GBO NEW YORK
German Book Office

The United States Book Market

Prepared by the German Book Office New York, Inc.

The German Book Office New York, established in 1998, is a project of the Frankfurt Book Fair and the Foreign Office Berlin.

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TABLE OF CONTENTS[1]

[1] **For more information or questions, contact the German Book Office directly at post@newyork.gbo.org**

I. United States General Statistics:

A. POPULATION AND AREA

I. Population and Area:
Area: 9,826,675 sq. km
Population: 313,232,044 (July 2011 est.)*
Population density: 32.3 per sq. km
Population growth: 1% (0.963)

II. Age structure:
0-14 years – 20.1%
15-64 years – 66.8%
65+ years – 13.1%

*3.7 million of the total population is foreign born

B. ECONOMY

	2007	2008	2009	2010	2011 (est.)
Gross Domestic Product (Trillion USD)		14,369	14,119	14,658	15,227
GPD per capita (USD)		47,155	45,934	47,284	48,666
Inflation rate in %	2.85	3.85	-0.34	1.64	2.2
Unemployment in %	4.61	5.76	9.26	9.64	9.1
Average wage (USD/week)		695	739	747	
Exchange rate (1 Euro)		1.471 USD	1.395 USD	1.345 USD	1.409 USD

C. EDUCATION, LANGUAGE AND LITERACY

I. Education[2]
According to the 2010 United Nations Human Development Report 89.7% of the American population had attained secondary education. 81.6% of Americans achieved tertiary enrollment. There is a 1.5% dropout rate for primary education.

II. Languages:
English 82.1%
Spanish 10.7%
Other Indo-European 3.8%
Asian and Pacific island 2.7%
Other 0.7%

[2] 2010 United Nations Human Development, For more information, visit: http://hdr.undp.org/en/reports/global/hdr2010/chapters

228 million Americans only speak English at home. 35 million speak Spanish or Spanish Creole at home followed by 2.2 million Chinese speakers and 1.1 German speakers. In 2009 1.68 Million students enrolled in foreign language courses at higher education institutions. 96,300 of those registrants took German language courses.

III. Literacy

The literacy rate for people age 15 and older, who can read and write in the United States is 99%. However 14% of the US populations do not read well enough to understand a newspaper story written at the eighth grade level or fill out a job application according to ProLiteracy.[3] The United States ranks fifth on adult literacy skills when compared to other industrialized nations.

[3] ProLiteracy, For more information, visit: www.proliteracy.org

II. United States Book Industry Data

A. BOOK INDUSTRY REPORTING RESOURCES IN THE U.S

Throughout this study, there are several statistics reporting sources that should be introduced and further contextualized. Here are a few of the most widely used and important in the United States book industry:

I. The Association of American Publishers[4]

The AAP is a trade organization for U.S. book publishers providing advocacy and communications on behalf of the industry. The AAP releases industry statistics, however, figures are based upon the reporting of its members, which includes 300 publishers. Monthly and year-end AAP sales report represents data provided by 84 U.S. publishing houses representing major commercial, education, professional, scholarly and independents. Data on e-Books comes from 16 houses.

II. The Book Industry Study Group[5]

The Book Industry Study Group (BISG) was founded in 1975 as a book trade organization for standardized practices, research and education. BISG's membership varies from AAP to include, not only, publishers but also retailers, manufacturers, distributors, wholesalers, librarians and others involved in both print and digital publishing. BISG throughout the years published various reports. Among these are studies on experimentation and innovation in digital publishing, environmental trends and climate impacts, used-book sales, consumer buying habits and, until 2009, an annual review of publisher net unit and dollar sales entitled *Book Industry TRENDS*. As an incorporated non-profit, BISG continues to move into the field of standardized best practices and education of its members.

III. Bowker

As the exclusive U.S. ISBN and SAN Agency, Bowker has been providing the most authoritative bibliographic data to libraries, booksellers, and publishers around the world since 1872. Bowker was also a participant in the founding of the American Library Association and *Publishers Weekly,* an industry magazine first published in 1872 and continuing today.

Bowker's diverse brands include AquaBrowser®, Books In Print®, Pubnet®, PubEasy®, PubTrack™ , and Syndetic Solutions™ , among others. Worldwide, Bowker UK serves customers in Europe, Africa, Middle East and Asia, while Thorpe-Bowker is the exclusive ISBN and SAN Agency for Australia and New Zealand. Bowker is headquartered in New Providence, New Jersey.

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[4] For more information of the AAP, its monthly reporting, year-end reporting and members, visit: http://www.publishers.org

[5] For more information on BISG, its members, its member services and previous Book Industry TRENDS reports, visit: http://www.bisg.org

B. UNITED STATES BOOK MARKET SALES STATISTICS

Traditionally the AAP and BISG have been separately known for producing annual studies of the market. However, at the 2011 BookExpo America, U.S. book industry's annual international tradeshow currently based in New York, a new initiative in publishing reporting called BookStats was announced.

BookStats, founded in 2010, is a new venture of the Association of American Publishers (AAP) and the Book Industry Study Group (BISG) aimed at providing more complete data to the publishing industry, as reported by *Publishing Perspectives*. Both the AAP and BISG decided to end their separate reports to develop a new joint industry statistics model, which would examine and document the full spectrum of publishing. *Publishers Weekly* reports that for the U.S. book industry, BookStats stands as the most comprehensive information yet to gauge how technology is changing the sales patterns and trends of the book publishing industry. Bowker was retained as the data collection provider.

BookStats includes three year's worth of data (2008-2010) from over 1,100 publishers of all sizes and across various segments of the publishing industry including trade, scholarly, education (K-12 and Higher Education) and professional publishers.

I. BookStats Report[6]

With industry wide projections based on sales reported from 1,963 companies with combined revenue of $15.3 billion, BookStats found that the publishing industry grew in both 2009 and 2010, aided by $1.6 billion in sales from e-books. Total estimated revenue for all publishers rose 3.1% in 2010, to $27.9 billion, following a 2.5% increase in 2009. E-book sales across all publishing categories rose 29.4% in 2009 and 38.9% in 2010, and accounted for 5.8% of total industry revenue in 2010 (*See Section II, Part C for more on E-Books*). Overall U.S. publishing unit sales are up as well. 2.57 Billion net units sold in 2010 represent a 4.1% increase since 2008.

