

# The Changing World of Books, e-books and Devices

## EDITECH 2011

9 June 2011

Ann Betts, Commercial Director

Nielsen Book

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# Content

- Book Markets
- Consumer Confidence
- The Retail Landscape
- Pricing and e-books
- Genres
- Devices – eReaders and tablets
- Summary

# Key Messages

- Print book sales are declining in many countries globally
- E-book sales are showing rapid growth and in March 2011 take a 17% share of the book market in the US (AAP) and almost 6% share in the UK at the end of 2010.
- Decline in print book sales can be attributed to weak consumer confidence, a loss of retail space and the growth of the digital format
- There is a challenge around the commercial models for e-books. The consumer attaches a greater value to the physical product while the majority of purchasers pay between \$5 and \$9.99 for an e-book.
- Some genres transfer more readily to digital format – genre fiction, travel, reference and personal development – are showing significant drops in print form
- eReaders tend to skew to older and more female than other Connected Devices

## Book Markets

Consumer Confidence

The Retail Landscape

Pricing and the e-book

Genres

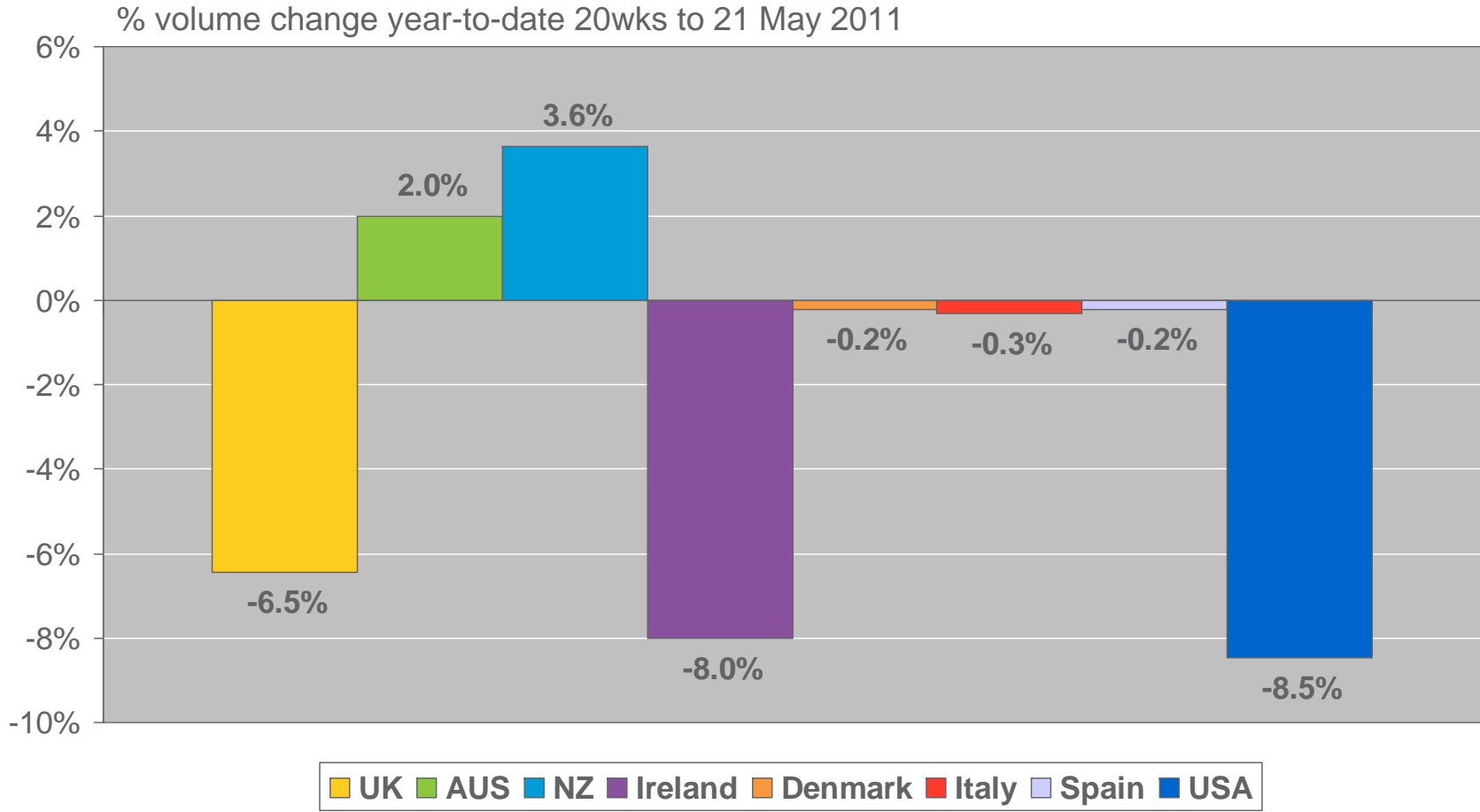
Devices – eReaders and tablets

Summary

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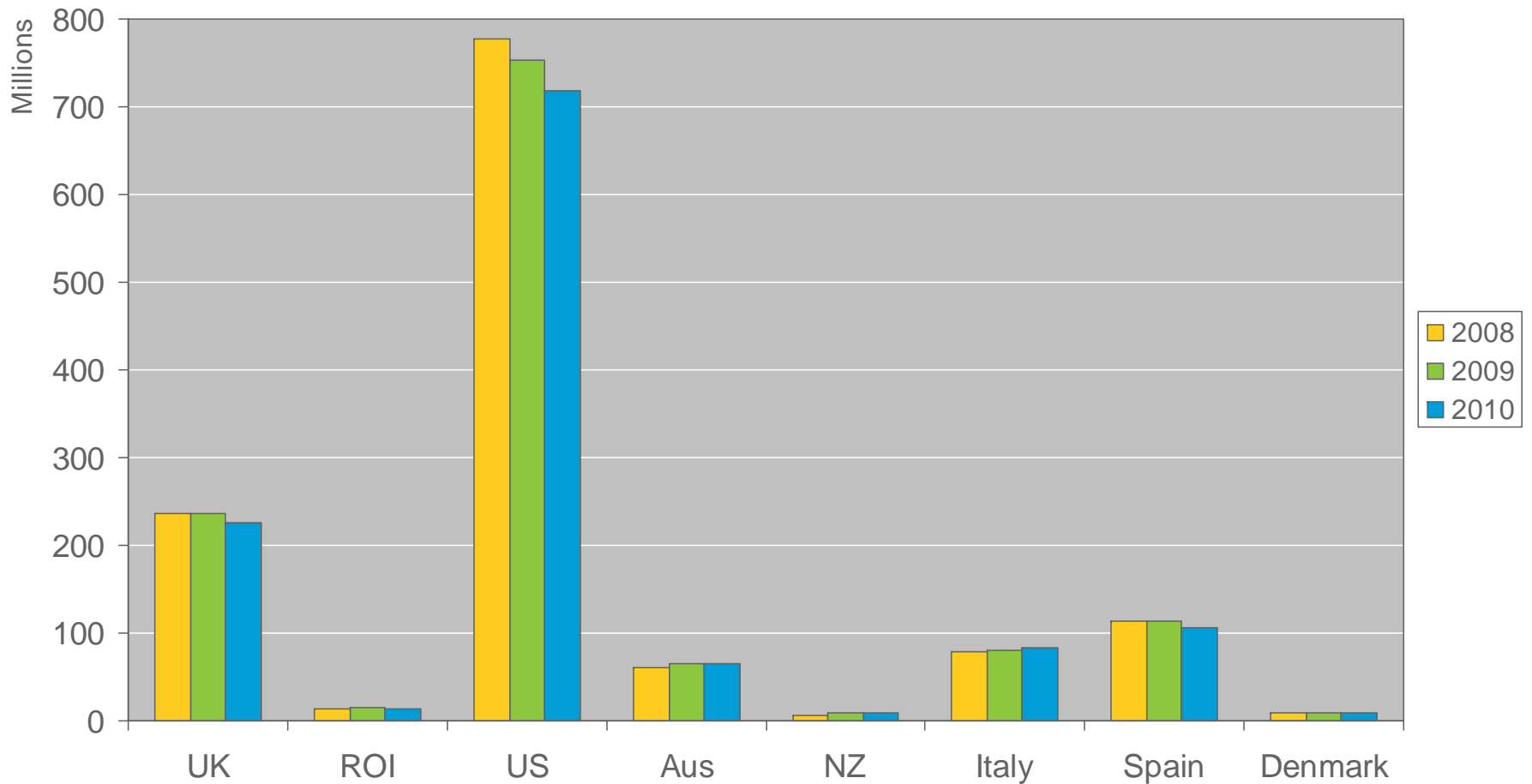
# Print book sales volumes decline in the USA and European countries in recent weeks



Source: Nielsen BookScan

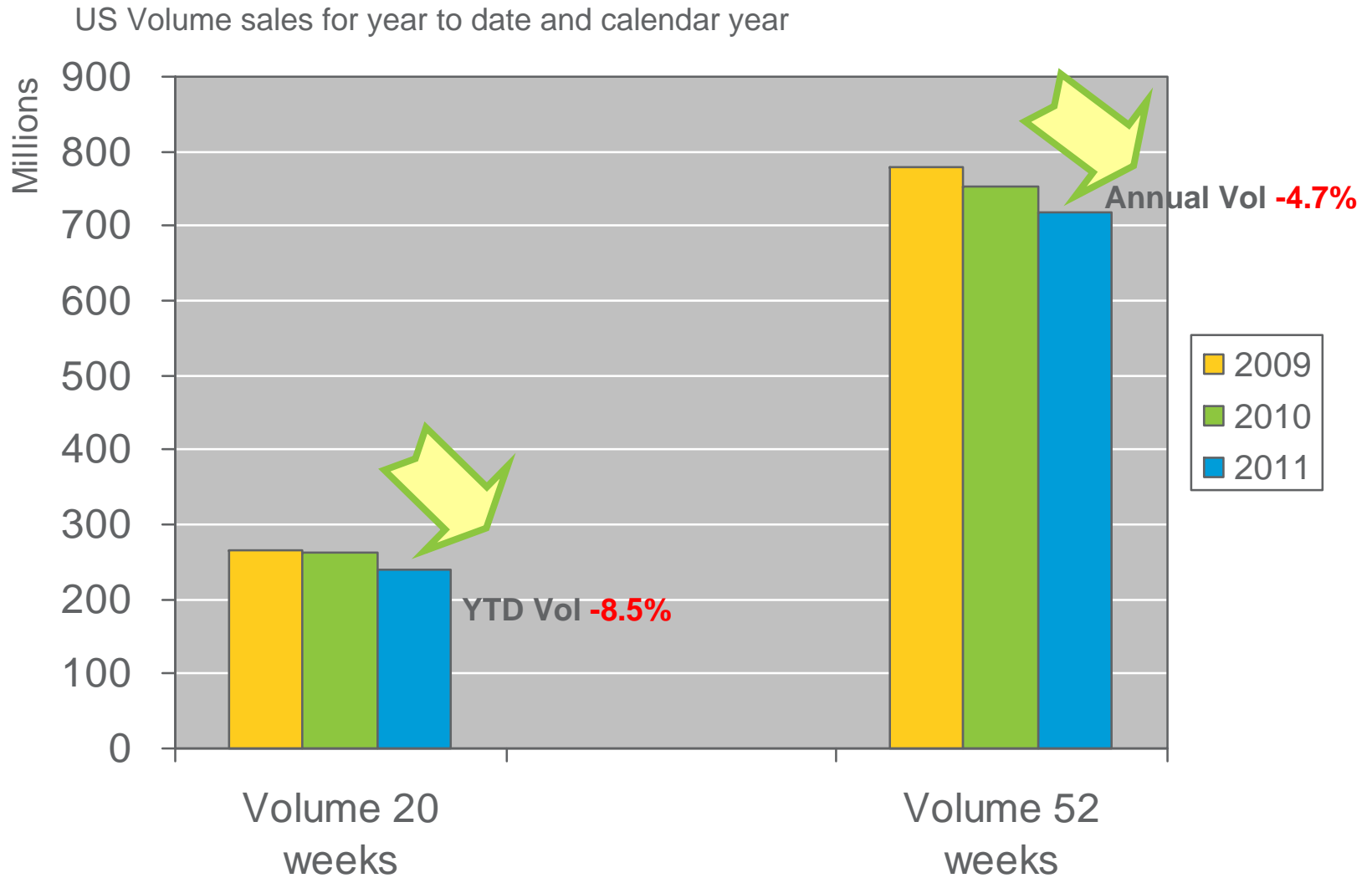
# Full year sales over the past three years show a steady decline in the US from 2008 and in most of the European countries tracked from 2009

