

European Media Markets 2021:

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The European Book Market: Fight for a slice of the data pie

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After selling essentially one type of product for more than 500 years, the book publishing industry is finally rattled by the digital revolution. New formats have emerged in the last decades, as e-books and audiobooks meet consumer demand for more convenience, portability, and lower prices. These formats enable publishers to get into the data business, although how much they profit from this greatly depends on their location and scale. This White Paper gives an overview of the current state of the European book market, highlights challenges to the industry, and finally outlines a future scenario for this sector.

Highlights

- After an extended decline in sales in the past decade, the book market in Europe again generates considerable revenue when added up across all formats.
- The emergence of audiobooks and e-books has altered reader experiences and enabled publishers to reap the benefits of consumer data.
- Book publishing is a highly fragmented market, both between formats and between language markets in Europe. In some markets, little data is available to aid the development of new products.
- The Big Five publishers grow into ever-larger media empires as they diversify their activities. Small publishers find success in niches, but struggle to keep pace, particularly in small language markets.

1. The book publishing industry: A major player in Europe

Contrary to popular belief, the book publishing industry is a thriving global business whose revenues are expected to grow more than 5% annually this decade.¹ Much of that revenue is and will be generated in Europe. Of the world's five largest book publishers by revenue, four are European.² After experiencing negative growth from 2008-2014, the European book industry posted a turnover of €22.4 billion in 2019; its total market value is estimated to be €36-38 billion. European publishers released about 605,000 new titles in 2019. The entire book value chain is estimated to employ about 650,000 people, which includes designers, printers, booksellers and authors, among others. The European book publishing sector is a strong exporter, with one-fifth of its turnover attributed to sales outside of the EU.³

¹ BusinessWire. (2021, April 13). *Global Book Publishers Market Report (2021 to 2030)*. <https://www.businesswire.com/news/home/20210413005675/en/Global-Book-Publishers-Market-Report-2021-to-2030--COVID-19-Impact-and-Recovery--ResearchAndMarkets.com>

² Watson, A. (2021, November 29). *Book Market in Europe – statistics & facts*. statista. <https://www.statista.com/topics/4062/book-market-in-europe/#dossierKeyfigures>

³ Federation of European Publishers. (June 2021). *Report of Activities 2020-2021*. https://fep-fee.eu/IMG/pdf/fepreport_of_activities_20_21_c.pdf?1902/0881c5349dc029a681ee73687bde0ea9c583862e

2. Paper is still king, but digital grows fast

In Europe, printed book consumption is still dominant over that of digital products, which have a market share of about 10%.⁴ The rapid rise of e-books in 2007 led some to expect that they would soon dominate the publishing sector. But Europeans' turn toward e-readers turned out to be limited, even when the coronavirus pandemic shuttered bookstores and drove people online. As in other cultural sectors experiencing digital pains, this is in part due to products' being offered for free, in this case via e-lending by libraries and, to a lesser extent, due to piracy.⁵ People read more during the pandemic, but they don't always pay for it. At least not for e-books.

Another format saved the day for many publishers, though. Back in 2017, total sales of audiobooks in Europe amounted to \$500 million.⁶ Since then, that market segment has seen explosive growth. In the United Kingdom, audiobook revenue jumped by 71% in the first half 2021, capping a seven-year run of double-digit growth in sales.⁷ Scandinavian publishers turned out to be winners during the pandemic, due to their digital savviness. Sales there were higher than before the pandemic, mostly driven by digital, particularly from audiobook subscription services. In Sweden, digital surpassed print sales for the first time last year.⁸ However, markets elsewhere in Europe, particularly in the south and the east, have seen smaller increases in digital sales, which means their pandemic-related losses have been greater.

The case of audiobooks exemplifies the greater market challenges caused by digitization in this industry.⁹ The business models and value chains of audiobooks are changing the publishing business: the future is data.

3. Know your customers

Despite its disruptive effects, the digitization of books presents immense potential for marketing innovations, as digital consumption offers reams of data on consumers' habits and tastes. Traditionally, book publishers had no direct relationship with readers. In the digital age, they, like everyone else, must turn to consumer-centred marketing. This means tracking down individual readers' needs and meeting them. As a result, some experts predict that keywords and metadata could become more lucrative than the words inside a book. Some of the big European publishers have tried to capitalize on this trend:

- Pearson has digitized its entire product range and collaborated with Microsoft to bring artificial intelligence technology to the educational market.
- Hachette Livre in France and Hachette UK have jointly developed a data collection tool to send out millions of emails every month, which are customized to individual readers' interests and reading habits.
- Penguin Random House, Bertelsmann's bookselling arm, uses artificial intelligence to adjust the prices of their few thousand top sellers at least once a week, which earns them an extra \$5 million per year in the US alone.¹⁰