BookStats breaks down the U.S. publishing industry into five general markets, or categories:

1. Trade (fiction, non-fiction and religious content for adult and young consumers)
2. K-12 School
3. Higher Education
4. Professional (journals, databases and other digital content for professionals in science, medicine, business, law and the humanities)
5. Scholarly

[6] For more information on BookStats, its methodology, analytics and full report availability, visit: http://www.bookstats.org

Industry Sales 2008–2010 ($ in millions)

Category	2008	2009	2010	% Change 2008-09	% Change 2009–10
Fiction	3,924.6	4,337.7	4,304.0	10.5%	-0.8%
Nonfiction	5,024.0	5,052.1	5,200.4	0.6	2.9
Juvenile	2,878.6	3,316.9	3,082.0	15.2	-7.1
Religion	1,346.9	1,203.3	1,353.5	-10.6	12.5
Total Trade	13,173.5	13,910.1	13,939.9	5.6	0.2
Education	5,870.7	5,141.6	5,506.6	-12.4	7.1
Higher Ed	3,698.9	4,270.6	4,552.1	15.5	6.6
Professional	3,527.3	3,595.8	3,750.6	1.9	4.3
Scholarly	182.8	184.7	191.4	1.1	3.6
TOTAL	26,453.1	27,102.9	27,940.5	2.5	3.1

1. Trade[7]

The Trade market has shown resiliency in the midst of a challenging economy and significant changes in what it produces and where its works are sold. From 2008-2010, net sales revenue for Trade-category publishers has grown 5.8%; revenue for 2010 is $13.944 Billion. Overall net unit sales for Trade publishers increased over the three years by 4.5% with 2.26B units sold in 2010.

Adult Fiction sales remained strong and showed growth over all three years: overall net sales revenue increased by 9.7% and net unit sales by 3.5%. Adult Non-Fiction grew as well over the same period by 3.5%. Trade Juvenile (children, teens, young adults) sales fared well, gaining 7.1% over the three years in net sales revenue and 12.1% increases in net unit sales. Religion (religious books and Bibles) saw movement from 2008-2010: increasing 0.5% in net sales revenue and 1.1% in net unit sales. Overall net sales value for the Religion market in 2010 is $1.35 Billion with $204 Million net unit sales.

Trade Formats:

- **Trade Hardcover**

  Total net sales revenue for Hardcover in 2010 is $5.26 Billion. This represents a 0.9% increase over the three years. Hardcovers' share of the total Trade market shifted from

[7] Note: the current study done by BookStats does not include results from 2011, which has seen a surge in E-book sales.

39.6% in 2008 to 37.7% in 2010. Total net unit sales for 2010 are $603 Million. This represents a 5.8% increase from 2008.

- **Trade Softcover**

  Total net sales revenue for Softcover in 2010 is $5.27 Billion; representing a 1.2% increase over 2008. Net units sold increased 2.0% over the three years reported, with 1.1 Billion units in 2010. Softcovers' share of the total Trade market was 39.5% in 2008 and 37.8% in 2010.

- **Trade Mass Market Paperback**

  Total net sales revenue for 2010 is $1.28 Billion, showing -13.8% change since 2008. Its 9.2% share of the total Trade market in 2010 represents a -2.1% decline since 2008. Net unit sales for 2010 are $319 Million, a decline of 16.8% from 2008.

2. K-12

K-12 covers a vast range of learning tools for students and teachers at America's public and private schools and is the second largest U.S. publishing category based on net sales volume. Unlike other categories, K-12 is affected by changes in federal and state funding and the legacy state adoption market systems.

2010 net sales revenue for this category is $5.51 Billion. The category showed a -12.4% decline from 2008-2009, but rebounded in 2009-2010 with a +7.1% increase. This translates to a change in net sales value over the three-year period of -6.2%.

3. Higher Education

Impressive growth in Higher Education over the past three years is one of the biggest stories in the U.S. publishing industry. Higher Education publishers have been actively developing, producing and marketing the next generation of premium multiplatform learning solutions offering students improved performance, more effective comprehension and assessment tools and more cost-effective options. Additionally, there has been expansion in the U.S. college and university system, particularly in the community colleges segment.

Higher Education posted a significant 23.1% increase in net sales revenue for publishers over the three years, with steady annual growth of 15.5% and 6.6% respectively. Net revenue for the category in 2010 is $4.55 Billion.

4. Professional

Professional publishing provides print and digital content for practitioners, clinicians and other working in medicine, law, business, science, technology, the humanities, and social sciences. One reason for this market's resiliency through the 2008-2010 period has been its digitization of content; this has created more discoverability and opened up new markets.

Three-year Professional publishing net sales revenue grew by 6.3%; this includes 1.9% growth from 2008-2009 followed by 4.3% growth from 2009-2010. Revenue for 2010 is $3.75 Billion. Net unit sales virtually match the revenue track: total net units increased by 6.3% for the three-year window; 2008-2009 grew by 1.6% and 2009-2010 by 4.6%. Total net units sold were $171 Million.

5. Scholarly

Scholarly publishing covers print and digital content published by scholarly societies, commercial publishers and university presses for those involved in primary research in academic, corporate or government settings. This market saw net sales revenue grow while net unit sales declined very slightly.

Scholarly market net revenue for 2010 is $191 Million, a 4.7% increase from 2008. Net unit sales for 2010 is 5.64 Million, a -3.4% decline over the three-year period. This includes a -5.1% change for 2008-2009 paired with a +1.8% gain for 2009-2010.

II. AAP Annual Report 2010[8]

The Association of American Publishers revealed in its 2011 Annual Report, which showed a strong growth in year-to-year, year-end book sales. US publishers' books sales across all platforms increased +2.4% ($1.58 Billion) in December 2010 as compared to December 2009 ($1.54 Billion) and increased +3.6% ($11.67B) for the full year versus 2009 ($11.25B). Virtually every book-publishing category showed growth in one or both comparisons with the popularity of E-books continuing.