52 weeks volume sales by country



Source: Nielsen BookScan

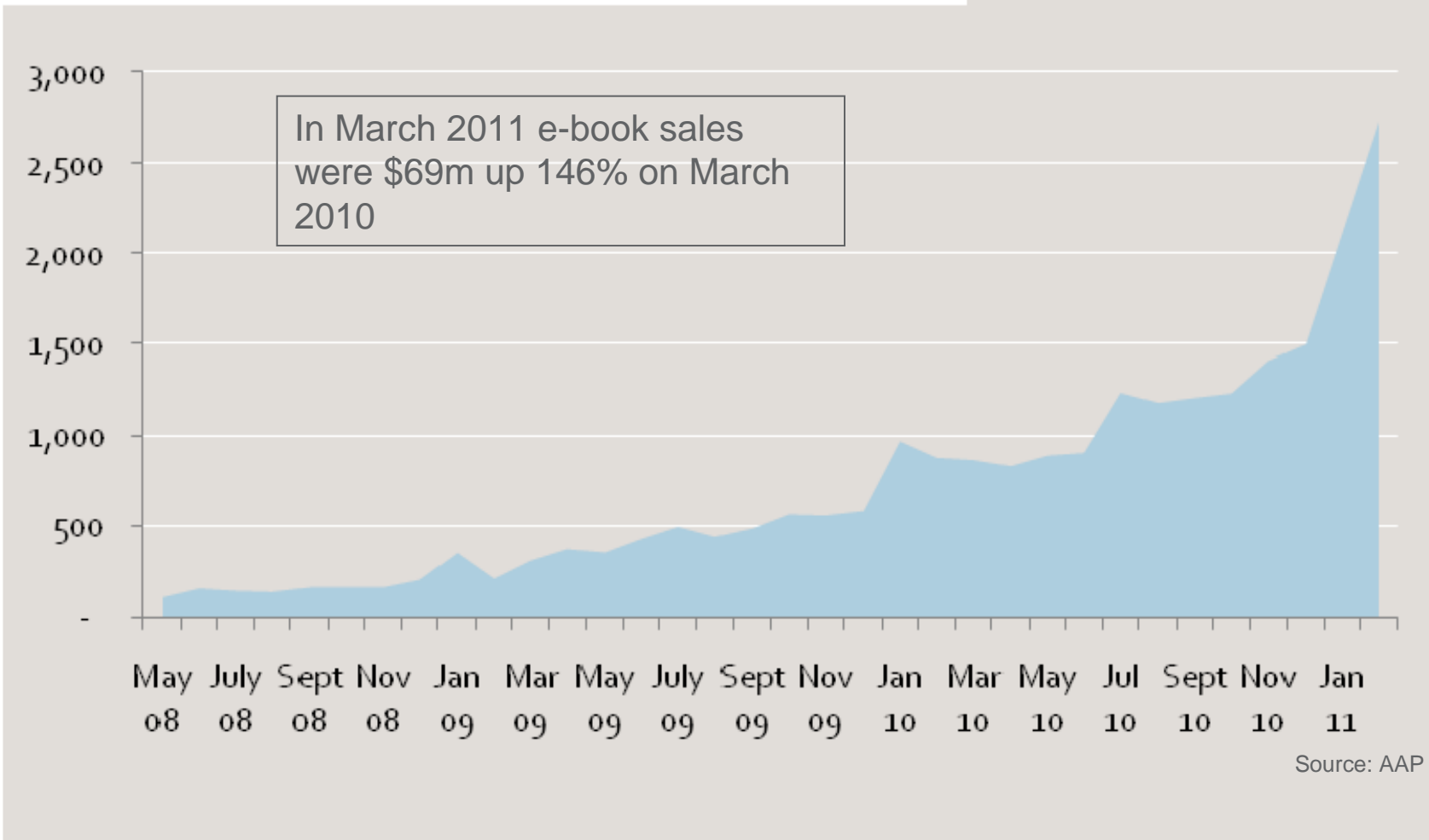
# The decline of US print book sales is accelerating



Source: Nielsen BookScan

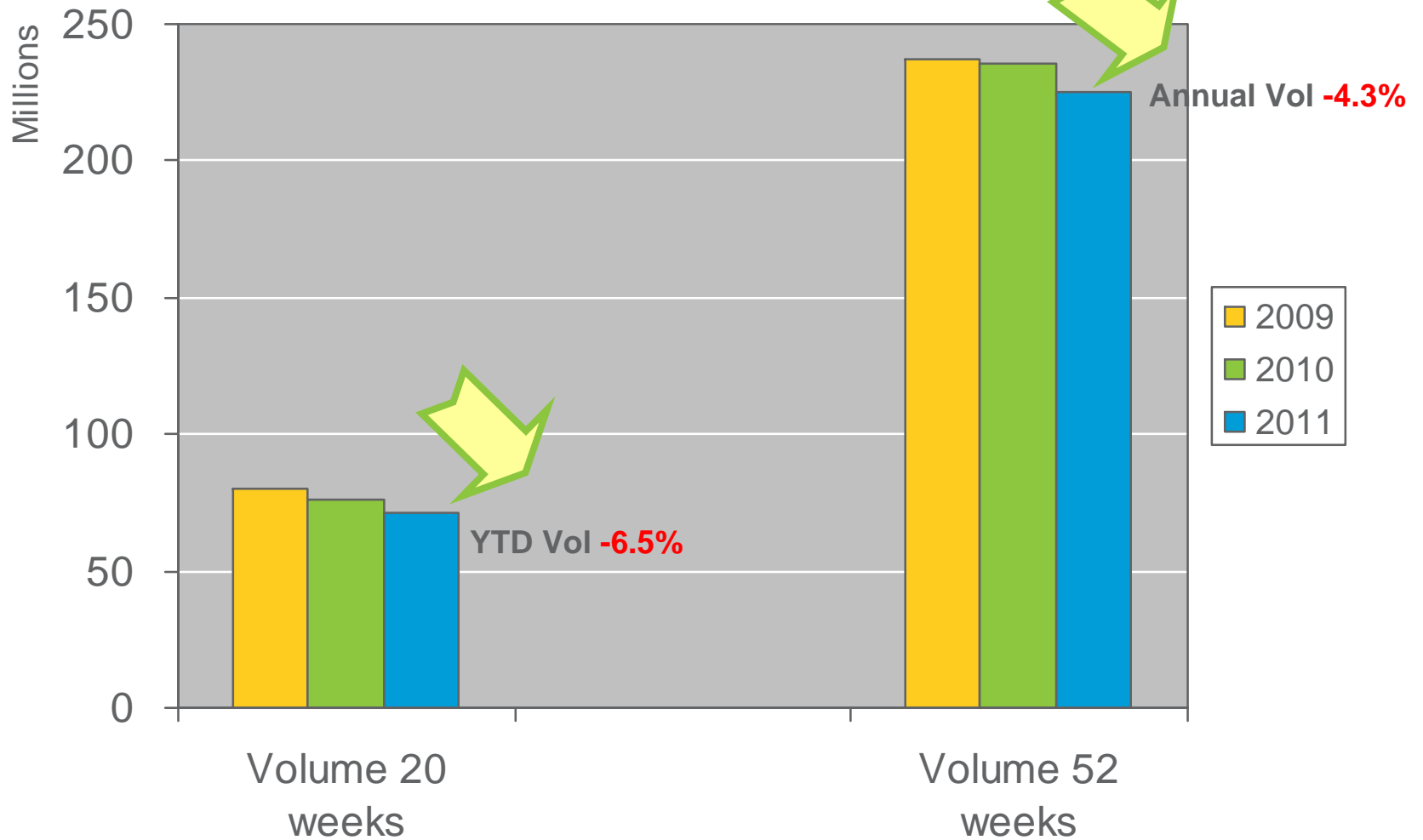
# US e-book sales grow by 146% in March 2011 on March 2010

US AAP sample of ebook sales by value (indexed)



# The decline of UK print book sales is accelerating but not as fast as in the USA

UK TCM Volume sales for year-to-date and calendar year



Source: Nielsen BookScan

# E-book sales in the UK show greatest growth in the general consumer area up 318% on 2009

## UK Publisher Sales of Digital Product

Year	Total £m	General Consumer £m	Consumer Reference £m	School/ELT £m	Academic/Professional £m
2009	87	4	11	7	65
2010	120	16	14	7	84
% change					
2010/2009	+38.3	+318.1	+22.7	+1.3	+29.1

Source: UK PA Statistics Yearbook 2010

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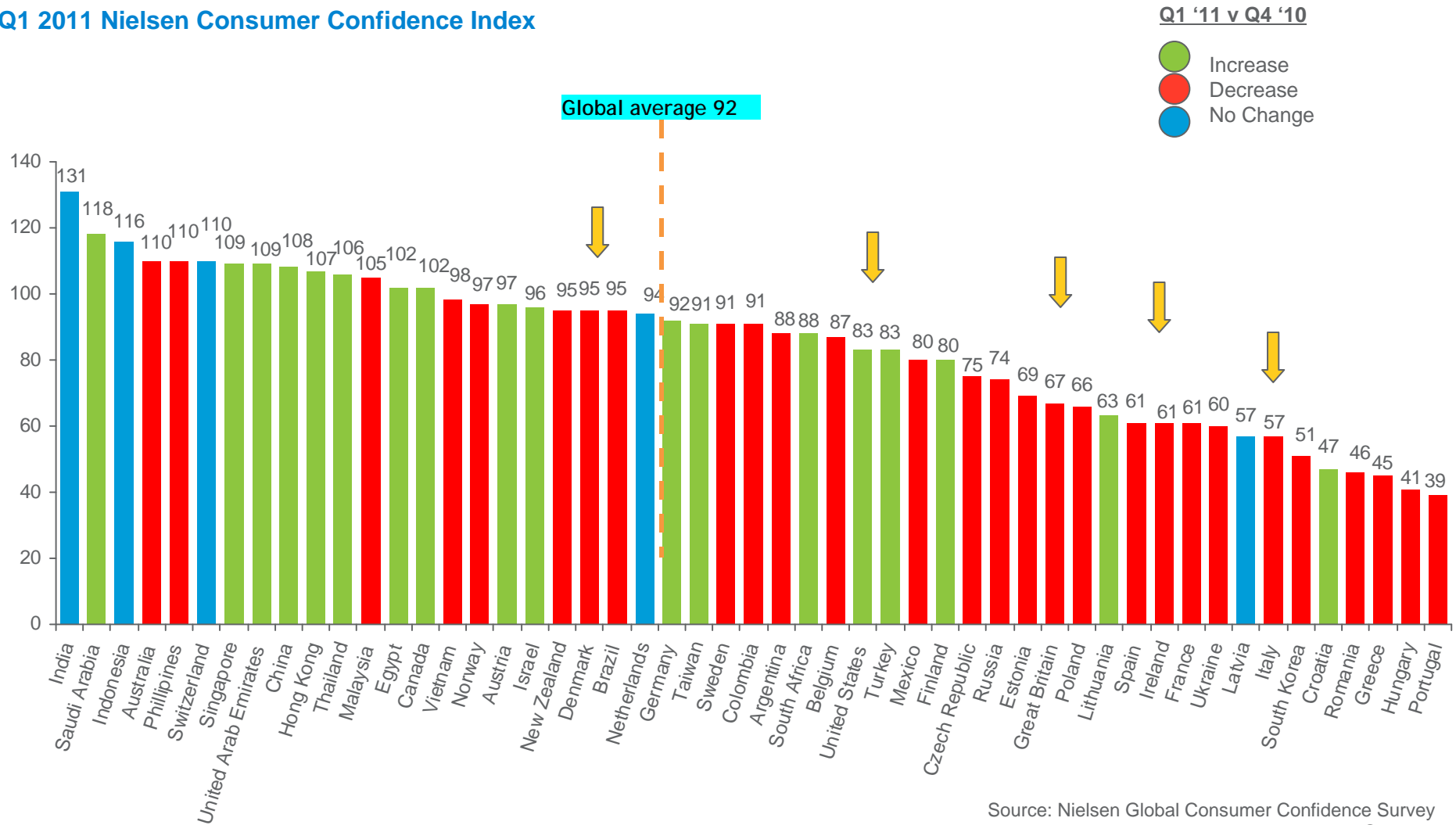
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# Global Consumer Confidence improved in Q1, boosted by buoyant economies in Asia but fell sharply for many countries in Northern Europe