The problem is that European publishers are not reaping enough of the benefits, in part because it has proven very difficult to collect data across the various national markets. Great discrepancies remain between countries in terms of access, reliability, and transparency of data sources.¹¹

⁴ Statista. (2021). *E-books*. <https://www.statista.com/outlook/dmo/digital-media/epublishing/ebooks/europe?currency=EUR>

⁵ Federation of European Publishers. (March 2021). *One Year After*. https://fep-fee.eu/IMG/pdf/202103_-_brochure_covid_update_digital_only.pdf?1857/6598ccf5e1afdda6eac39f35d6ded7321dfcd969

⁶ Aldus Up. (2020, April 15). *Aldus session: Are audiobooks transforming the publishing landscape?* <http://www.aldusnet.eu/k-hub/aldus-session-are-audiobooks-transforming-the-publishing-landscape/>

⁷ Anderson, P. (2021, November 30). *Nielsen's Look at Audiobooks in the United Kingdom: 'Curiosity, Multitasking'*. Publishing Perspectives. <https://publishingperspectives.com/2021/11/niensens-look-at-audiobooks-in-the-united-kingdom-curiosity-multitasking-covid19/>

⁸ Federation of European Publishers. (March 2021). *One Year After*. https://fep-fee.eu/IMG/pdf/202103_-_brochure_covid_update_digital_only.pdf?1857/6598ccf5e1afdda6eac39f35d6ded7321dfcd969

⁹ Colbjørnsen, T. (2015). The accidental avant-garde: Audiobook technologies and publishing strategies from cassette tapes to online streaming services. *Northern Lights: Film & Media Studies Yearbook*, 13(1), 83–103.

¹⁰ Harbaum, M., et al. (2020). *Technology and Data @ Bertelsmann*. [Report]. Bertelsmann Corporate Communications.

<https://www.bertelsmann.com/media/news-und-media/downloads/whatsyourstory/bertelsmann-technology-and-data-en.pdf>

¹¹ Mazzoli, E.M. (2021, September 9). *Book and Publishing Statistics in Europe: the need to improve a fragmented market with a lack of access to data*. Aldus Up. <http://www.aldusnet.eu/k-hub/book-publishing-statistics-europe-need-improve-fragmented-market-lack-access-data/>

And so, European companies still lag far behind the American giants: about 40 million titles are on offer just in the Amazon Kindle store.¹² Apple's access to customer data also dwarves that of anyone in the European cultural sector, due to its prolific music streaming business. These two, and other giants, have erected paywalls around their data, once again separating European publishers from consumers.¹³