	Actual Annual Reported Sales								
Trade Print EBooks	2002	2003	2004	2005	2006	2007	2008	2009	2010
EBooks	2.1	6.0	9.3	16.0	25.2	31.7	61.3	169.5	441.3
Total Trade	3,897.7	3,838.3	3,794.7	5,025.5	5,036.4	5,457.9	5,158.0	5,127.1	4,864.0
EBook Share of Total (%)	0.05	0.16	0.24	0.32	0.50	0.58	1.17	3.20	8.32

Millions of Dollars

[8] Year-end AAP sales report represents data provided by 84 U.S. publishing houses. For 2010 AAP numbers in detail, visit: http://www.publishers.org/press/24

III. Six-Month Mark 2011 Sales[9]

Publishers Weekly reports that at the 2011 six-month mark, sales of print books in the major trade categories fell 22.9% at the houses that report figures to the Association of American Publishers. The declines were greatest among the adult segments, with sales down by more than 20% in the hardcover, trade paperback, and mass-market paperback categories. While e-book sales jumped 161.3% in the period, the gain was not enough to offset the decline in print, and combined e-book and print book revenue fell 8.6% at the reporting trade publishers. Print book sales were no doubt hurt by the demise of Borders (*For more on Borders, See Section VII, Part A)*, which sold few new titles from the major houses during the going-out-of-business sales.

Mass-market paperback sales were down 28.5% for the first half of 2011. With sales of $232.5 million from seven reporting companies, paperback sales were less than half of e-book sales, which were $473.8 million, a total that already surpassed sales for all of 2010 at the reporting houses.

In other areas, downloadable audio sales rose 17.8% for the January-June period, and totaled $44 million. Sales of physical audio fell 19.6% in the first half of the year, to $48.5 million, at the 13 audio publishers that report sales. The 22 religious book publishers that supplied results had a good first half, with sales up 13.7%. Higher education sales fell 10.3% in the first six months, and el-hi sales declined 21.9% at reporting companies. Sales in the professional segment dropped 7.7%, university press hardcover sales fell 6.0%, while university press paperback sales rose 1.3%.

AAP Six-Month Trade Sales 2010–2011 ($ in millions)

Category	2010	2011	% Change
Adult Hardcover	617.8	471.1	-23.7%
Adult Paperback	710.1	521.4	-26.6
Mass Market	325.3	232.5	-28.5
Children's/YA Hardcover	272.0	240.1	-11.7
Children's/YA Paperback	244.0	207.1	-15.1
Total Print	2,169.2	1,672.2	-22.9%
E-book	181.3	473.8	161.3
Combined	2,350.5	2,146.0	-8.6%

[9] *Publishers Weekly* Six-Month Sales are based on AAP reported sales figures. For more visit: http://www.publishersweekly.com/pw/by-topic/industry-news/financial-reporting/article/48729-print-declines-outpace-digital-gains.html

C. NON-PHYSICAL FORMATS & E-BOOKS IN THE UNITED STATES BOOK MARKET[10]

The consistent, growing popularity of e-books and apps are a major success story in content formats. E-books have grown from 0.6% of the total Trade market share in 2008 to 6.4% in 2010. While that represents a small amount in the total market for formats, it translates to 1274.1% in publisher net sales revenue year-over-year with total net revenue for 2010 at $878 Million. Net unit sales growth for e-books was equally impressive, increasing 1039.6% for the same three-year period. In 2010, e-book net units were $114M.

Beyond the top-level format figures, the explosive growth of e-books is even more visible when considering certain categories such as Adult Fiction; e-books are now 13.6% of the net revenue market share.

The Aptara Corporation 3rd Annual "E-Book Survey of Book Publisher" revealed that 94% of all trade publishers are currently developing e-books or planning to in the near future. For trade publishers the format has proven profitable bringing in 10% of all revenue for 20% of trade publishers. 44% of trade publishers reported 1-3% of total revenue were from e-book sales. 21% of trade publishers plan to release enhanced e-books, while 21% have no plans to develop enhanced e-books. 35% are still investing in the possibility on the side of apps, 23% of trade houses report producing apps, 37% are investing and 28% have no current plans to release apps. 10% of STM publishers, 29% of college publishers, and 15% of K-12 publishers said they have no plans to publish e-books soon.[11]

2010 Trade eBook Breakdowns (in dollars):

Adult Fiction	576.7 Million
Adult Nonfiction	200.7 Million
Juvenile	55.2 Million
Enhanced eBooks	4.99 Million
Religion	31.3 Million
Religion Enhanced eBooks	9.3 Million

[10] BookStats, a joint venture of the Association of American Publishers (AAP) and the Book Industry Study Group (BISG)
[11] Aptara Corporation 3rd Annual "E-Book Survey of Book Publisher"

"Digital Publishing by the Numbers"[12]

%	
76%	Publishers currently producing e-books
42%	Publishers reporting that 76%–100% of their books will be distributed as e-books in 2011
20%	Publishers that generate more than 10% of their revenue from e-books
44%	Publishers that generate 1%–3% of their revenue from e-books
48%	Publishers that reported that 1%–25% of their backlist titles have been converted to e-books
87%	Publishers who are, or plan to, produce e-books in addition to print
10%	Publishers who are producing e-books in place of print
21%	Publishers producing enhanced e-books
55%	Publishers with no plans or still investigating publishing enhanced e-books
23%	Publishers producing apps
65%	Publishers with no plans or still investigating the publication of apps
30%	Publishers who believe content format and device compatibility issues are the greatest challenges facing the e-book market
21%	Publishers who believe distribution channel issues are the greatest challenges facing the e-book market

[12] *Publishers Weekly*

III. Publishing Companies in the United States

The United States is home to thousands of publishing companies. The industry is highly concentrated – the top 50 companies generate about 80% of the revenue. Among this pool there are: 6 large publishing houses known as the "Big Six;" 3-400 medium-sized publishers; and 86,000 small/self-publishers. [13]

A. THE BIG SIX

The "Big Six" publishing houses in the United States book market are the largest publishing houses. They include: Random House, Penguin Group, Simon & Schuster, Hachette Book Group, HarperCollins, and Macmillan. Four of the big six are foreign owned:

1. Random House – owned by the media conglomerate Bertelsmann AG located in Germany
2. Hachette Book Group US – owned by the French multinational conglomerate Lagardère and is an imprint of Lagardère Publishing
3. Penguin Group – owned by Pearson PLC located in England
4. Macmillan – imprint of the Georg von Holtzbrinck Publishing Group located in Germany

I. Big Six Sales – 2011 Six-Month Mark[14]

Publishers Weekly reports that halfway through 2011 at least four of the major trade publishers continued to finds ways to profitably publish, despite the challenges of the digital transition and the collapse of borders. Lagardère and HarperCollins both fell in the period.