Consumer Confidence has fallen in 28 out of 51 markets

## Q1 2011 Nielsen Consumer Confidence Index

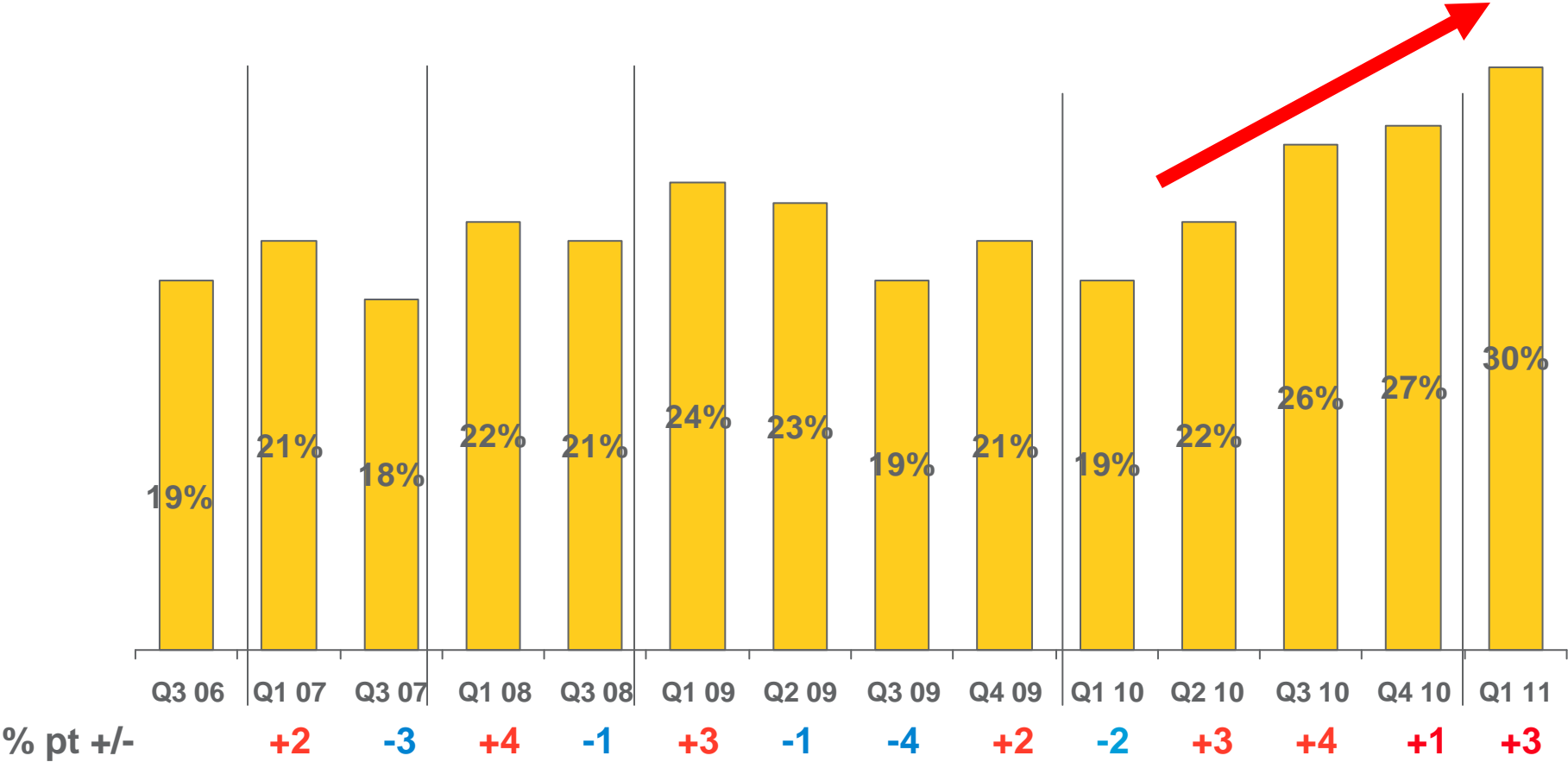


Source: Nielsen Global Consumer Confidence Survey Q1 2011

Base : All respondents n=28,402

Nearly a third of GB Shoppers now, claim **not** to have any spare cash ...  
 the 6<sup>th</sup> highest out of the 51 countries surveyed ...

“I have no spare cash”



Source: Nielsen Global Consumer Confidence Survey  
 Results: GB, 2005 to 2011

Key Message  
Book Markets  
Consumer Confidence

The Retail Landscape

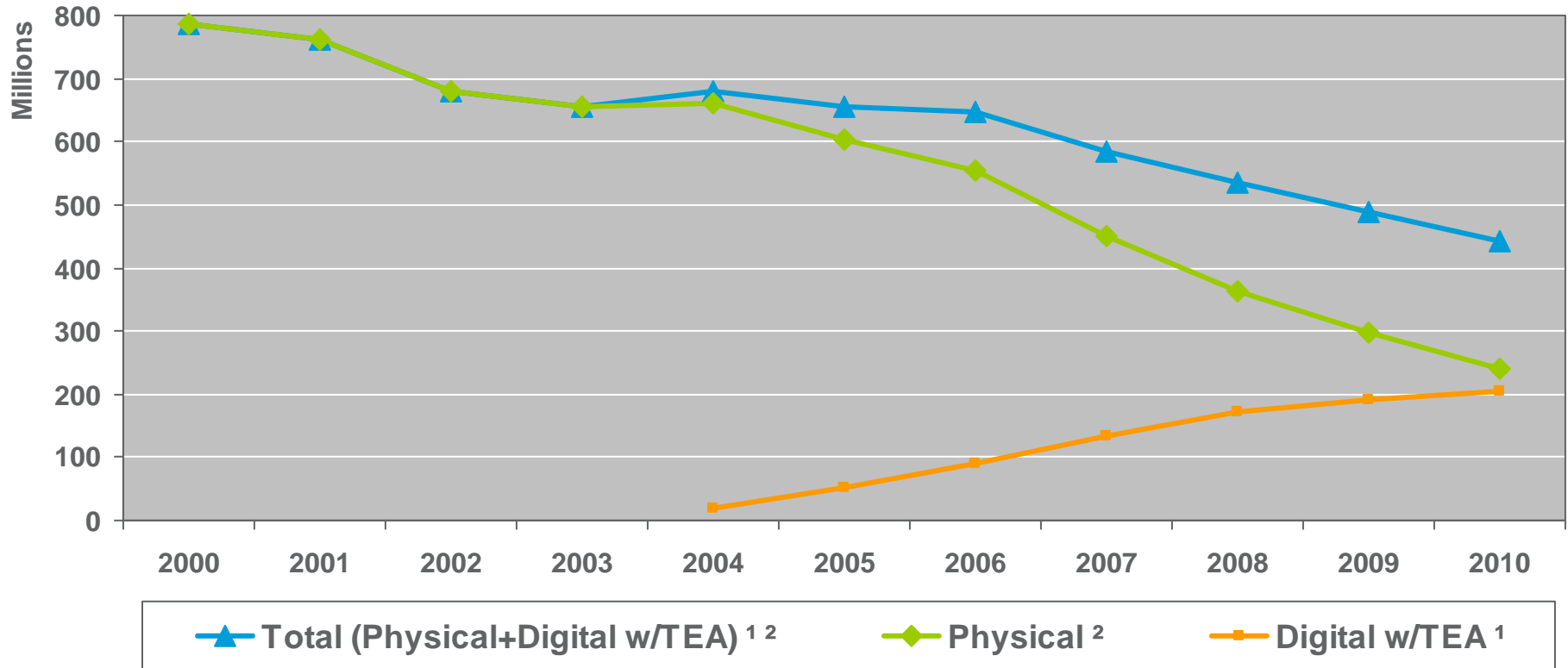
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# Sales of digital music are nearly equal to physical music sales in 2010

## U.S. SoundScan Music Sales w/TEA: Physical and Digital Trends

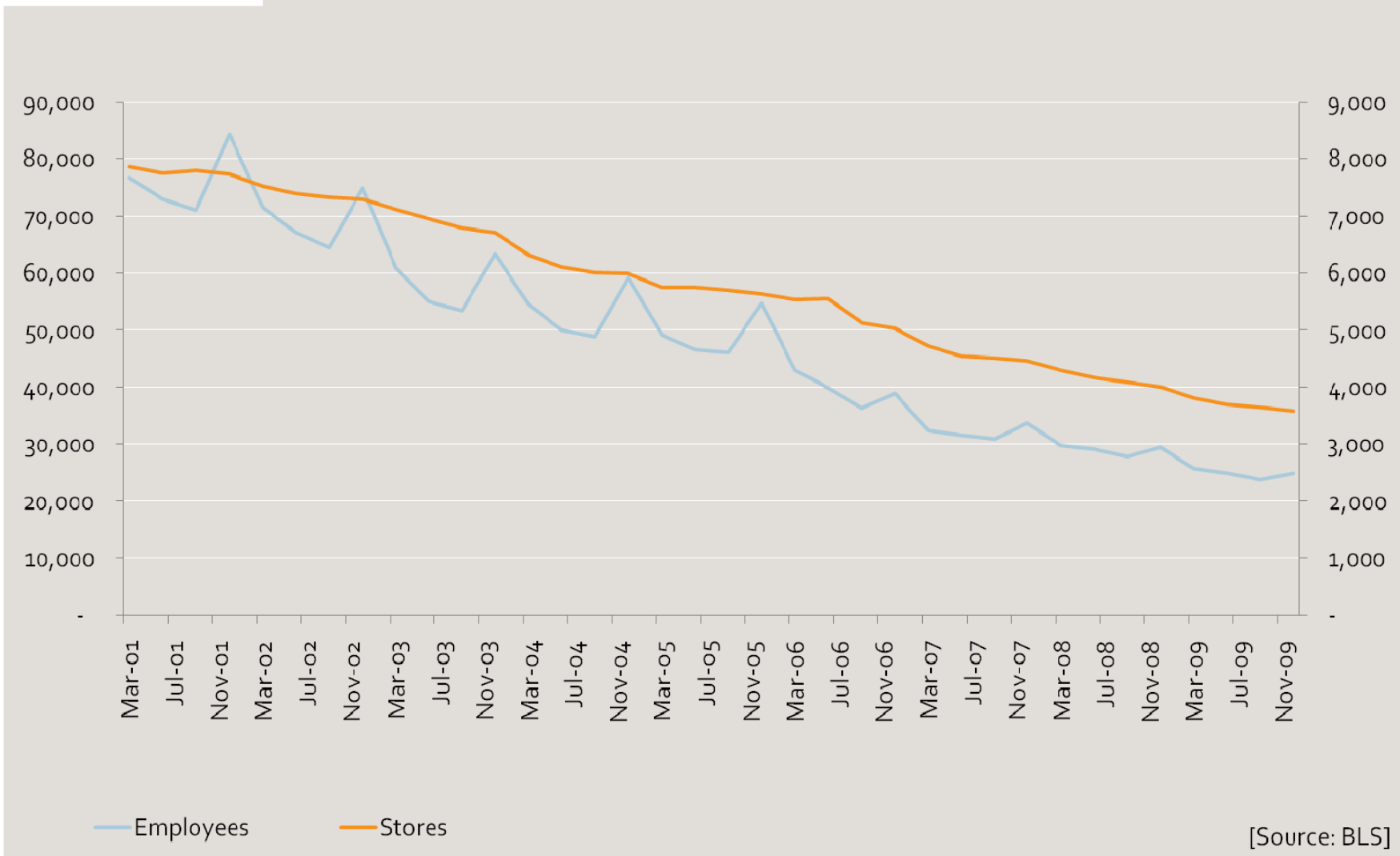


<sup>1</sup> Digital sales include digital track equivalent albums (TEA). 10 digital track sales are the equivalent of 1 album

<sup>2</sup> Physical sales include: CDs, Vinyl LPs, and other album formats

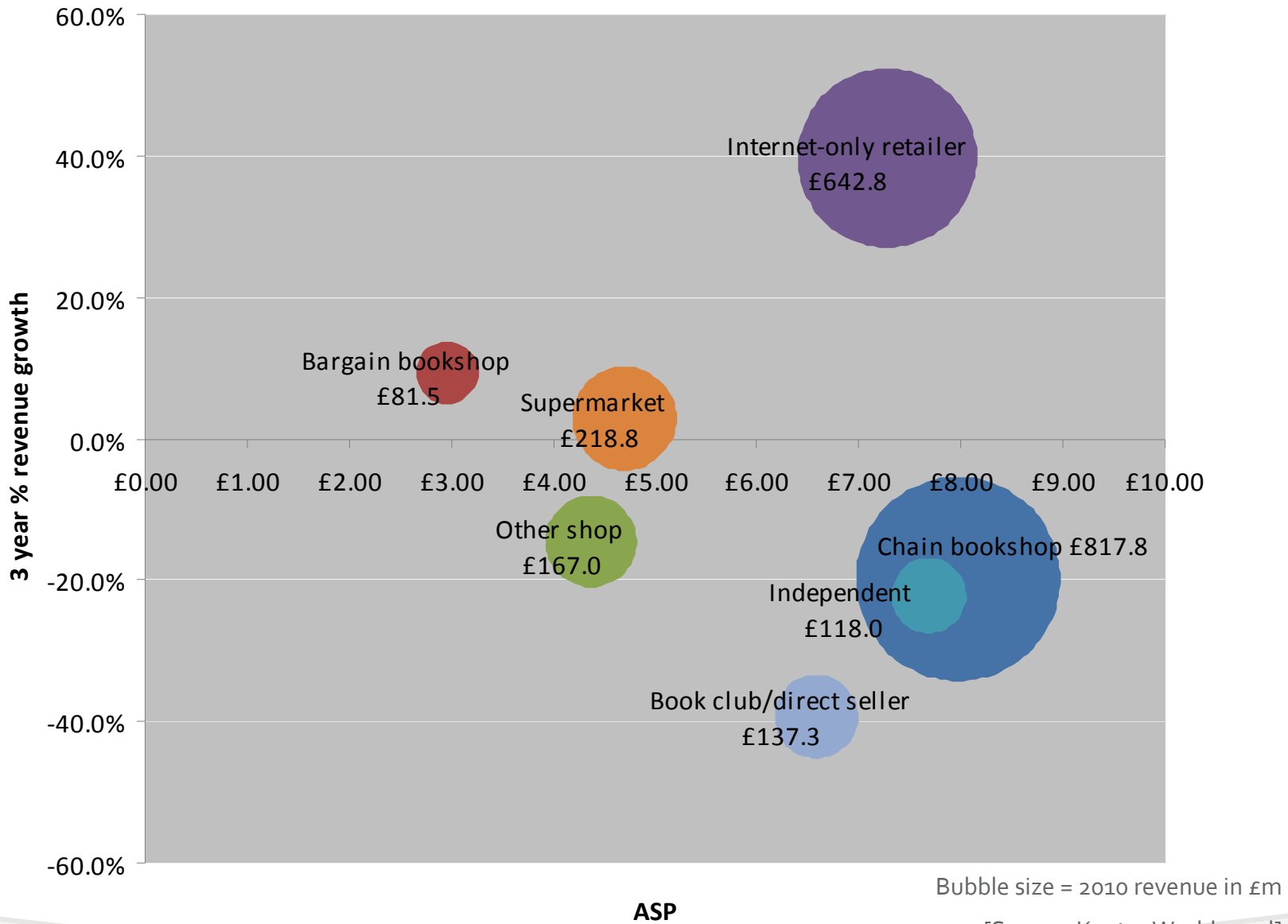
# The music experience: impact on retail

