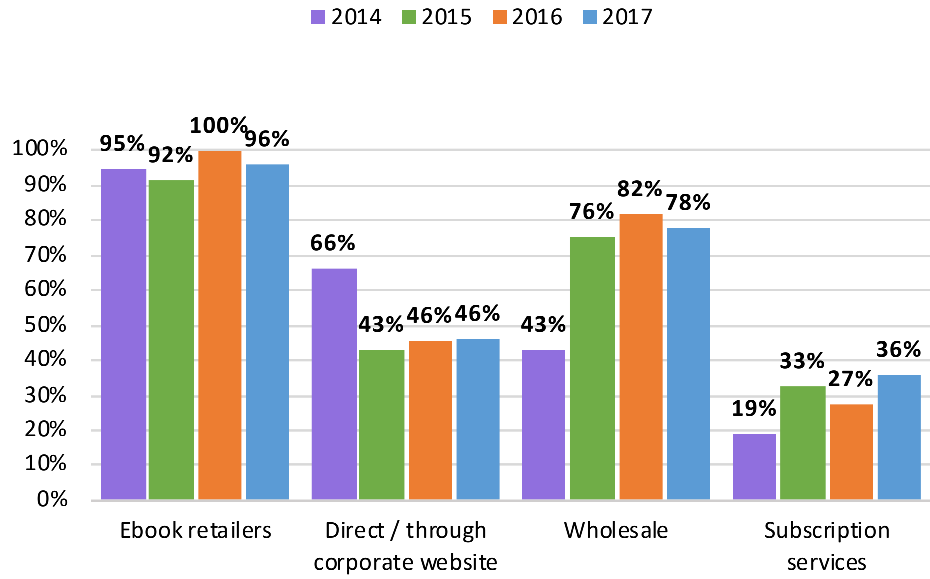
For firms who report that sales as reducing (either slowly or rapidly), 80% feel this is because of a maturing market.

When asking publishers about the percentage of ebooks with sales in the Canadian market, we changed the methodology in the 2017 survey and, as a result, have not reported year-over-year findings. In previous surveys, we asked publishers to report the number of ebooks with sales in the Canadian market over the last 12 months, but this year we asked them for an overall percentage. We found that 30% of all ebooks available in the Canadian market had no sales in 2017. Keeping methodology in mind, we find that this is down from 46% in 2016.

57% of firms expect sales to stay the same as last year, which is the same as we saw in 2016. Firms who are expecting sales to decrease rose slightly from 7% in 2016 to 10% in 2017.