1. Random House

Random House had the most impressive performance of the four large houses with profits jumping 72.5%, to €69 million. The profit improvement at Random came despite flat revenue (down slightly on a reported basis, up slightly excluding currency fluctuations); as a result its operating margin improved to 8.8% from 5.0% in the first six months of 2010. Results were led by Random's U.S. subsidiary, where digital sales accounted for more than 20% of total sales. The keys to growth at Random were a strong bestseller performance, a 200% increase in e-book sales, and operational efficiencies.

2. Hachette

Digital sales accounted for 21% of sales at Hachette Book Group (with e-books alone accounting for 20% of sales) in the first six months of the year, but e-book sales gains of 115% were not enough to make up for the sales of Stephenie Meyer's Twilight series in the previous year, and sales and earnings at parent company Lagardère Publishing fell 7.7% and 29.7%, respectively. Sales in the U.S. fell 18%, but were flat excluding the Meyer comparison. HBG expects to post

[13] *Publishers Weekly*

improved numbers in the second half of 2011 as the Meyer comps ease dramatically. Lagardère was the only one of the four major publishers whose operating margin fell in the period.

3. Penguin Group

Penguin Group and Simon & Schuster both reported improved margins despite basically flat sales (excluding currency fluctuations in the case of Penguin). At the six-month mark Sales at the Penguin Group fell 7% in the first six months of 2011, dropping to 457 million pounds ($751 million), while operating profit fell from 44 million pounds to 42 million pounds ($69 million). Revenue was flat with the first half of 2010 and profits were up 13%. E-book sales helped to offset some of the Borders sales loss, with e-book sales doubling in the U.S. and increasing 128% worldwide; e-books represented 14% of Penguin's global revenue.

4. Simon & Schuster

Simon & Schuster reported adjusted profits increase of 29%, to $29 million, while revenue slipped to $338 million from $341 million. Operating profit at Simon & Schuster rose 13% in the second quarter to $17 Million. S&S experienced 3% decline in sales falling to $183 Million. There was also a surge in sales of digital content, which was 15% of total sales in the quarter amounting to $27.5 Million. Digital sales doubled in this period compared to last year's number, however, digital share of sales fell from 18% of the first period. In the U.S. sale in the children's division and audio units were up, while adult sales fell.

5. HarperCollins

Sales at HarperCollins fell in the fiscal year ended June. Parent company News Corp. said in its 10-k filing that HC had "lower book sales due to fewer new releases and lower licensing fees resulting from a settlement received at HarperCollins in fiscal 2010." HC said it had exceeded its plan in fiscal 2011 led in the U.S. by a good performance in its children's division.

Six Month Operating Results (in millions)[15]

RANDOM HOUSE	2010	2011	% Change
Sales	€791.0	€787.0	-0.5%
EBIT	40.0	69.0	72.5
Operating Margin	5.0%	8.8%	-
PENGUIN GROUP	**2010**	**2011**	**% Change**
Sales	£493.0	£457.0	-7.3%
Operating Income	44.0	42.0	-4.5

[15] *Publishers Weekly*

Operating Margin	8.9%	9.2%	-
SIMON & SCHUSTER	**2010**	**2011**	**% Change**
Sales	$341.0	$338.0	-0.9%
Operating Profit	17.0	22.0	29.4
Operating Margin	5.0%	6.5%	-
LAGARDÈRE PUBLISHING	**2010**	**2011**	**% Change**
Sales	€975.0	€900.0	-7.7%
Operating Profit	101.0	71.0	-29.7%
Operating Margin	10.3%	7.9%	-

B. PUBLISHER SALES

The 2011 BookStats report provided a breakdown of total sales by eight revenue ranges for all publishers. The top-tier publishers lost a bit of market share between 2008 and 2010, but the largest houses still accounted for 49.2% of revenue compared to 50.3% in 2008. The strongest gains in the period were turned in by mid-size publishers, with their share of sales increasing to 14.2% last year from 13.3% in 2008.

Size of the total U.S. publishing industry in publisher net sales revenue:

- $27.9 Billion for 2010
- $27.1 Billion for 2009
- $26.5 Billion for 2008

What that represents:

- Year-to-year growth from 2008-2009 was 2.5%
- Year-to-year growth from 2009-2010 was 3.1%
- Two-year overall growth (2008-2010) was 5.6%

Size of the total U.S. publishing industry in publisher net unit sales:

- 2.57 Billion in 2010
- 2.514B in 2009
- 2.474B in 2008

What that represents:

- Unit sales growth from 2008-2009 increased 1.7% in volume

- Unit sales growth from 2009-2010 saw slightly increased performance and grew by 2.4%
- Two-year overall growth (2008-2010) was 4.1%

IV. Book Production in the United States[16]

In 2010 the number of books produced by traditional publishers rose 5% to 316,480. (2009, 302,410). That number, however, is dwarfed by the growth in output of nontraditional titles, which jumped 169% to 2.76 Million (1.03 Million in 2009). These books, marketed almost exclusively on the web, are largely on-demand titles produced by reprint houses specializing in public domain works and by presses catering to self-publishers and "micro-niche" publications (*See Chapter IV, Section B for more information*). Based on the preliminary figures, the combination of traditional and nontraditional books totaled a projected 3,092,740 in 2010, up 132% from 2009.