Music retail in the USA



[Source: BLS]

# Where are people buying books in the UK?



# New Players Strategies

**Apple**

- Sell hardware
- Build a great content experience
- Lock people into the content to stop them switching to other devices



Cheap content that looks great

**Google**

- Sell advertising
- Make sure all content is findable from Google, so that people will always start their purchasing journey at Google
- Use cash flow from the core business to buy or build dominant positions in any kind of content people might search for



Free ad-supported content

**Amazon**

- Push goods through efficient logistics and efficient ecommerce engine – use cost advantage to drive low prices
- Make Amazon the only place to buy goods online
- Build Kindle into a multi-device platform for books (and eventually ecommerce?)
- Amazon is not a books company

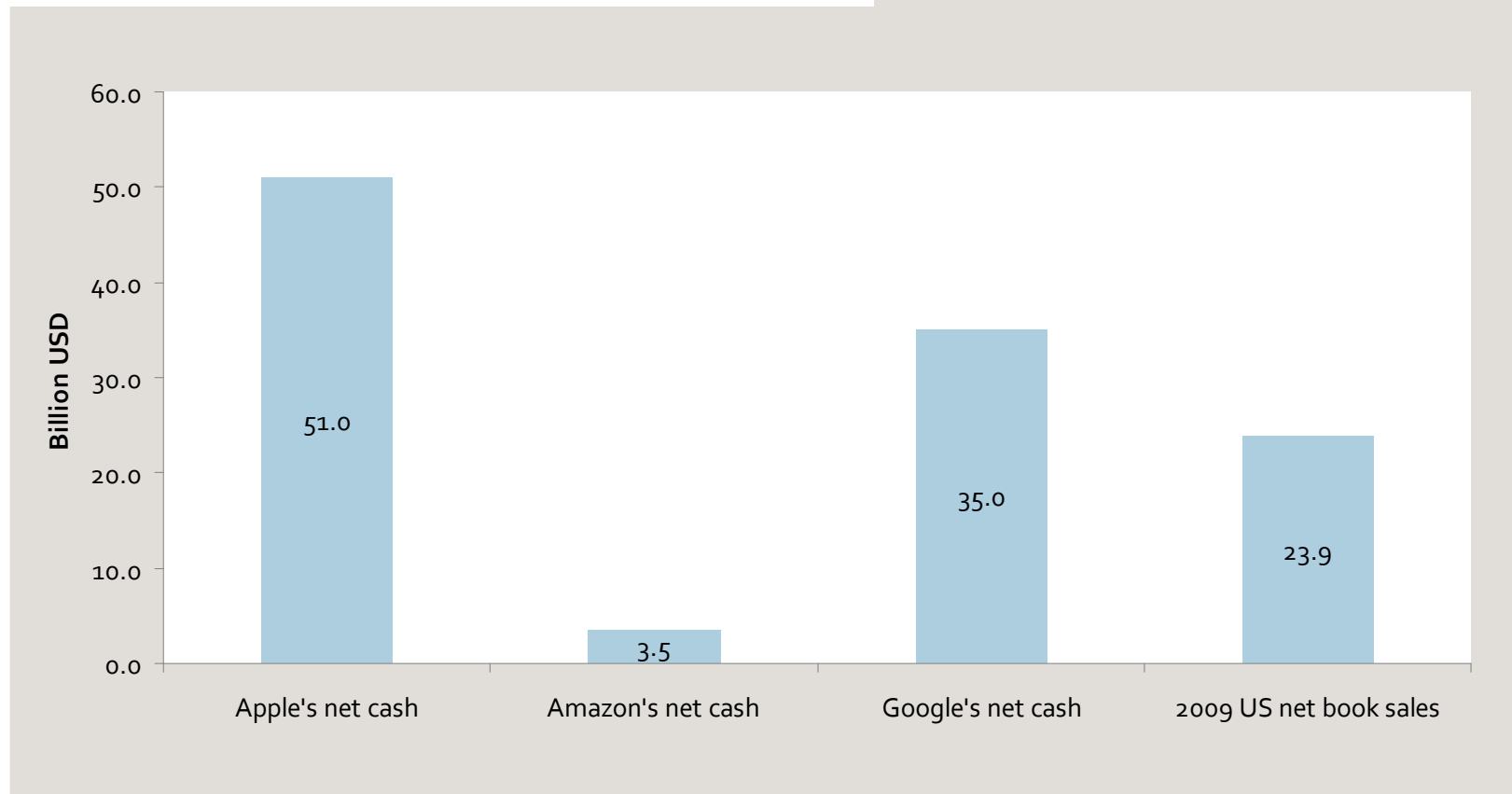


Cheap content, no role for publishers

Source: Enders Analysis

# A difference of scale

Tech company cash balances 2010 and the US book industry's revenues



[Source: Companies, AAP]

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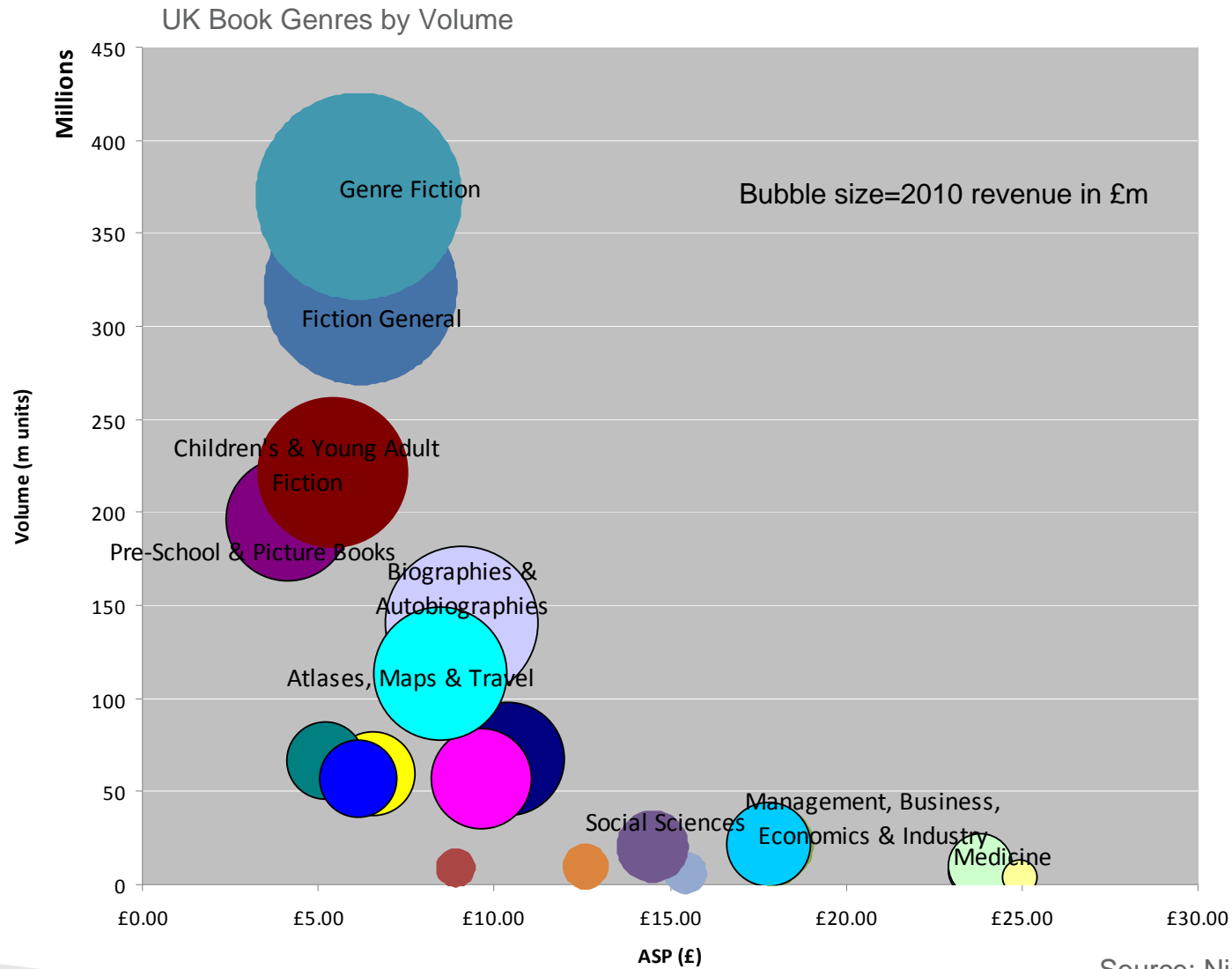
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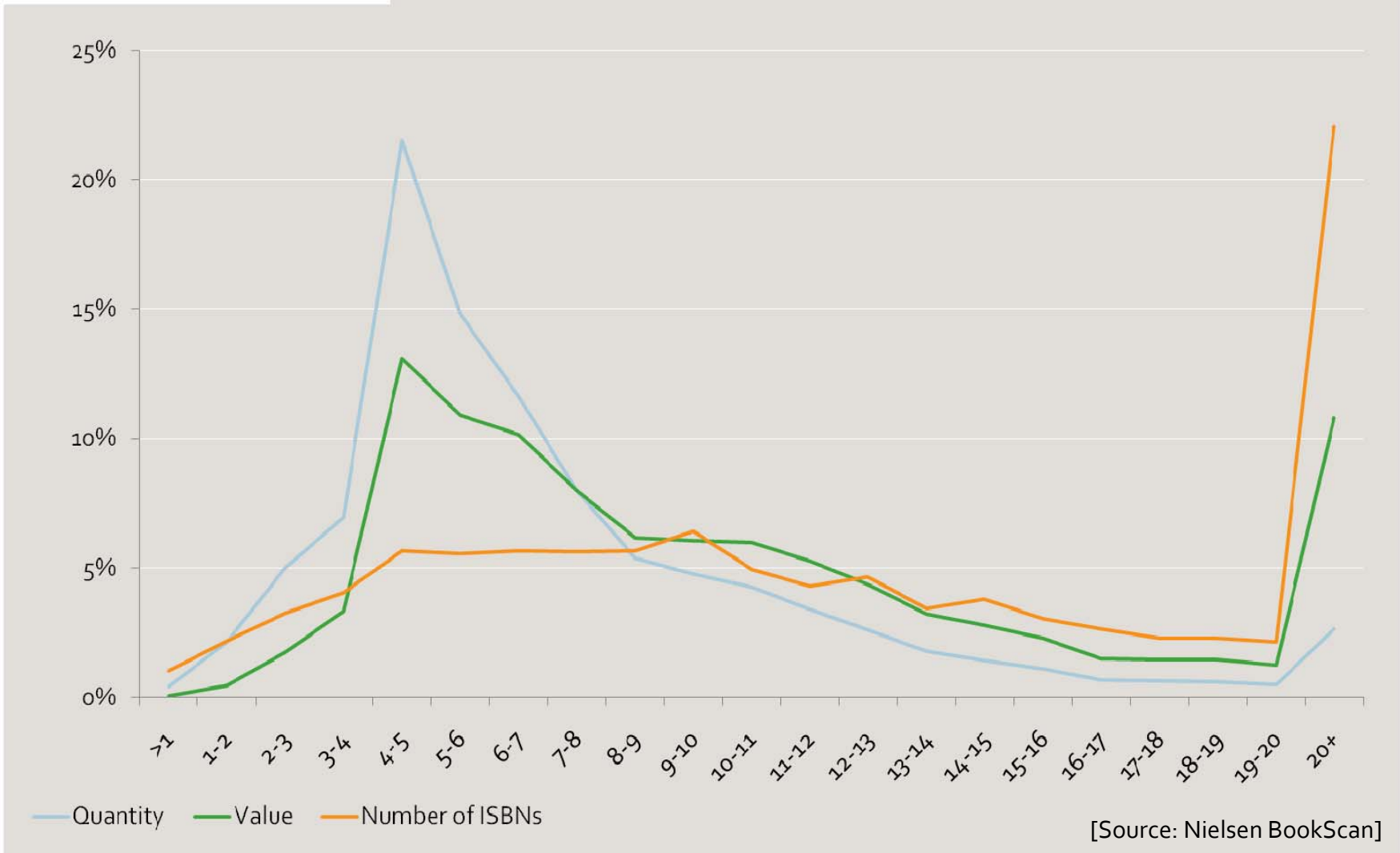
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# How much are UK consumers paying for print books?