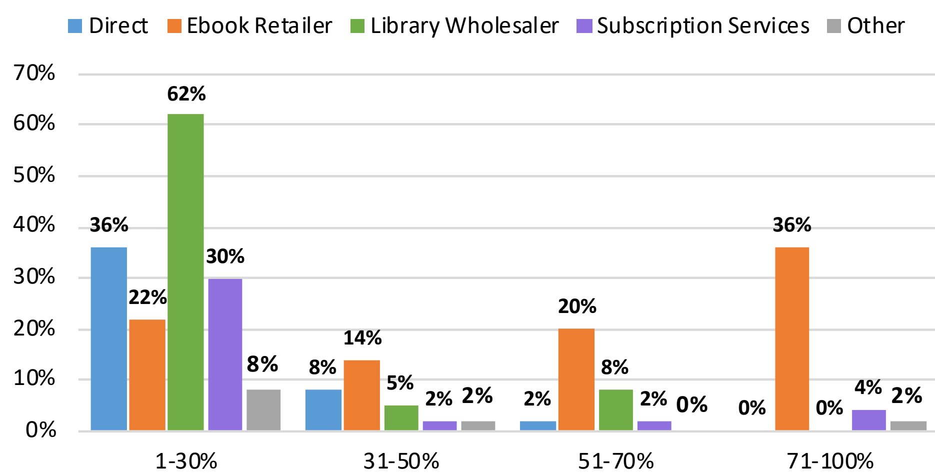
Ebook Sales Channels and Distribution

EBOOK SALES CHANNELS



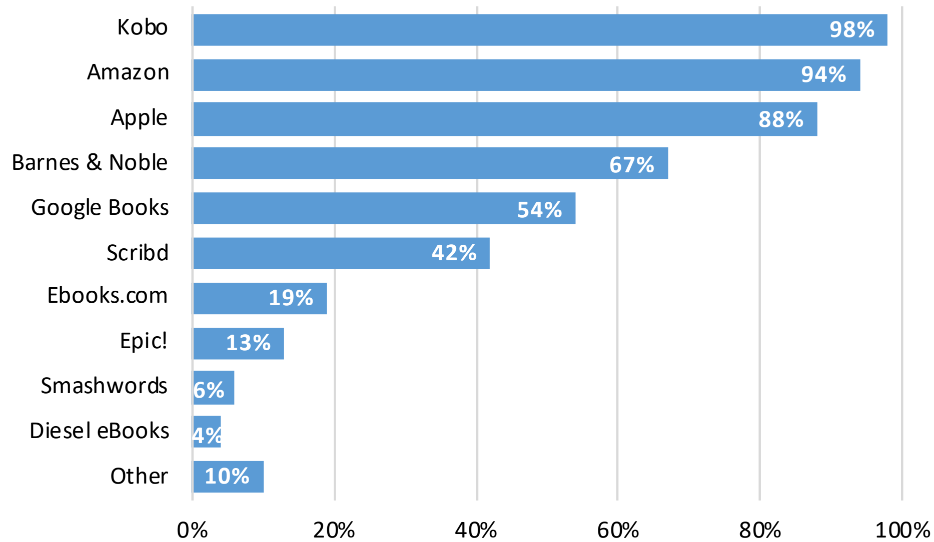
Question: How are you selling your ebooks to Canadian readers? (Please select all that apply.)

PERCENTAGE OF REVENUE FROM EBOOK CHANNELS



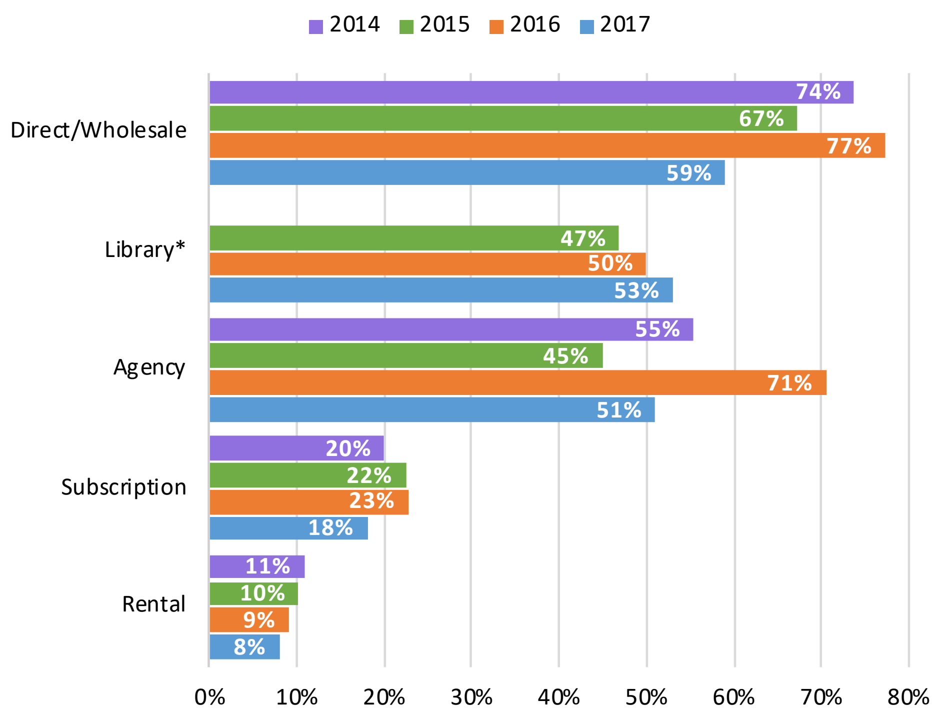
Question: What percentage of your firm's overall DIGITAL revenue is derived from the following channels?

CHANNELS FOR EBOOK RETAIL DISTRIBUTION



Question: Which ebook retailers (public-facing, not library sales) do you sell your ebooks with? (Please select all that apply.)

