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Selling Canadian Books in the UK

A Guide for Canadian Publishers

3rd Edition

Selling Canadian Books in the UK: A Guide for Canadian Publishers (3rd edition)

March 2018

ISBN: 9781988769165

Published by Livres Canada Books, the national association of the Canadian book publishing industry for promoting export sales, with the support of the High Commission of Canada in the United Kingdom.

Prepared for Livres Canada Books by Peter Kilborn. While every effort has been made to report information correctly, the publisher assumes no responsibility for the accuracy of the information supplied by the author, and disclaims any liability for loss or damage caused by errors or omissions. The opinions expressed in this report are those of the author.

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Funded by the Government of Canada
Financé par le gouvernement du Canada

Canada

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Introduction

The UK market has always been a tempting one for publishers in other English-speaking countries. Apart from the benefit of a common language—both for content and for doing business—it is compact, has easy internal communications, has national media coverage, and is relatively unencumbered by legislative and taxation barriers. It has a prolific and diverse publishing industry and a book reading and book using tradition. It is also relatively easy to access as an importer, with very few import restrictions and little governmental interference in the trading process.

At the moment, however, a considerable uncertainty hangs over the UK book trade, and indeed over the nation as a whole—the imminent withdrawal from the European Union. What this might mean for business and for individuals remains completely unknown. What assumptions it might now seem reasonable to make about continuity of existing commercial arrangements could easily be overthrown by future governments acting without the benefits and constraints in terms of tariffs, taxation, and law that membership of the EU has provided. Inevitably, therefore, this guide will be unable to take into account anything beyond the narrow status quo.

In some respects, however, things have settled down since the last revision of this guide. Most notably, the hype around digital has diminished to background noise. Digital has not gone away, of course, but the anxieties about its disruptive impact on the trade have turned out to be misplaced. There is a gentle uptick in the fortunes of printed books.

The impact of the digital revolution has not, however, left the market unscarred. It has, along with the global implications of the Penguin/Random House merger, resulted in a diminished landscape. The UK industry, for many years a pioneer of progress and innovation and a world leader in developing and exploiting new markets, has been left behind in the book trade world order that has come into being. Notably, practically all the technology, almost all the significant new market players, all the digital hardware and most of the digital reading platforms have been from elsewhere—mostly from North America.

This does not necessarily affect opportunities for Canadian publishers in this marketplace, but it is probably true to say that it has made the UK a less attractive and less relevant market. It remains possible to sell your books successfully in the UK market but harder than ever before to do so at the top level and compete in an increasingly global arena.

This guide will not minimize the problems, but it will attempt to show the best ways of penetrating the book trade. Professionalism and attention to detail are the best weapons in the fight for market share.

Overview of the UK Book Market

Facts and Figures

Although the impact of digital publishing—and the reluctance of key players in the digital area to share information—has made it much more difficult to obtain and evaluate accurate statistics on the size and shape of the UK market, a clearer picture is beginning to emerge. All publishers of any standing now publish digitally alongside printed publications, but the channels are separate, and it is next to impossible to assess whether digital has expanded the market or merely fragmented it. Some major publishers claim digital sales as high as 30–40%, but clearly that is an overestimate for the market as a whole. The Publishers Association assesses the overall market to be 15%, slightly down over the last two years. The current overall trend is that digital sales are flatlining at best and possibly in slight decline while printed books are showing small but significant increases.

The UK is the third most prolific publishing market in the world, after China and the USA, recording some 175,000 new titles and new editions in 2015. Not all these titles compete for space in bookshops, of course, but they do reflect a highly competitive marketplace.

The overall shape of the industry needs to be put into context. Despite the UK ISBN agency's report of 3,500 new publishers entering the market each year, the Publishers Association cites figures from the Office of National Statistics that there are only 2,250 publishers registered for VAT—in other words, publishers that have a turnover of around £85,000, which triggers compulsory registration. Huge numbers of one-person one-book publishers are balanced by an ever-increasing polarization at the other end of the industry because of consolidation.

Publishers' sales in 2016, according to the Publishers Association,[1] using data supplied by the leading publishers and distributors as its basis, amounted at invoiced prices to a total of £3.5 billion, comprising £3 billion for printed books (up by 5.9% over the previous year) and £500 million for digital titles (down by 2.8%). Around one-third of all sales were to export markets.

The value of the UK physical book market, at end purchaser prices, rose by 15.6% to £3.4 billion in 2016, and was 12.4% higher than in 2013.

1 "UK Market," The Publishers Association, https://publishers.org.uk/resources/uk-market/.

In broad terms, the consumer market accounts for around two-thirds of industry revenues, with academic and professional publishing taking 25% and schools and English language teaching publishing around 7.5%.