# The price of books

Price distribution of UK book sales



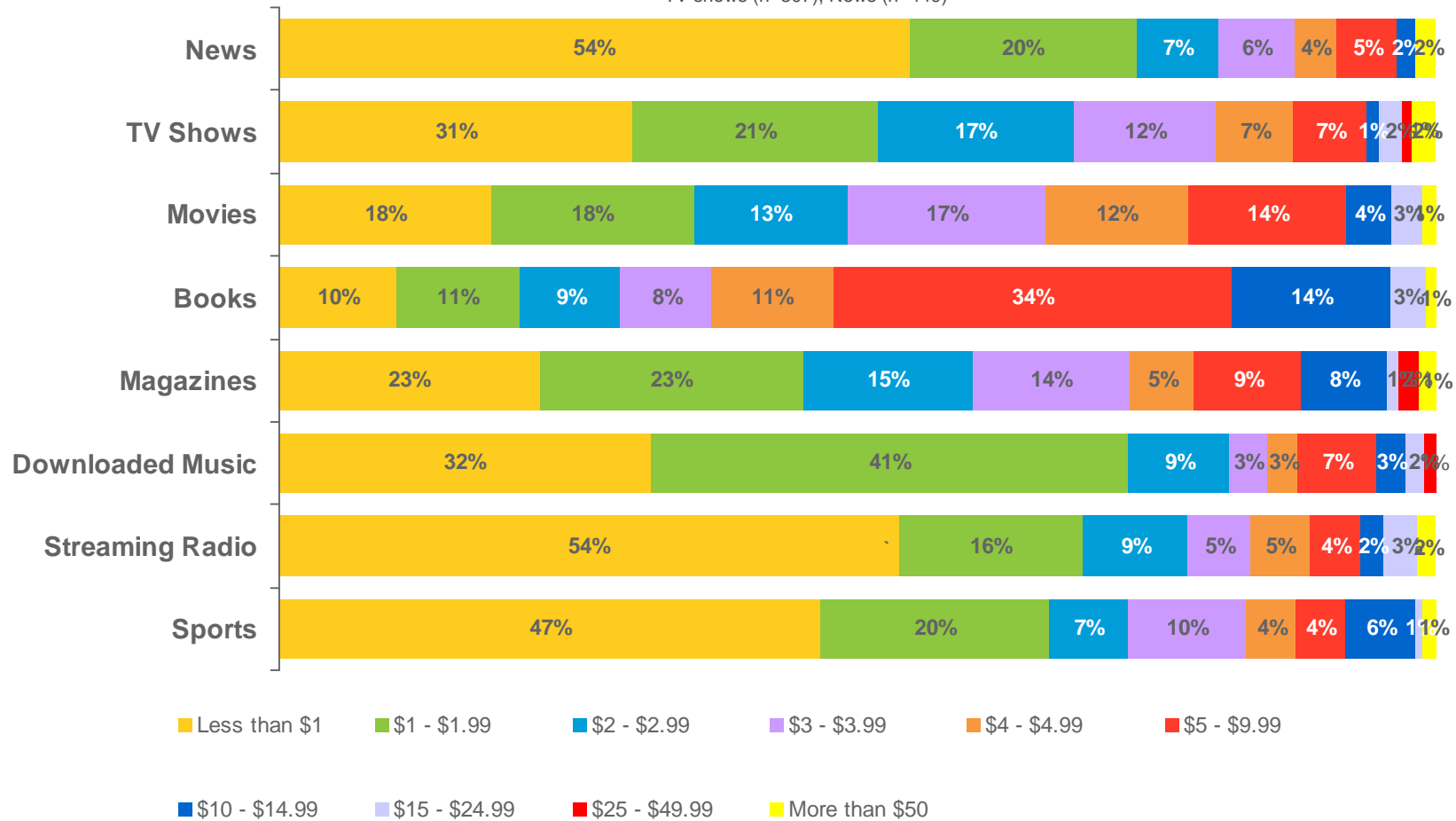
# Price: the e-book proposition



# Amount Paid For Media Content

## Amount Paid For Media Content

Bought Media Content: Sports (n=279), Streaming Radio (n=261), Downloaded music (n=1,015), Magazines (n=340), Books (n=925), Movies (n=392), TV shows (n=307), News (n=449)



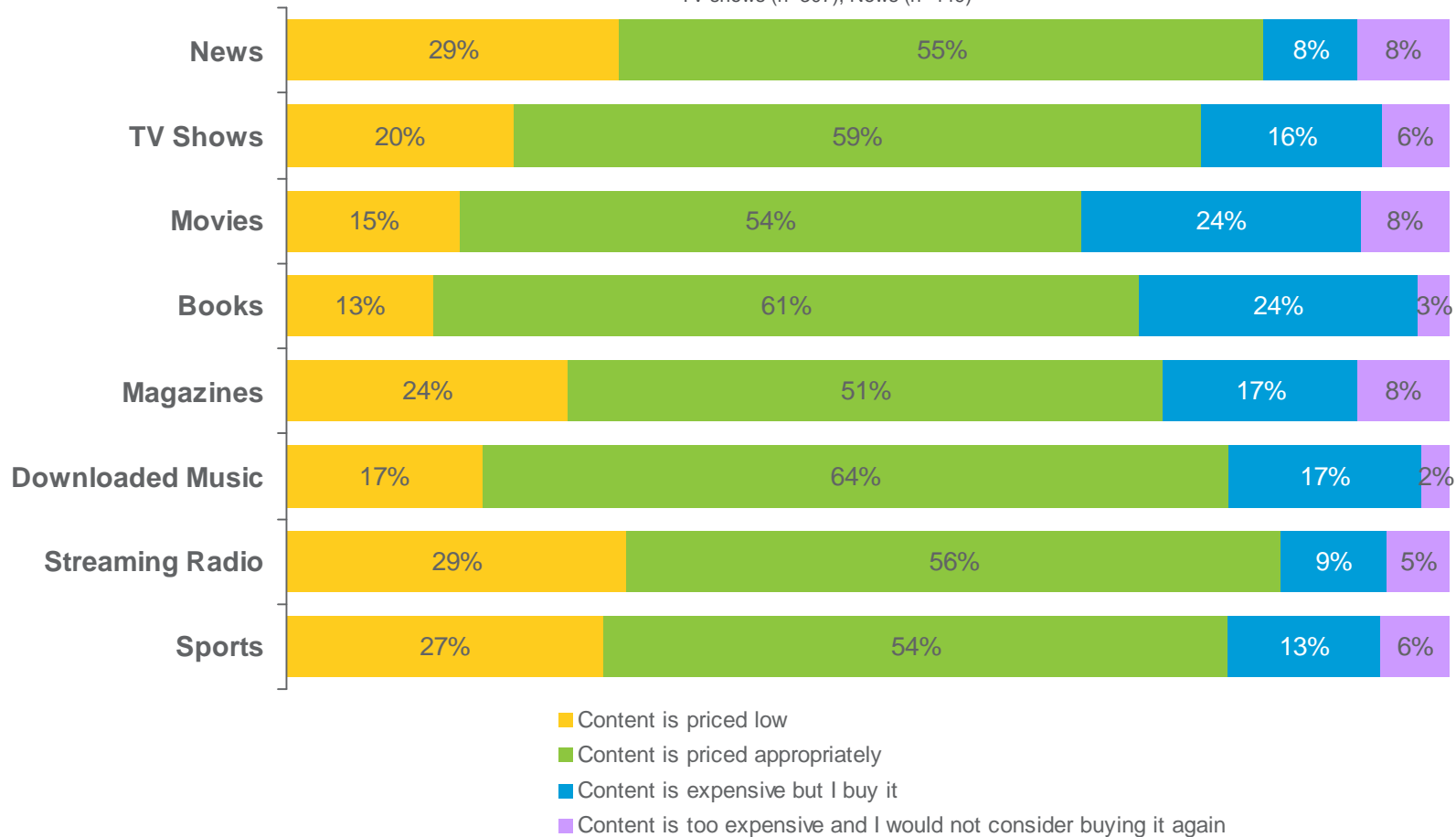
Source: Q1 2011 Mobile Connected Devices Report

Q79: For each of the **paid** media content types that you now access through your connected devices, please indicate how much you pay, **on average**, for media content per download.

# Willingness to Pay For Media Content

## Attitudes Towards Media Content Pricing

Bought Media Content: Accessed Media Content: Sports (n=279), Streaming Radio (n=261), Downloaded music (n=1,015), Magazines (n=340), Books (n=925), Movies (n=392), TV shows (n=307), News (n=449)



Source: Q1 2011 Mobile Connected Devices Report

Q80: Here is a list of statements regarding the price of media content that you buy. Considering your purchase of each content type, please choose one statement that indicates your reaction to pricing of media content.

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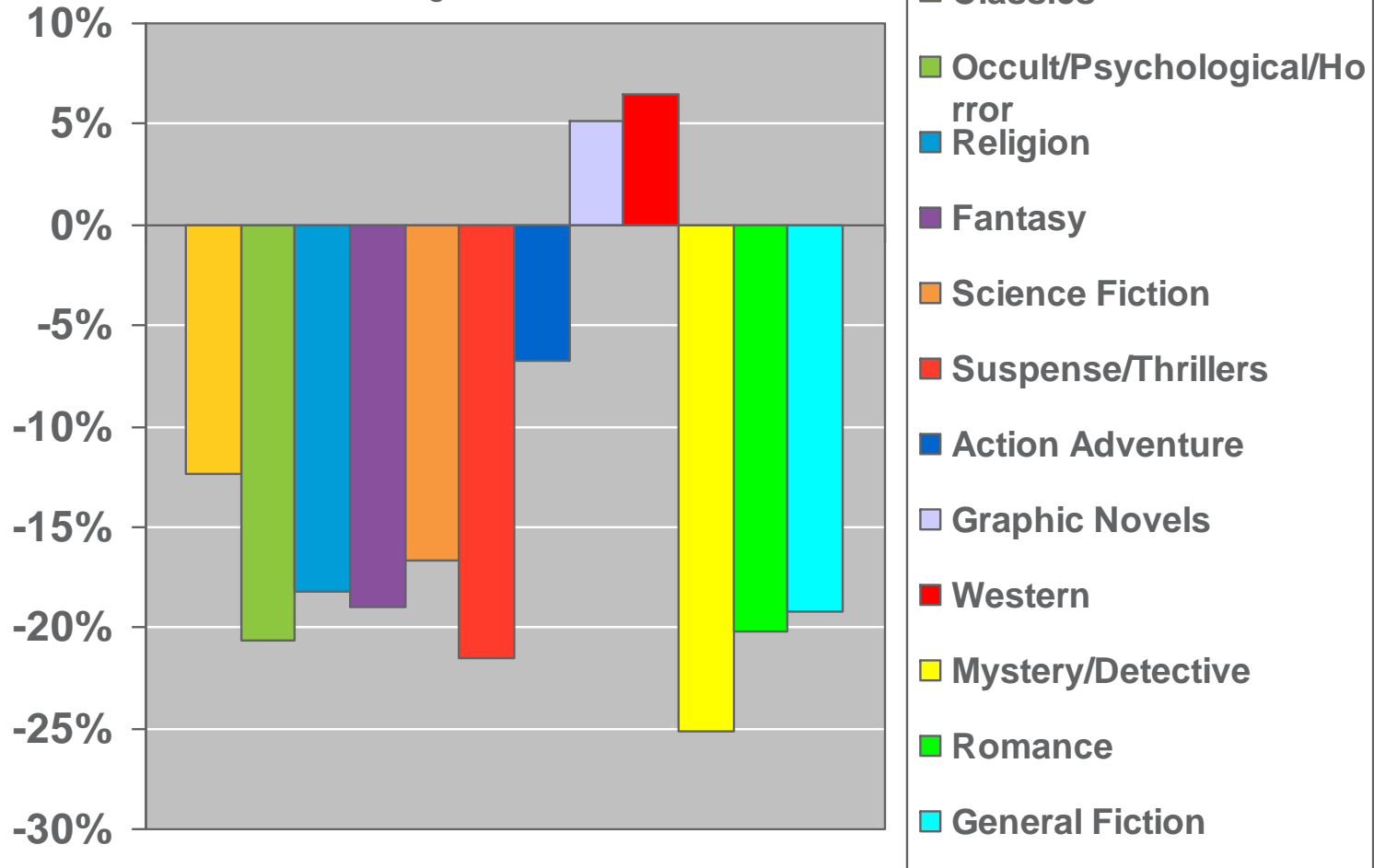
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# In the US all Fiction genres are in significant decline except Graphic Novels and Westerns