PRICING MODELS



Question: What type of ebook pricing does your company use? (Please select all that apply.)
**Not asked in 2014*

Ebook Sales Channels and Distribution Highlights

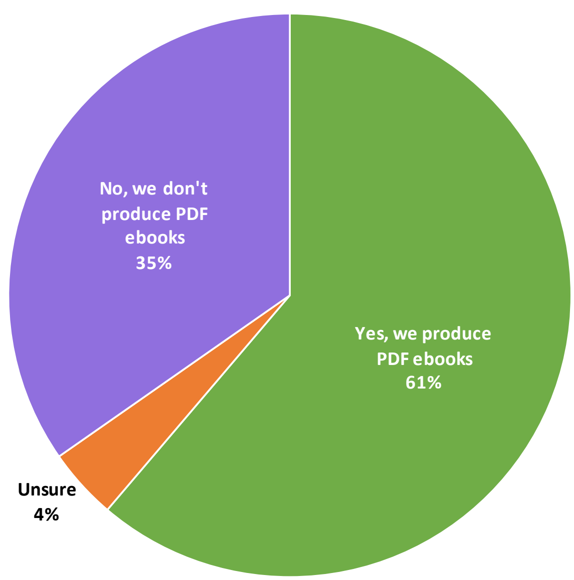
The majority of firms are selling ebooks to Canadian readers via ebook retailers, which has not changed much year-over-year, but one area that has seen notable growth is selling through subscription services. This has increased to 36% of firms, a 9% increase over last year.

Kobo continues to take the lead as the ebook retailer used the most by firms (98%), closely followed by Amazon (94%) and Apple (88%). All three of these top companies have experienced minimal increases since 2015.

It appears that firms are continuing to utilize a variety of pricing models, with a significant 18% decline in the use of direct/wholesale pricing since 2016. There was also a 20% decrease in agency pricing. One pricing model that has seen an increase since 2016 is library pricing, with a modest increase of 3%.

PDF Ebooks

PDF EBOOK PRODUCTION



Question: Does your organization produce PDF ebooks?

PRIMARY SALES CHANNELS FOR PDF EBOOKS

67% LIBRARY WHOLESALE

43% DIRECT/ CORPORATE WEBSITE

40% EBOOK RETAILERS

17% SUBSCRIPTION SERVICES

Question: Which of the following are the primary sales channels for your PDF ebooks? (Please select all that apply.)
**Respondents could select multiple choices; totals will not add up to 100%*

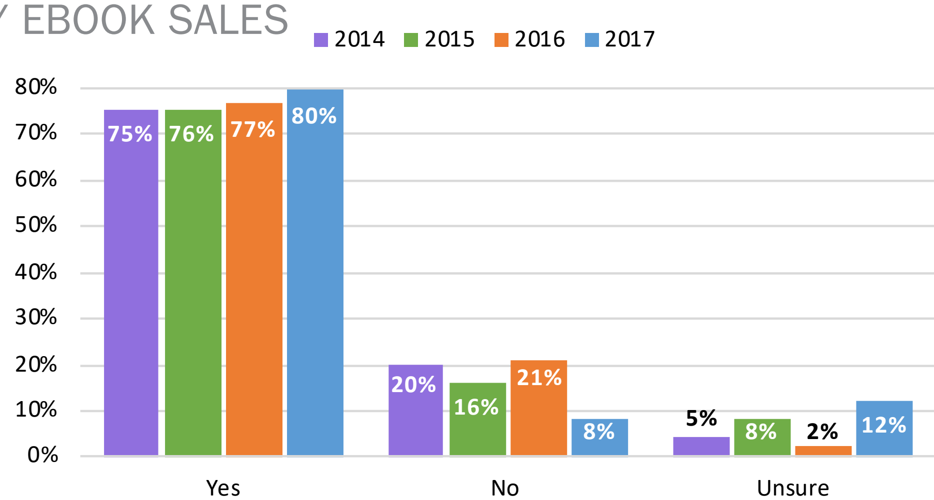
PDF Ebook Highlights

There are 26% more organizations producing PDF ebooks than those who do not.