The Fiction category, while still the largest, dropped 3% from 2009, continuing to decline from peak outputs in 2007. The Juvenile category was the largest segment after fiction and production fell 1%, to 32,638 titles; sociology/economics production increased 8%, to 28,991, while the 37% increase in science production put output at 21,414. Religion was in fifth spot with 19,793 titles, a drop of 4%. Since 2002, the production of traditional books as increased 47%, while nontraditional titles rose 8,460%.

A. TOP BOOK PRODUCTION CATEGORIES

	Number of Titles	
Category	**2010**	**2009**
Fiction	47, 392	48, 738
Juvenile	32, 638	33, 028
Sociology/Economics	28, 991	26, 904
Science	21, 414	15, 608
Religion	19, 793	20, 527

B. PRINT ON DEMAND

Non-traditional Print-on-Demand is concentrated in a handful of houses. In 2008, the production of non-traditional print-on-demand books surpassed traditional book publishing for the first time and since then, its growth has been staggering. Now almost 8 times the output of traditional titles, the market is dominated by a handful of publishers. In fact, the top three publishers accounted for nearly 87% of total titles produced in 2010.

[16] Bowker Book Industry Statistics

Publisher	2010 ISBN Count
BiblioBazaar	1,461,918
General Books LLC	744,376
Kessinger Publishing, LLC	462,480
Books LLC	54,737
CreateSpace	34,243
Springer	516,517
Lulu Enterprises Inc.	11,127
Xlibris Corporation	10,680
AuthorHouse	8,502

C. BOOK PRICES

I. Average Physical Book Price (2010)[17]

Adult:		Children's and YA:	
Hardcover Fiction	28.05 USD	Hardcover (all titles)	22.46 USD
Hardcover Non-Fiction	26.05 USD	Trade Paper (all titles)	11.65 USD
Trade Paperback Fiction	16.16 USD	Mass Market Paper (all titles)	7.20 USD
Trade Paperback Non-Fiction	20.99 USD		
Mass Market Paperback	8.68 USD		

II. E-book Pricing Debate: Agency vs. Wholesale Model

Originally E-books were sold for the same amount as published paperback books, which is known at the wholesale model. E-book retailers would pay publishers a fixed price for each E-book sold. E-Book retailers would decide what retail price to charge their customers. Under this model E-book retailers are allowed to provide discounts, rewards programs and other special consumer benefits.

Publishers Weekly reports that in the agency model, publishers set the price and designate an agent—such as a bookseller—who will sell the book and receive the 30% commission. Adopting the model for e-books tends to mean e-book prices will rise, something both publishers and independent retailers welcome. Publishers believe low e-book prices devalue their books and cannibalize hardcover sales. Under the agency model once a price has been set it cannot be changed or discounted by the retailer and independent e-book retailers believe the higher prices of the agency model allow them to compete with big e-book vendors. [18]

All six of the largest publishers in the U.S. now operate on the agency E-Book pricing model. Since August 2011, there has been a growing number of class-action lawsuits against the Big Six publishers and online retail giants Amazon, Apple and Barnes & Nobles. The first lawsuit filed by Hagens Berman Sobol Shapiro accused Apple of conspiring with five of the six major book publishers to fix prices for electronic books. Between August 12 and September 23, at least a dozen additional suits were filed in California's Northern District and New York's Southern

[17] The Library Network
[18] *Publishers Weekly* "Random House Switches to Agency Model For E-book Sales," February 28, 2011

District, each alleging "conspiracy" and "collusion" to fix E-book prices against Apple and the publishers reports *Publishers Lunch*. [19]

On the consumer side complaints over E-book pricing is growing. E-books pricing generally has fallen in the range of $9.99 to $14.99 as reported by *The New York Times*[20]. However the debate over E-book pricing continues to be a point of contention between publishers and consumers. Despite consumer complaints E-books are becoming more expensive and new releases are up to $14.99. Impassioned E-readers have taken stands against online retailers Amazon and Barnes & Nobles by organizing impromptu boycotts and leaving one-star ratings and negative comments for “overpriced” books and their authors. From the *NYT*: “Publishers say price levels are not settled by any means and that now, having reached agreements where publishers — rather than retailers — set consumer prices, they have an opportunity to test different situations.”

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[19] *Publishers Lunch* Still More Law Firms Want A Piece of Class-Action Agency Suits, As Pretrial Conferences Loom

[20] *New York Times,* E-Book Price Increase May Stir Readers’ Passions, Feb 10, 2010

V. Translations in the United States Book Market

As of 2011 there remains no comprehensive study of the number of translated titles that enter the United States book market pool. However, a commonly cited and widely used statistic originally issued by Bowker continues to be in use today, namely that 3% of books published in the United States are translations. As compared, for example, to Germany where 13.8% of all published books are in translation.[21]

Initiatives have been started in the United States to combat this perceived low figure in translated titles. Of translated work being published in the United States an even smaller percentage are in literary fiction. There has been significant growth in the number of smaller publishers and university presses featuring translated literature, including Melville House, Ugly Duckling, Archipelago, Open Letter, Seagull Books (distributed through University of Chicago Press) and Europa Editions. A handful of presses, such as New Directions, Grove, Green Integer, and Dalkey Archive have been leading publishers of literary translations for more than a quarter century. [22] Additionally the recently created Amazon imprint entitled Amazon Crossings, whose aim is solely focused on translation foreign-language books into English, was introduced in 2010.

<u>A. REPORTING RESOURCES</u>

II. Three Percent[23]

Three Percent, a resource for international literature at the University of Rochester, has been collecting data in their Translation Database since 2008. By collecting as many catalogs and receiving input directly from publishers, Three Percent has issued data on the number of translated titles publisher per year. Data is limited to gathering translations of fiction and poetry not including reprints, paperback versions of hardcovers, memoirs, children's books, nonfiction, UK versions not for sale in the U.S., and graphic novels.