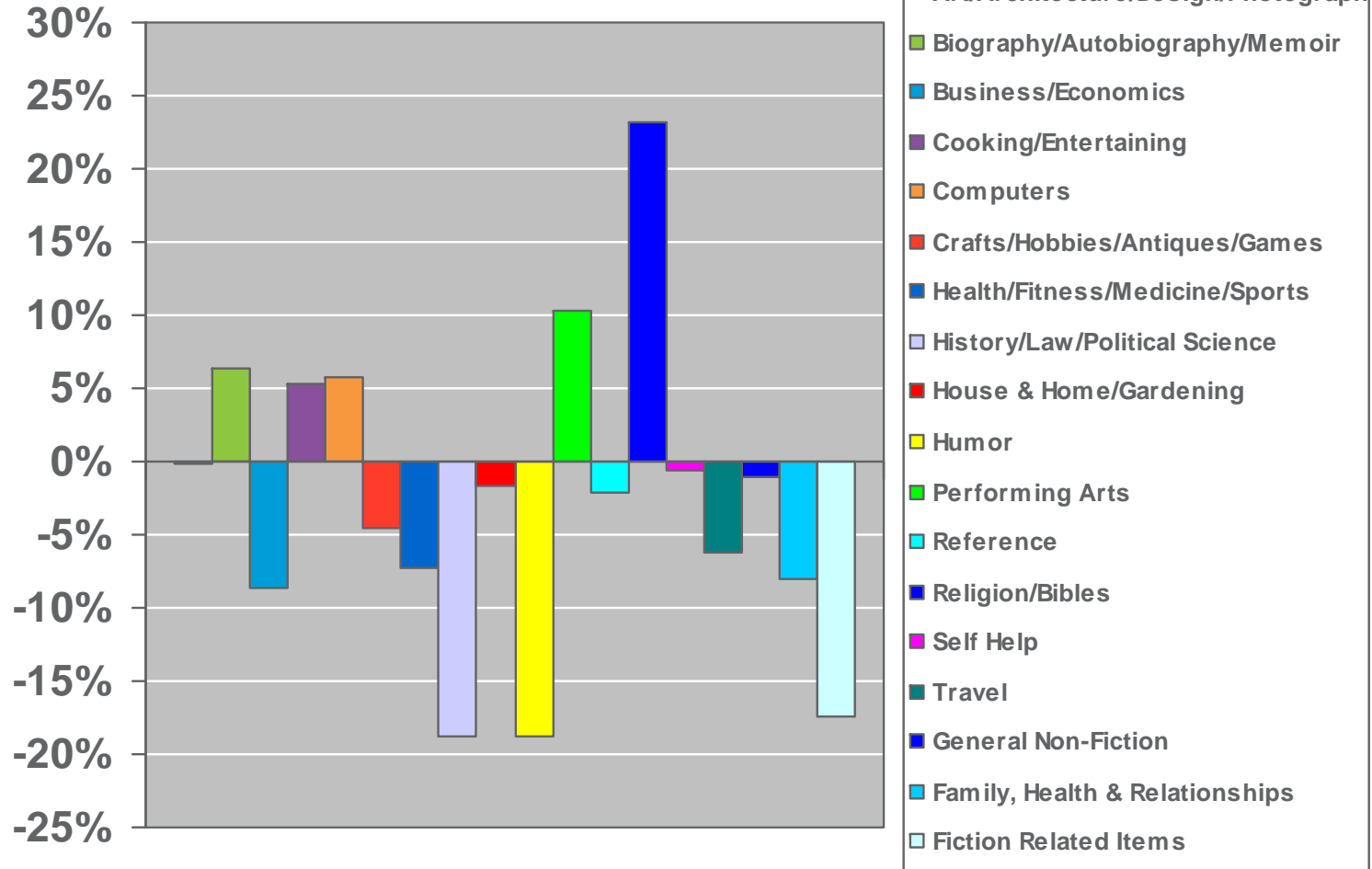
Year-to-date % volume change 2010 vs 2011



Source: Nielsen BookScan

# The picture is mixed for Non-Fiction in the US with significant declines for Travel, Professional and information topics

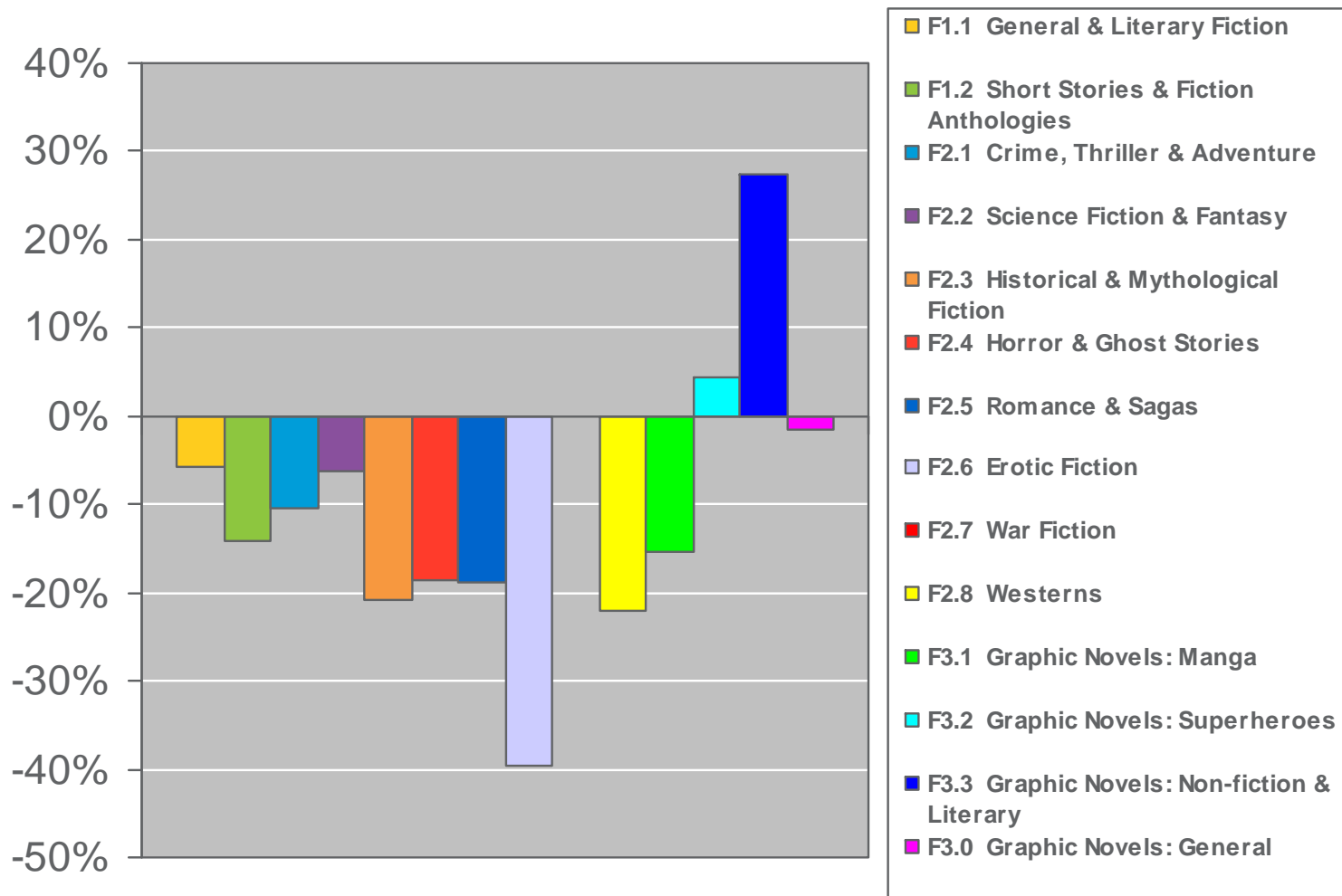
Year-to-date % volume change 2010 vs 2011



Source: Nielsen BookScan

# Again with the exception of Graphic Novels all Fiction genres in the UK are declining

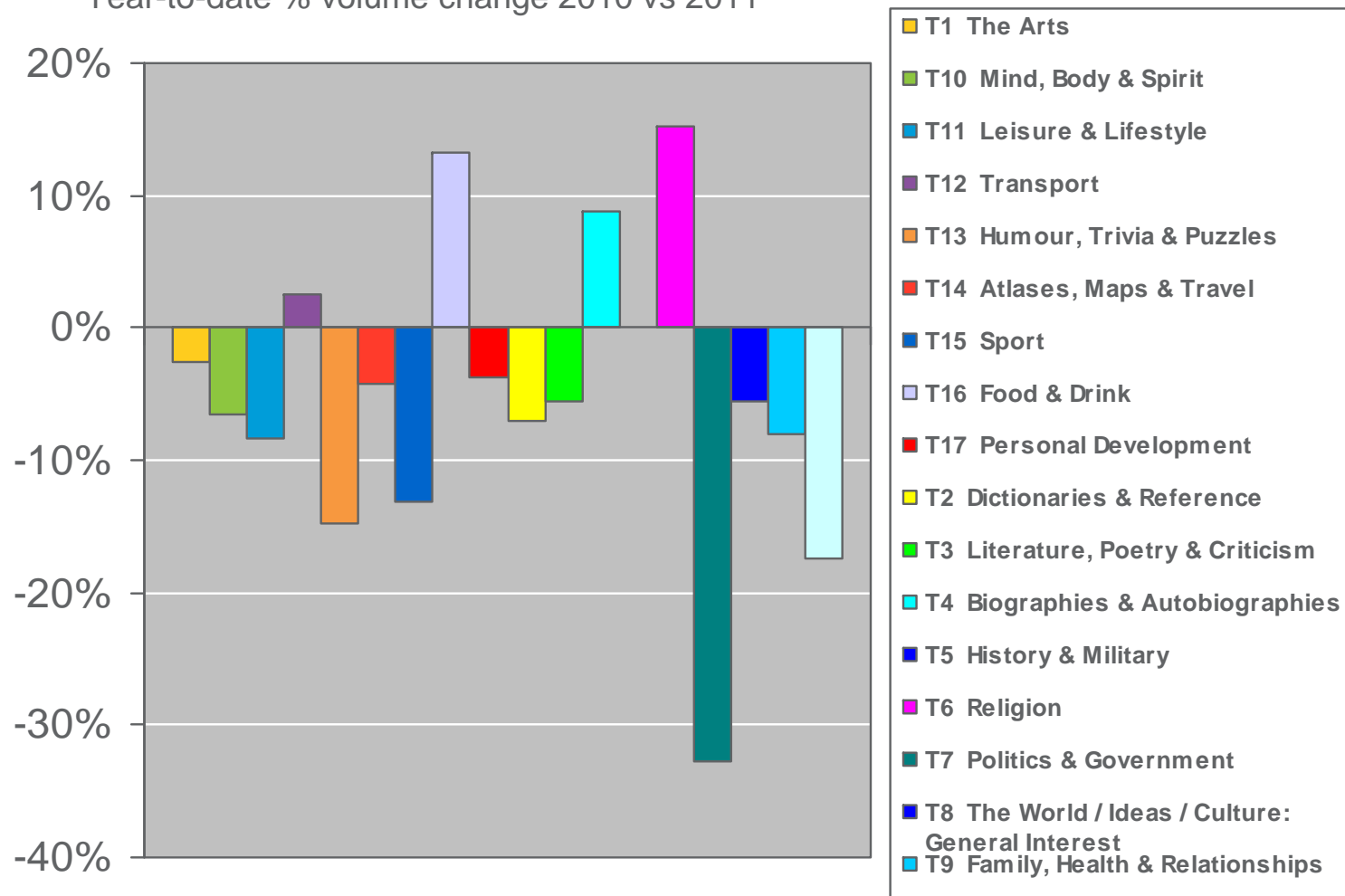
Year-to-date % volume change 2010 vs 2011