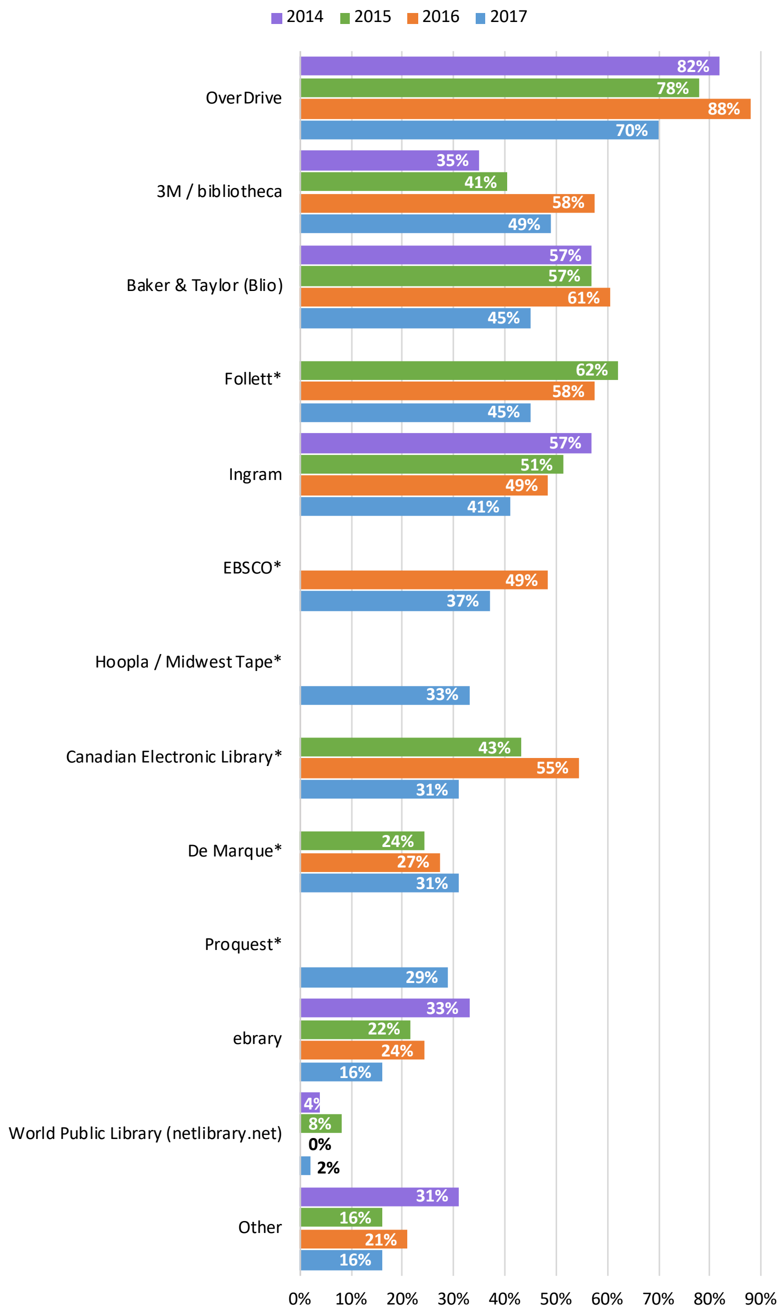
PDF ebooks have different primary sales channels than EPUB ebooks: library wholesalers at 67% and direct/corporate websites at 43%. Ebook retailers are a close third at 40%.

Libraries & Ebooks

LIBRARY EBOOK SALES



LIBRARY DISTRIBUTION



Question: What library services (wholesalers) do you use for ebooks? (Please select all that apply.)
**Not asked in all years.*

Breakdown by market focus	3M/ bibliotheca	Baker & Taylor (Blio)	Canadian Electronic Library	ebrary	EBSCO	Follett	Ingram	OverDrive	De Marque	Proquest	Hoopla / Midwest Tape
Trade / Consumer	51%	46%	27%	11%	32%	43%	46%	73%	32%	24%	35%
Scholarly / Professional	80%	60%	80%	60%	80%	80%	40%	80%	60%	60%	40%
Education / K–12	0%	0%	0%	0%	0%	50%	0%	50%	0%	0%	50%