1. Three Percent Translation Figures

In 2008, there were 360 total translations, 278 fiction titles and 82 titles, which were poetry. In 2009, the total increased slightly to 363, with 291 being fiction and 72 poetry titles. 2010 saw a drop off with the total dipping to 340, 265 fiction and 75 poetry titles.

Top Translation languages for 2011 are French (59 titles), Spanish (47), German (44), Japanese (25), and Swedish (19), which accounts for almost 54% of the books published in translation. In

[21] 13.8% represent newly published books and does not include reprints. *Buch und Buchhandel in Zahlen 2011*, German Publishers and Booksellers Association

[22] The Global Translation Initiative (GTI), a joint venture of Dalkey Archive Press, English PEN, the Free Word Centre, and Arts Council England. For more information, visit. http://www.dalkeyarchive.com/aboutus/?fa=Translation

[23] For more information on Three Percent or to access the Translation Database, visit: http://www.rochester.edu/College/translation/threepercent/index.php?s=database

2010, the top languages were French (60), Spanish (52), German (35), Japanese (26), and Italian (15)—constituted 55% of the total

II. The German Book Office New York – *Publishers Weekly* Analysis

Since 2004, the German Book Office New York has conducted an analysis of translation trends in the United States book market each year to test the accuracy of the conventionally held statistic that only 3% of the annual title output are translations. The analysis is based upon data collected weekly of translated title reviews as compared to the sum of all reviews from *Publisher's Weekly*[24] throughout the year. Since the inception of the GBO's *Publishers Weekly* Analysis, three languages have held the top three spots for most translated titles, namely French, German and Spanish.

B. TRANSLATION FUNDING[25]

There are a variety of noteworthy foundations in the US that support translation activities, whether through translator grants, or publishing support, one such being The National Endowment for the Arts that sponsors Literature Fellowships for Translations projects and support for American nonprofit publishers. Other American based granting programs include the Pen American Center, the American Library Association, and the American Literary Translators Association.

However, most financial support for publishers comes from additional resources via cultural organizations with funding made available from applicable countries. Examples include the Goethe-Institut, French Embassy in the U.S., Ministry of Culture of the Czech Republic, and Spanish Ministry of Culture.

For more detailed information on German translation funding, contact the German Book Office directly (Contact Details on p.2)

C. TRANSLATORS IN THE UNITED STATES[26]

There are hundreds of active literary translators in the US belonging to several membership organizations, including the American Literary Translators Association (ALTA), which has 13 regional chapters around the country, the American Translators, Association (ATA), and the PEN American Center.

I. Translators Databases

For publishers seeking the service of translators for specific foreign acquisition projects, Translator Databases operated by several organizations are noteworthy resources. The Pen American Center operates a Working Translators Directory[27] featuring translators organized by

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[24] U.S. book trade publication that reviews fiction, non-fiction, audio and children's books titles
[25] The Global Translation Initiative
[26] The Global Translation Initiative
[27] For more information: http://www.pen.org/page.php/prmID/267

language. The Directory boasts 34 different languages and offers short profiles of each translator and their respective past projects.

For information on German translators, contact the German Book Office New York.

VI. Copyright Laws in the United States Book Market

A. COPYRIGHT LAWS[28]

Copyright law in the U.S. is governed by federal statute, namely the Copyright Act of 1976. The Copyright Act prevents the unauthorized copying of a work of authorship. However, only the copying of the work is prohibited; anyone may copy the ideas contained within a work. Copyrights can be registered in the Copyright Office in the Library of Congress, but newly created works do not need to be registered. In fact, it is no longer necessary to even place a copyright notice on a work for it to be protected by copyright law. However, the Copyright Act does provide additional benefits to those who register with the Copyright Office. Consequently, copyright registration and the use of a copyright notice is recommended.

B. TERMINATION RIGHTS[29]

The claim system works on a 35-year plan. Provided certain conditions are met, a publishing contract can be terminated during a five-year window, which begins 35 years after initial publication, or 40 years from the date the contract was signed. The termination right applies to any book published on or after 1978. So, taking a work published in 1978 as an example, the earliest the termination right could take effect is 2013 (since it takes two years after filing to get the rights back), but the latest a termination notice could be filed is 2016, in order to fall within the five-year eligibility window (because the window expires in 2018).

[28] http//:www.bitlaw.com
[29] *Publishers Weekly*

VII. Exports and Imports in the United States Book Market[30]

A. BOOK EXPORTS

Book exports slipped 0.8% in the first six months of 2010, to $911.1 million. The decline was due to shipments to a number of smaller markets, as exports to America's top 15 book trading partners rose 3.5%. The largest increase in exports was to Mexico, driven by a large gain in demand for professional books. Exports to the U.K., America's third largest overseas market, fell 11.1% as demand in the U.K. for professional and religious books, textbooks, and hardcovers all fell. Exports to America's largest book market, Canada, rose 2.8%, led by demand for paperbacks. Exports to China had a solid increase, led by shipments of professional books.

Among the major book segments, exports of textbooks, professional books, and religious books declined, while exports of paperbacks and trade hardcovers increased. In addition to Canada, there was a significant increase in demand for paperbacks from Singapore and a much smaller increase in shipments to the U.K. Shipments to India and Japan led the higher demand for hardcovers. In addition to declining demand from the U.K., textbook exports also fell to Korea and Germany, while professional book exports had notable decline to the U.K., Canada, and Hong Kong.

Book Exports. January–June 2009 and 2010 ($ in millions)[31]

Country	**2009**	**2010**	**% Change**
Canada	411.6	423.1	2.8%
United Kingdom	144.8	128.8	-11.1
Australia	45.6	42.1	-8.1
Mexico	33.5	40.8	21.6
Japan	33.9	36.8	8.5
Singapore	25.8	26.7	3.7
Korea	20.2	19.3	-4.3
Germany	19.3	19.0	-0.2
India	12.0	13.8	15.6
China	9.8	11.1	13.8
Hong Kong	10.1	10.5	3.4
Philippines	10.6	10.4	-1.4
South Africa	9.1	10.2	12.3
United Arab Emirates	10.1	9.7	-4.3
Brazil	7.9	9.2	16.4
Subtotal	774.3	801.5	3.5
Total	918.8	911.1	-0.8

[30] *Publishers Weekly*

B. BOOK IMPORTS

While exports slipped, book imports rose 7% in the first half of 2010, to $842.7 million. Imports from China, which consist primarily of books manufactured in that country, increased 16.4% in the first six months of 2010, to just over $343 million. Imports from the U.K. rose 19.3%, to $112.4 million, making the U.K. the second largest source of books in the first six months of the year, ahead of Canada, from which imports fell 11.9%, to $104.7 million.