Source: Nielsen BookScan

# The majority of Non-Fiction genres are in decline in the UK with the exception of Food & Drink and Biographies

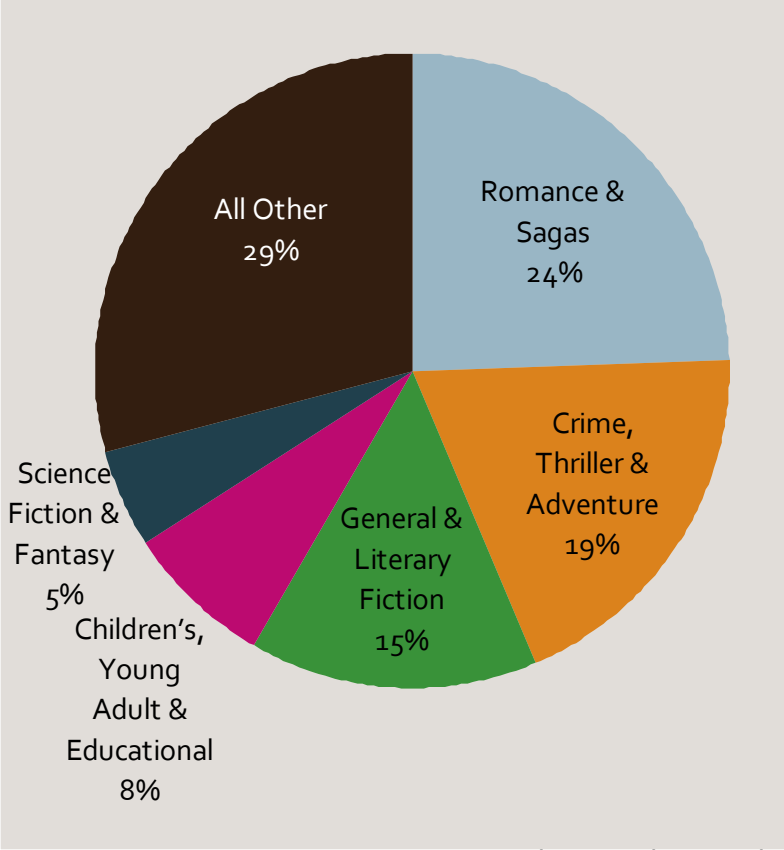
Year-to-date % volume change 2010 vs 2011



Source: Nielsen BookScan

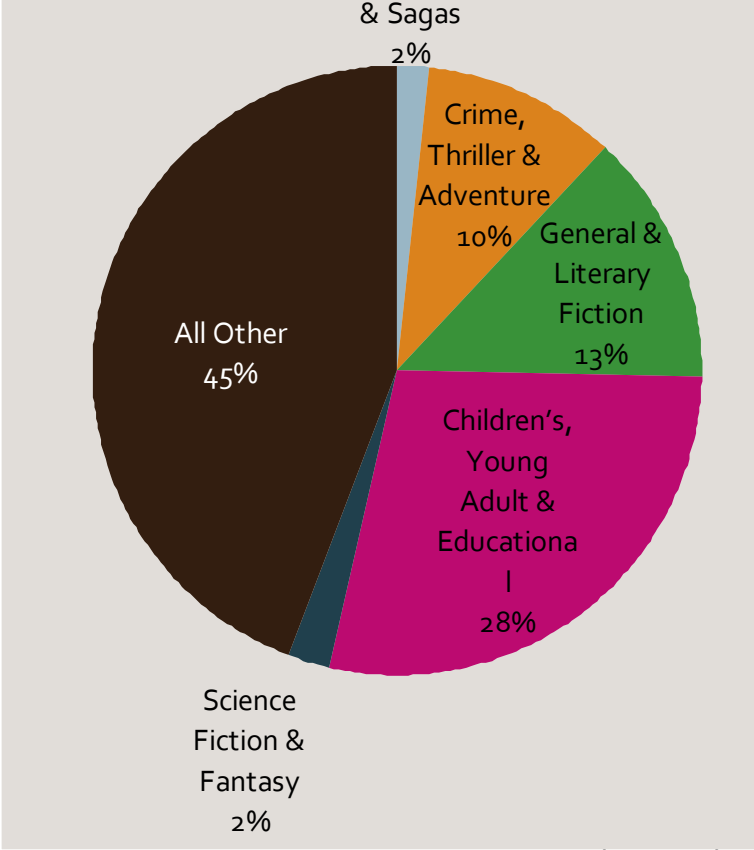
# Crime, Romance, Literary and Science Fiction take a greater share of the market as e-books than print

Top 5 categories in ebook vol sales 12 weeks



Source: Nielsen BookScan Global

Same 5 categories in TCM vol sales 12 weeks

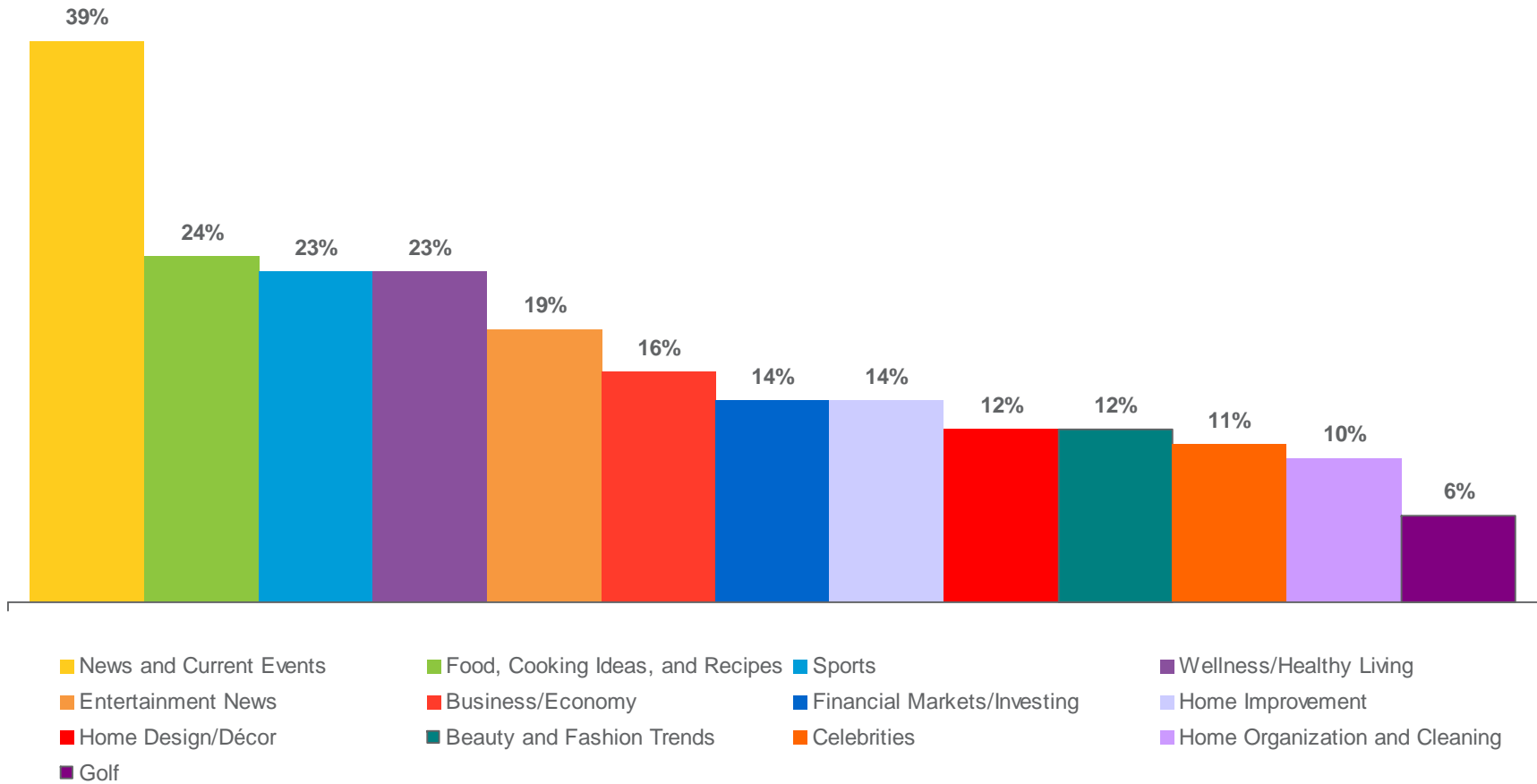


Source: Nielsen BookScan UK

# Interest in Topics

## Connected Device Owners Interest in Topics – Very Interested

All Connected Device Owners (n=11,955)



Source: Q1 2011 Mobile Connected Devices Report

Q102: How interested are you in keeping up with the following topics?

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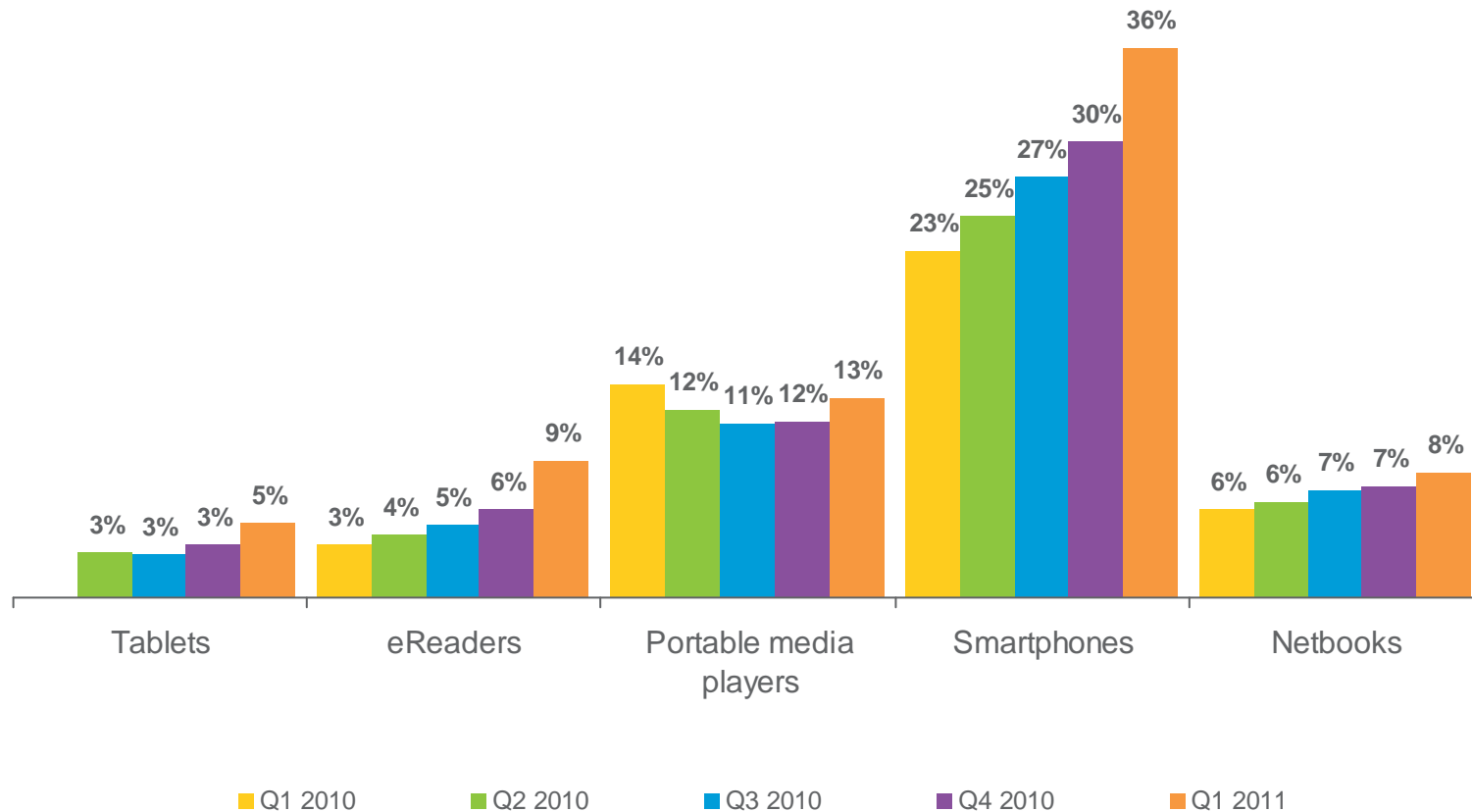
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# Individual Penetration of Connected Devices