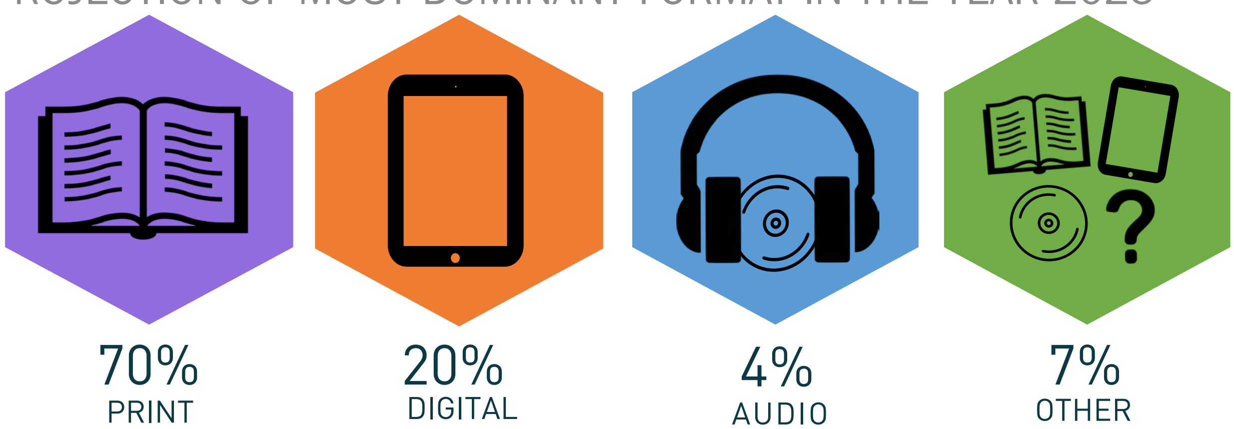
Libraries and Ebooks Highlights

Publishers selling ebooks to libraries has been slowly trending upwards. Since 2014 we have seen an increase of 5%.

While OverDrive continues to be the most popular library wholesaler, 2017 saw an 18% decline in firms using the service. De Marque, meanwhile, has seen a slight upward trend and we added to our 2017 survey some new wholesalers that garnered a notable number of responses, including Midwest Tape / Hoopla (33%) and Proquest (29%).

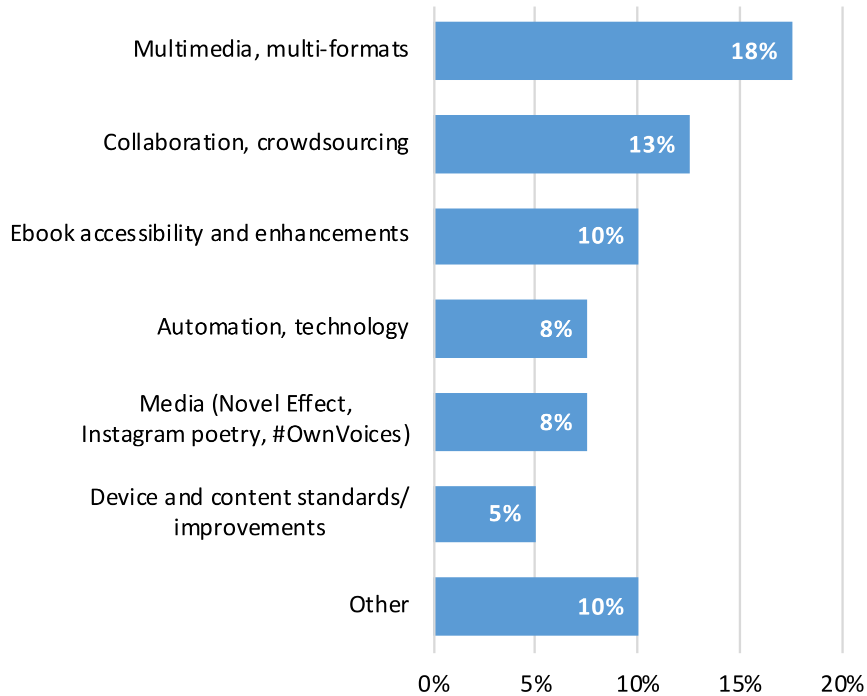
Book Industry Projections

PROJECTION OF MOST DOMINANT FORMAT IN THE YEAR 2025



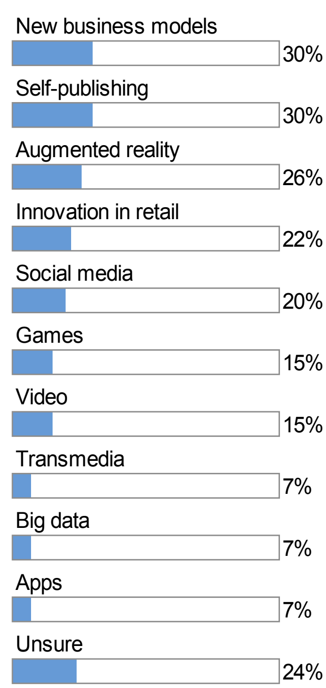
Question: In 2025, which format do you think will be dominant?