Book Imports, January—June 2009 ($ in millions)

COUNTRY	**2008**	**2009**	**% CHANGE**
Source: U.S. Commerce Department			
China	355.5	295.1	-17.0%
Canada	150.7	118.9	-21.1
United Kingdom	163.3	94.2	-42.3
Singapore	52.1	44.6	-14.4
Hong Kong	49.3	36.5	-26.0
Total, Top 5	**770.9**	**589.3**	**-23.5**
Total, Worldwide	**1,062.6**	**787.9**	

VIII. Distribution Channels in the United States Book Market[32]

The 6 distribution channels in the U.S. are: Retail Chains, Independent Retail, Online Retail, Mass Merchants/Jobbers/Wholesalers, Institutional Sales, and Other Channels.

For 2010, overall bricks and mortar Trade retail remains the largest distribution channel - 40.8% of total — in the U.S. Chain Stores make up the vast majority of publishers' sales directly to retailers (53.54%), followed by Independent Booksellers and Specialty Stores (10.6% each) and Mass Merchants (3.84%).

Publishers' sales to Wholesalers and Jobbers (30.1% in 2010) have an impact on the numbers above, particularly for Independents, Specialty Stores and Mass Merchants, outlets that rely on Wholesalers/Jobbers as merchandise sources.

The top five largest booksellers (sales in millions USD):

1. Amazon.com ($34,204)
2. Barnes & Noble ($5,810)
3. Borders ($2,823)[33]
4. Books-A-Million ($508)
5. Powell's Books ($61.7)

A. TRADE RETAIL SALES

1. Retail Chains

Publishers' net sales revenue to brick-and-mortar Retail Chains saw significant swings over the three years with an overall -2.7% decline. Net revenue to Retail Chains for 2010 is $3.06 Billion. Net units reflect the same pattern with a 2008 - 2010 growth rate of +3.0%. In 2010, total units were $436 Million.

a. Borders USA[34]

> Borders closed the doors of its final remaining stores on Sunday, September 18, 2011. The company employed approximately 19,500 throughout the U.S., primarily in its Borders and Waldenbooks stores. As of January 30, 2010, the company operated 511 Borders superstores.

[32] BookStats

[33] Borders filed for Chapter 11 bankruptcy in February 2011.

[34] For extensive coverage of Borders fall and impact, visit *Publishers Weekly* "From Chapter 11 to Liquidation" http://www.publishersweekly.com/pw/by-topic/industry-news/bookselling/article/45966-borders-watch.html

2. Independent Retail

While seeing some loss over the three-year arc, Independents did not experience the changes seen by Retail Chains. Publishers' books sold directly to Independents declined 1.8% from 2008-2009 and had a -3.7% decline from 2009-2010. Net sales revenue for publishers directly into the Independent market for 2010 is $642 Million. Net unit sales directly to Independents for 2010 is $52.9 Million.

3. Online Retail

From 2008-2010, Online Retail clearly gained market share that other channels lost. There are two distinct factors contributing to this: the strong overall growth of the online channel as consumers are switching their purchase preferences and the explosion of the e-book as a reading format.

Net sales revenue reported by publishers for content sold directly to online channels is $2.82 Billion in 2010. This year-over-year growth represents an 18.8% increase from 2008-2009 and 30.7% from 2009-2010, for a three-year overall growth of 55.2%. Net unit sales growth has been even stronger, from 19.6% in 2008-2009 to 40.9% in 2009-2010, a total growth of 68.6%. Total net unit sales by publishers to online channels in 2010 is $276 Million.

Amazon remained the dominant place to buy e-books, with more than 70% of e-book buyers using the store to buy titles in May 2011, up from 60% a year ago. Barnes & Noble.com stayed ahead of the iBookstore and iTunes in May with about 27% of e-book buyers going to B&N.com, while e-book buyers using the Apple stores stayed below 10% (and actually fell slightly from January).[35]

4. Mass Merchants, Jobbers and Wholesalers

Since these three channels are so reliant on each other, it is difficult to provide an accurate analysis of them. It does appear, however, that publishers are increasingly making sales directly into Mass Merchants, with both net sales revenue (553.4%) and net unit sales (294.7%) up over the past three years. As Mass Merchants have experienced this increase, there has been a noticeable drop in publishers' sales to Jobbers and Wholesalers where revenue has declined 6.7% and net units fell -9.6%.

5. Institutional sales

This channel includes sales to such destinations as libraries, government agencies and professional businesses. Publishers' sales reflect the downturned economy in 2008-2009, with a 11.7% decline, and a rebound in 2009-2010 with a +6.8% increase. Publisher net sales revenue and unit sales for 2010 are $5.97 Billion and $143 Million units.

[35] *Publishers Weekly*

6. Other channels

Publishers reported a healthy growth in net revenue in direct-to-consumer, export sales, book clubs and fairs; volume among these channels ranged from 7% to 10% over the past three years. Such growth reflects publishers' and end consumers' interests in continually expanding where they can sell and buy books.