## Trended Individual Penetration of Connected Devices

Source: Nielsen Mobile Insights



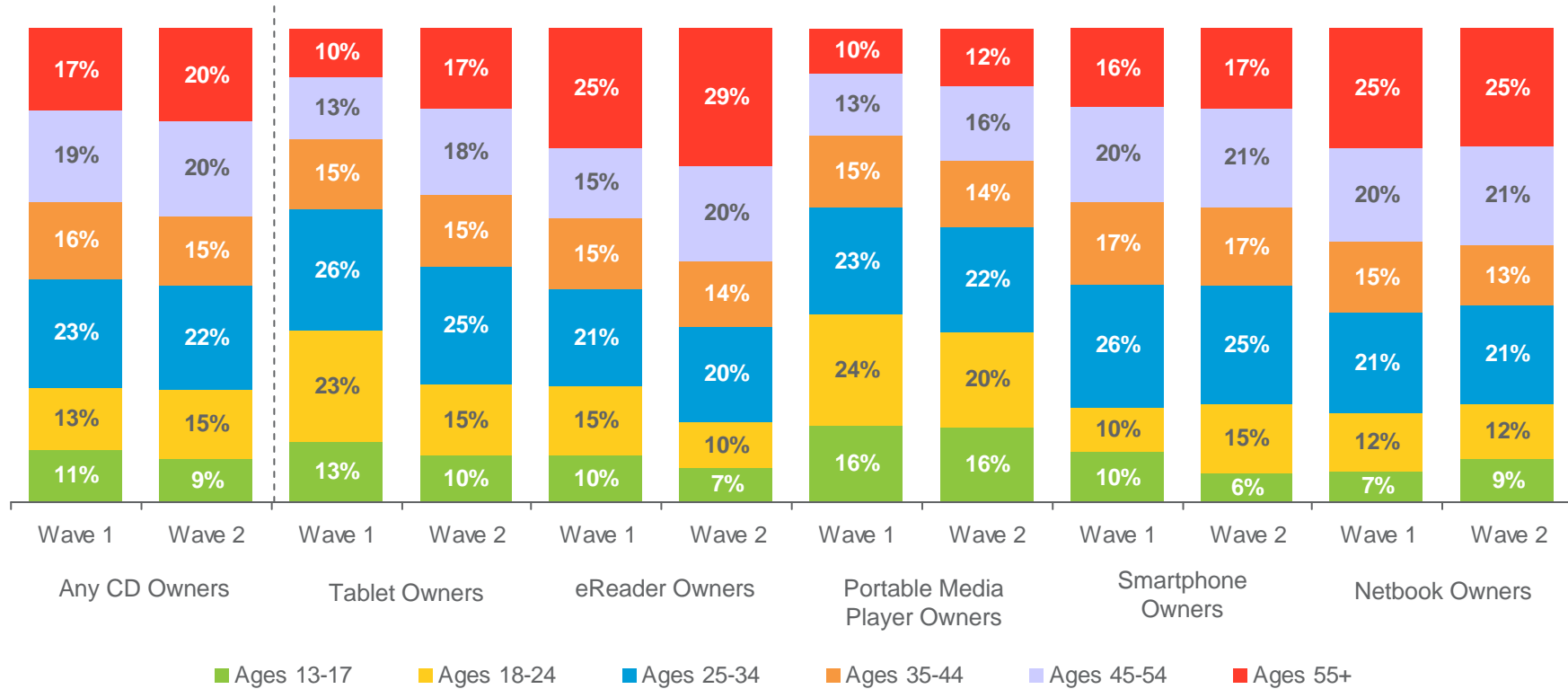
Source: Q1 2011 Mobile Connected Devices Report

Q1 2010 (n=70,500), Q2 2010 (n=71,210), Q3 2010 (n=69,238), Q4 2010 (n=72,381), Q1 2011 (n=73,452)

# Connected Device Age Distribution

## Age Distribution of Connected Device Owners

Connected Device Owners (Wave 1 n=3,840, Wave 2 n=11,955)



Source: Q1 2011 Mobile Connected Devices Report

Wave 1: Tablet Owners (n=749), eReader Owners (n=1,089), Portable Media Player Owners (n=2,118), Smartphone Owners (n=2,336), Netbook Owners (n=1,293)  
 Wave 2: Tablet Owners (n=1,580), eReader Owners (n=3,140), Portable Media Player Owners (n=6,034), Smartphone Owners (n=6,079), Netbok Owners (n=1,608)

Q2: Which of the following age groups do you belong to?

# eReader Ownership and Usage

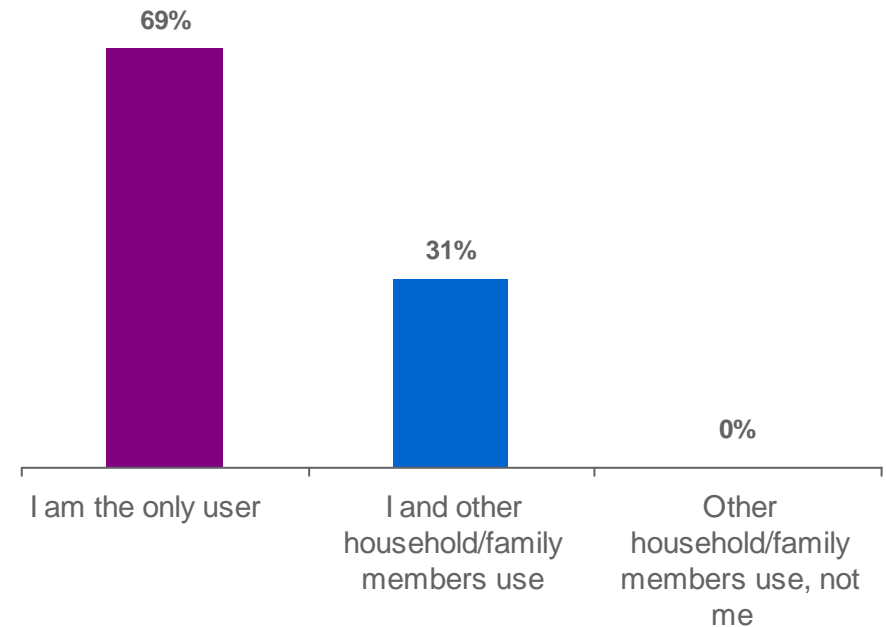
## eReader Brands Owned - Primary

eReader Owners (n=3,140)



## Household Usage

Household eReader Owners (n=3,140)



Source: Q1 2011 Mobile Connected Devices Report

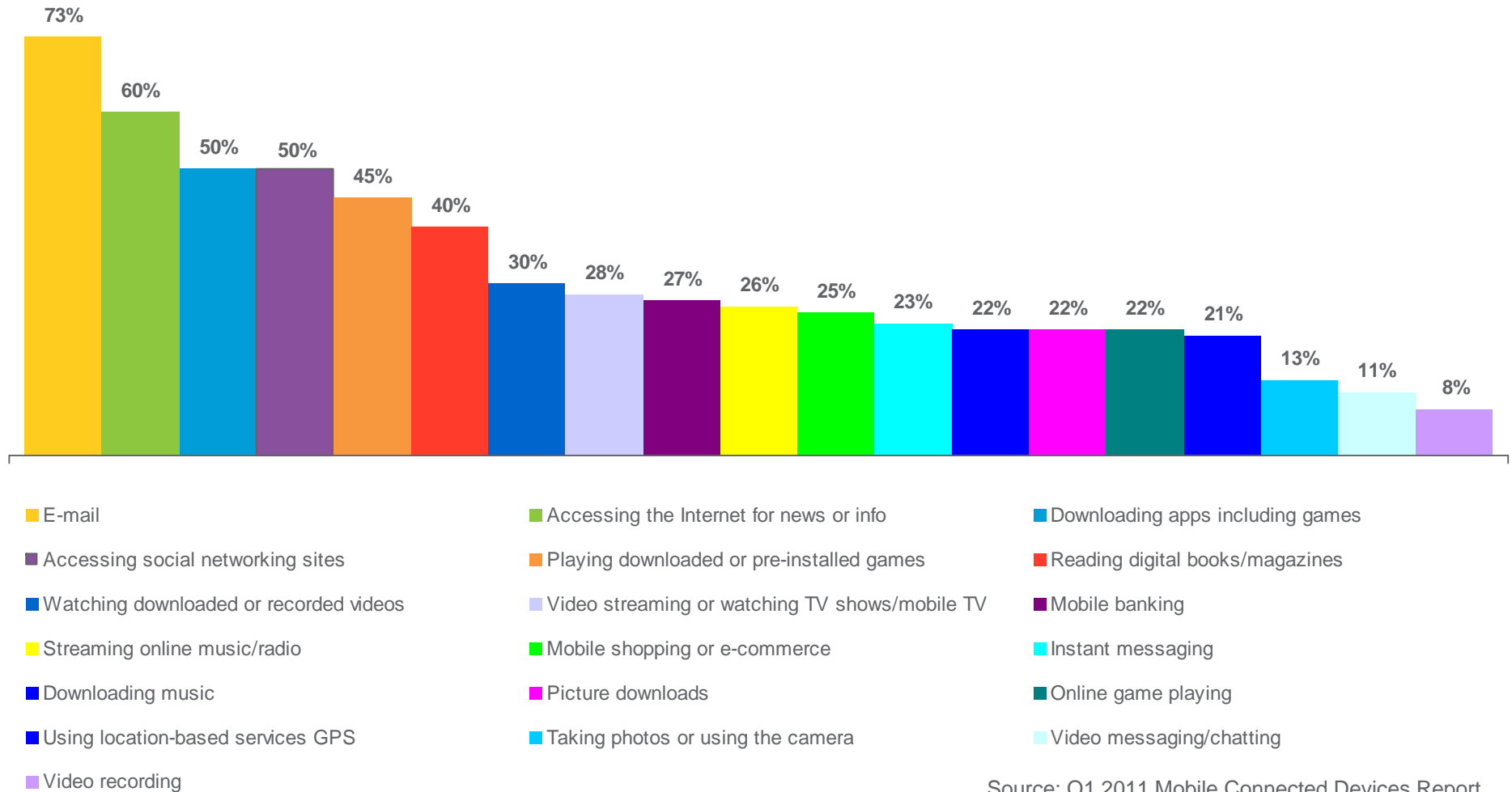
Q11: Which eReader would you consider your primary device?

Q5: Who in your household uses each of these types of devices?

# Tablet Device Activities

## All Tablet Activities in Past 3 Months

Tablet Owners (n=1,580)



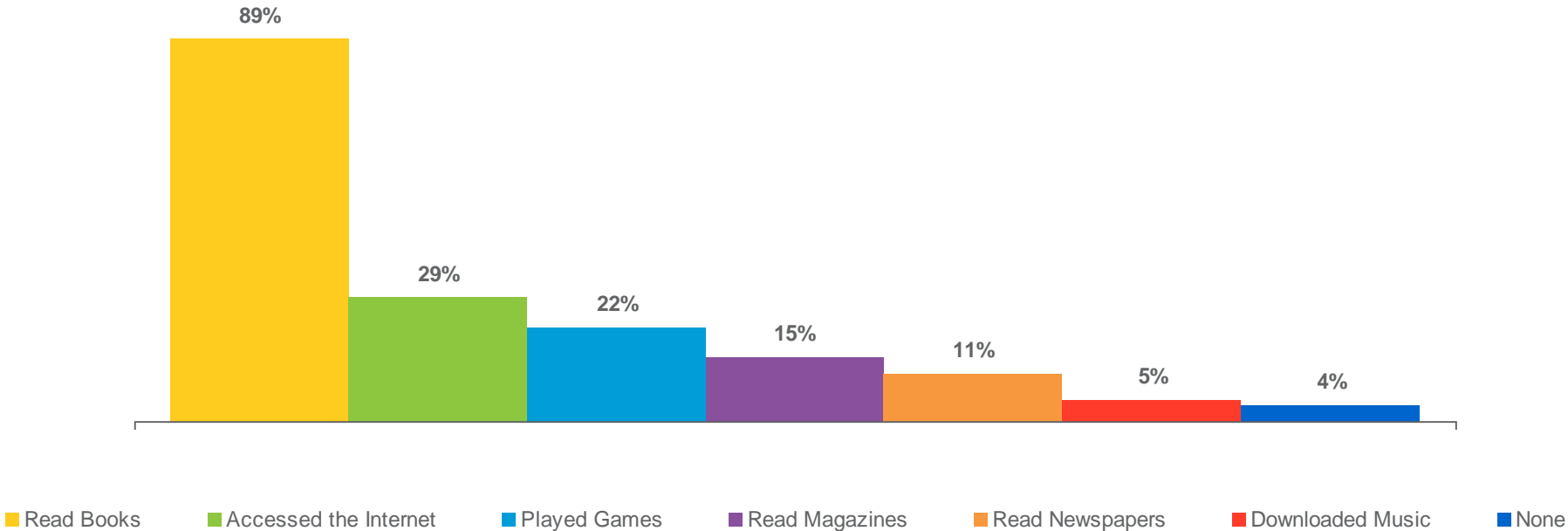
Source: Q1 2011 Mobile Connected Devices Report

Q63: Which of the following activities have you done on your (insert primary tablet brand owned) tablet in the past 30 days?

# eReader Device Activities

## All eReader Activities in Past 3 Months

eReader Owners (n=3,140)



Source: Q1 2011 Mobile Connected Devices Report

Q64: Which of the following activities have you done on your (primary eReader brand owned) eReader in the past 30 days?

# Thank you EDITECH 2011

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