MOST INNOVATIVE IDEA OR PRODUCT FROM THE PAST YEAR



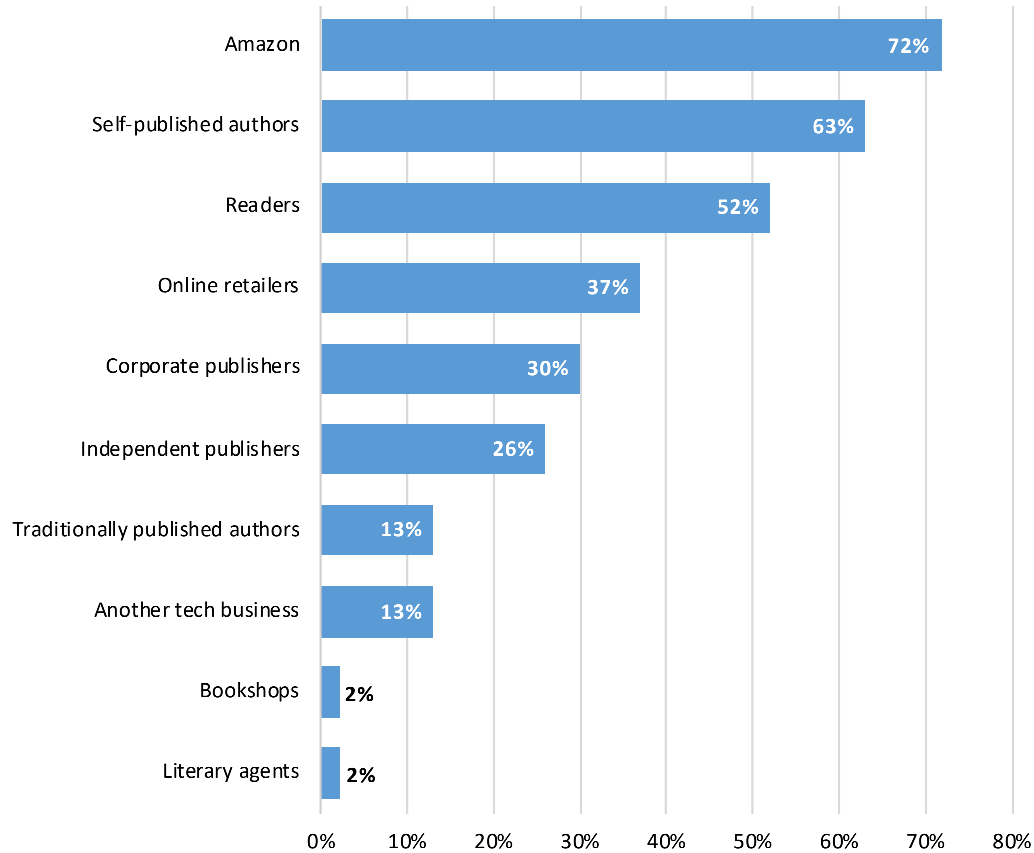
Question: What's the most innovative idea / product / initiative you've seen across the book business in the past year?

MOST POTENTIAL FOR DISRUPTION



Question: Which of these areas do you think has the most potential to disrupt the publishing business?

WHO BENEFITED MOST FROM THE DIGITAL TRANSFORMATION



Question: Over the last 5 years, who do you think has benefited most from the digital transformation of the industry? (Please select all that apply.)

Book Industry Projection Highlights

When firms were asked which format they feel will be dominant in 2025, the projections resemble what we find today. 70% predict that print will be dominant, with digital books coming in at 20%.

Both new business models and self-publishing come in at the top of the list for having the most potential to disrupt the publishing business (both at 30% of responses). This is followed by augmented reality at 26% and innovation in retail at 22%.

72% of respondents think Amazon has benefited the most from the digital transformation of the industry over the last five years, followed by self-published authors with 63%.