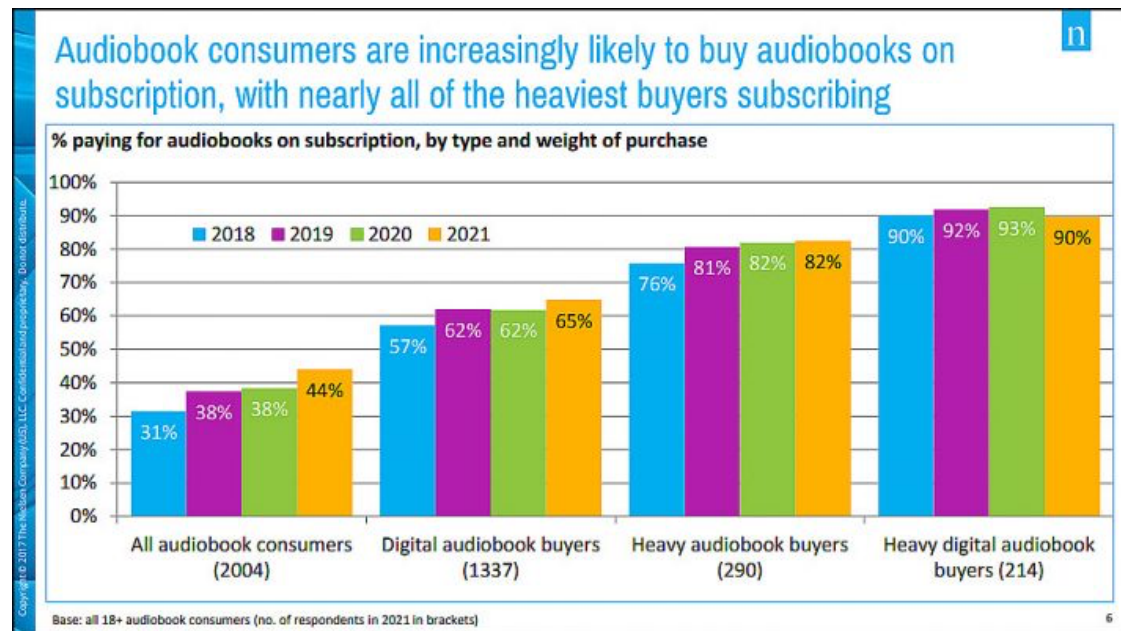


Figure: Audiobook subscription patterns in the UK¹⁴

Further complicating the data picture, audiobook consumers appear to favour subscription models (see Figure). The Nordic countries and the UK lead that trend, but others are likely to follow. This could pose more problems for publishers wanting to connect directly with their customers, who are likely to sign on to subscription services such as Storytel, which signed an agreement with streaming giant Spotify earlier this year.¹⁵ Instead of harvesting consumer data from digital sales, publishers would have to trust a platform for sales figures.¹⁶ A bright spot: young male consumers — traditionally hard to reach for book sellers — have been found to listen to audiobooks in growing numbers in the UK.¹⁷

4. Conclusion

The European publishing industry is an industry fragmented by national cultures and habits. Yet, fears of dropping sales after the 2008 financial crisis and simultaneous emergence of e-books seemed unfounded in the long run, as the book market recovered. Even the coronavirus pandemic, initially feared to cause up to 30% drops in revenue for 2020, turned out to have benign effects for the European book market on average, with some publishers even coming out ahead.

¹² Ractliffe, J. (2019). *Instinct, Input and Insight: Reader-centricity in Publishing*. Copyright Agency. <https://static-copyright-com-au.s3.amazonaws.com/uploads/2019/10/Instinct-Input-Insight.pdf>

¹³ Mazzoli, E.M. (2021, September 9). *Book and Publishing Statistics in Europe: the need to improve a fragmented market with a lack of access to data*. Aldus Up. <http://www.aldusnet.eu/k-hub/book-publishing-statistics-europe-need-improve-fragmented-market-lack-access-data/>

¹⁴ Anderson, P. (2021, November 30). *Nielsen's Look at Audiobooks in the United Kingdom: 'Curiosity, Multitasking'*. Publishing Perspectives. <https://publishingperspectives.com/2021/11/niensens-look-at-audiobooks-in-the-united-kingdom-curiosity-multitasking-covid19/>

¹⁵ Williams, M. (2021, May 24). *Storytel's partnership with Spotify unlocks a back door to the Holy Grail that is the US audiobook market*. The New Publishing Standard. <https://thenewpublishingstandard.com/2021/05/24/storytels-partnership-with-spotify-unlocks-a-back-door-to-the-holy-grail-that-is-the-us-audiobook-market/>

¹⁶ Aldus Up. (2020, April 15). *Aldus session: Are audiobooks transforming the publishing landscape?* <http://www.aldusnet.eu/k-hub/aldus-session-are-audiobooks-transforming-the-publishing-landscape/>

¹⁷ Anderson, P. (2021, November 30). *Nielsen's Look at Audiobooks in the United Kingdom: 'Curiosity, Multitasking'*. Publishing Perspectives. <https://publishingperspectives.com/2021/11/niensens-look-at-audiobooks-in-the-united-kingdom-curiosity-multitasking-covid19/>

But the devil is in the details: the publishers who succeeded in 2020/21 were those with digital chops, who were able to quickly shift print sales online and/or anticipated consumers' moving to digital formats. Even post-pandemic, printed books will represent less and less of publishers' sales. Based on current trends, their place will be taken by for example audiobooks. Producing audiobooks is not so different from producing other multimedia content. Unfortunately, the same is true for distribution, which means music- and video-streaming services will continue to get in on the audiobook game.

While Europe's publishing giants — all of whom are headquartered in the continent's richest markets — have diversified their business activities enough to withstand the platforms' onslaught, small-market publishers will need help to guarantee cultural and linguistic diversity in Europe's publishing future. Some of that help could arrive in the pages of upcoming EU legislation on data and digital markets.

Recommendation 1 – Review competition policy for audiobook industry

Review and adapt regulations on competition in the European book market, more specifically for the audiobook sector and the integration trends by big players such as Amazon in this sector (with a focus on mergers and acquisitions as well as antitrust).

Recommendation 2 – Research audiobook business strategies

Perform thorough market research into the advantages and disadvantages of possible business models for audiobooks, as traditional value chains and business models have been disrupted.

Recommendation 3 – Grow the use of data analytics

Use data science to identify growth sectors and long-tail niches, which can help large publishers defend market share against the tech companies' intrusions and allow small publishers to capitalize on specific consumer needs.

Recommendation 4 – Homogenize data collection across the EU

The Data Governance Act and the Digital Markets Act can be used to bring about a more transparent data governance system in the EU.

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