Trade Sales by Channel, 2008–2010 (in millions)

Channel	2008	2009	2010	% Chge 2009–10
Retail stores (total)				
Sales	$5,568.4	$6,174.0	$5,691.6	-7.8%
Market Share	42.3%	44.4%	40.8%	-.....
Retail stores (Chains)				
Sales	$3,131.0	$3,556.1	$3,044.5	-14.4%
Market Share	23.8%	25.6%	21.8%	-....
Retail stores (independents)				
Sales	$638.3	$626.7	$603.8	-3.7%
Market Share	4.8%	4.5%	4.3%	-....
Retail stores (mass merchants)				
Sales	$33.5	$128.9	$218.5	69.5%
Market Share	0.3%	0.9%	1.6%	-....
Retail stores (specialty stores)				
Sales	$522.9	$536.8	$556.0	3.6%
Market Share	4.0%	3.9%	4.0%	-....
Retail stores (unclassified)				
Sales	$1,243.1	$1,325.3	$1,268.7	-4.3%
Market Share	9.4%	9.5%	9.1%	-....
Online retail				
Sales	$1,056.4	$1,364.6	$1,994.0	46.1%

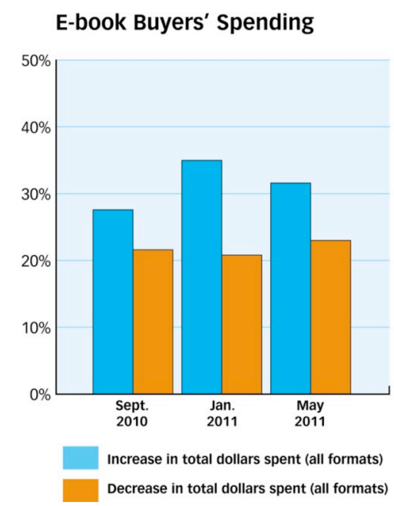
Market Share	8.0%	9.8%	14.3%	-....
Direct-to-consumer				
Sales	$133.1	$137.3	$128.4	-6.5%
Market Share	1.0%	1.0%	0.9%	-....
Institutional sales				
Sales	$355.3	$330.6	$351.4	6.3%
Market Share	2.7%	2.4%	2.5%	-....
Book clubs & fairs				
Sales	$317.8	$330.8	$354.0	7.0%
Market Share	2.4%	2.4%	2.5%	-....
Export sales				
Sales	$669.6	$660.1	$707.9	7.2%
Market Share	5.1%	4.7%	5.1%	-....
Jobbers & wholesalers				
Sales	$4,608.2	$4,445.9	$4,197.4	-5.6%
Market Share	35.0%	32.0%	30.1%	-....
All Other channels				
Sales	$646.7	$466.8	$515.1	10.3%
Market Share	3.5%	3.4%	3.7%	-....
TOTAL	$13,173.5	$13,910.1	$13,939.9	0.2%

IX. Consumer Habits

A. SPENDING HABITS

The latest Communications Industry Forecast report developed by the private investment firm Veronis Suhler Stevenson forecasts minimal growth for consumer book spending in 2011, with total expenditures inching up 0.1%, to $22.47 billion. The growth will be led by a 102.8% gain in spending on e-books that will offset a 4.9% decline in spending on new print books. Spending on used print books is predicted to rise 5.0%

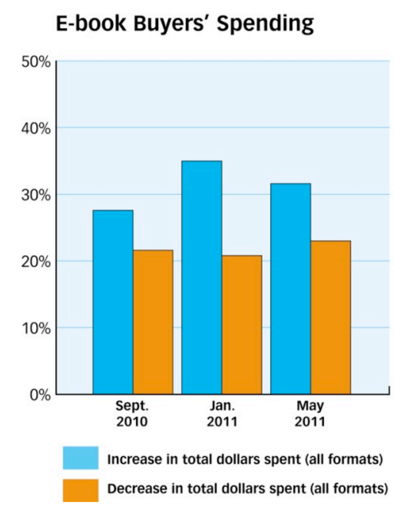
B. READING HABITS[36]



I. US Census Bureau Report

According to the 2011 United States Census Bureau, in 2010 37.9% of Americans read a book within the last 12 months, with 20.8% reading two or more times a week, and 3.6% reading once a week, 3.8% reading two or three times a month, and 2.8% reading once a month. 2.5% of American participated in a book club in the past 12 months.

II. Harris Interactive Poll[37]



The Harris Poll surveyed over 2,000 adults online between July 11 and 18, 201. With questions focusing on reading habit, the survey revealed insights into the changes that e-Reading has had over the past year as well.

Overall 16% of Americans read between 11 and 20 books a year with 20% reading 21 books or more in a year. These numbers are very different for Americans who read electronically: 32% of Americans read 11-20 books and 27% read 21 books in an average year with e-Reader devices.

The Harris Poll has also revealed that e-Reader users are also much more likely to purchase books. 32% of Americans say they have not purchased any books in the past year, while only 6% of e-Reader users could say the same. The usage of e-Reader devices is also on the rise with 15% of Americans using e-Reader devices up from 8% last year. Additionally 20% of Americans say they are likely to purchase and e-Reader device in the next six months.

Despite which platform, be it e-Readers or physical books, upon which Americans choose to read, genre selection is unaffected by the digital spike. Among those who say they read at least

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[36] United States Census Bureau, 2011
[37] Harris Interactive

one book in an average year, 76% read both fiction and non-fiction. However in both these categories, certain types of books are on the rise. Among fiction categories, 47% of respondents read mystery, thriller and crime books; 25% read science fiction; and 23% read literature and romance. The remaining readers chose between graphic novels (10%), "chick-lit" (8%) and Westerns (5%). Within the non-fiction categories 29% of readers pick up biographies; 27% read history; and 24% read religious and spirituality books. 18% of non-fiction readers pick up self-help book, while 13% read true crime, 12% read current affairs, 11% read political books and 10% read business books.

E-Readers are here to stay in America. The introduction of dedicated e-readers and multifunctional devices has drastically changed the landscape of reading habits in the United States. *Publishers Weekly* reports that e-book reading is preferred on devices over computers. The Book Industry Study Group's 2011 survey "Attitudes Towards E-Book Reading" reveals 67% of e-book buyers said they increased their spending on e-books this May, up from 48% last September. In September, e-book buyers reduced spending on hardcovers and paperbacks by 40% each. The only issues hindering e-book buyers based on the study was the rising cost of titles, which have risen from 22% to 28% between May 2010 to May 2011. According to consumers, free chapters or sample giveaways had the largest impact on buying e-books.