According to the annual Books & Consumer survey conducted by Nielsen Book Research, (as reported in *The Guardian*)[2] some 360 million units were sold in the UK, up from 353 million in 2015, with a value of £2.4 billion, up from £2.24 billion the previous year. The survey suggested that UK consumers spent 6% more on books in 2016 than in the previous year, with younger people encouragingly fuelling the growth. In contrast, consumers bought 4% fewer ebooks.

The same survey found that both online and store purchases were up in terms of value, with sales through online channels up 5% to £1,169 million and sales through stores up 7% to £1,130 million.

Bookshops retained the largest share of books in volume terms at 42%, followed by online retailers at 32%. By contrast, of course, the online retailers have a vastly dominant share of ebook provision.

The Booksellers Association still had 4,729 bookstores in membership in 2016, up from 4,583 in 2015, but this includes individual branches within the chains and non-specialist booksellers, such as supermarkets and others, and disguises the continuing decline of independents—down again in 2016 to 816. It was just under 1000 in 2013.

At the same time, the shelf life of new titles has continued to decline. With so many new books coming to market, the period in which a book is likely to be on prominent display will be very short unless it shows real signs of performance. Inevitably, given this scenario, many titles fail to achieve the exposure and sales they deserve.

The Publishing Scene

The UK publishing scene has become increasingly polarized in recent years, a trend accelerated dramatically by the global merger of Penguin and Random House, the two biggest UK trade publishers, in 2013. Rationalization and restructuring continue, but the broader outlines are becoming clear: centralization of distribution and accounting; relocation of offices; synergies in sales and other support departments. The challenge will be to maintain the individuality of its numerous imprints and brands and to leverage its size to gain advantage with trading partners and other players in the market. The rationale for the merger was originally seen to be giving the new organization greater muscle in negotiations with Amazon and other tech giants, but it remains unclear whether that has made an appreciable difference so far.

[2] Sian Cain, "Ebook Sales Continue to Fall as Younger Generations Drive Appetite for Print," *The Guardian*, March 14, 2017, https://www.theguardian.com/books/2017/mar/14/ebook-sales-continue-to-fall-nielsen-survey-uk-book-sales.

The merger was thought to presage other high-level acquisitions in the same area of the market, but this has not materialized yet. The Hachette UK group, next in size and clout, has grown through acquisition of numerous small companies and now encompasses such notable imprints as Hodder & Stoughton, John Murray, Little, Brown UK, Orion, Constable, Headline, and Weidenfeld & Nicolson, among many others. Famously collegiate in its editorial structure, it is now all located under one roof and in the process of centralizing its distribution arrangements.

Next in size and influence are: HarperCollins, now located with other News Group businesses; Pan Macmillan, still wholly owned by the German Holtzbrinck group after its academic and technical divisions were hived off into Springer Nature; and the UK arm of Simon & Schuster. There is some evidence to suggest that these companies are enjoying some benefit at the expense of the larger conglomerates in terms of greater flexibility and speed of reaction: certainly they all appear to be thriving.

It is evident that none of these companies is now in British hands, a sorry situation for our once-great publishing industry. Two notable companies that are, however, are Bloomsbury, most famous as the publisher of Harry Potter but with a growing component in the academic and reference fields, and Faber & Faber, almost the last of the truly independent companies of which there used to be so many.

Though of lower profile than these trade publishers but with substantial operations in the UK are Oxford University Press, Cambridge University Press, Elsevier, Pearson, Wiley, Scholastic, and Cengage.

The polarization of the book trade means a substantial chasm between these organizations, almost all of which have an international if not global presence in media markets, and the numerous small publishers that continue to exist and, in many cases, prosper. There seems no limit to the number of new small publishers that continue to come into being and, though some inevitably fall by the wayside, many are long-lived and profitable, offering hope to Canadian publishers wishing to break into the market. In most cases, the secret of their success is specialization in niche markets, known channels to market, heavy emphasis on direct sales, and the avoidance of capital overheads. Most of them are members of the Independent Publishers Guild, which has over the years been very successful not only in creating a community for the exchange of ideas and business practices but also in representing their interests to the outside world.

None of this will come as a surprise to Canadian publishers, well aware of the market domination global corporations can come to control. But in the UK, as in Canada, there are other ways of doing business that showcase high quality product, that exploit innovative approaches to sales and marketing as well as to publishing itself, and that are financially self-sustaining.

Digital Publishing

The buzz around ebooks has definitely faded, but they are still purchased in substantial numbers. Whether this is additional or substitution business for publishers is unclear. In the academic and journals sector, of course, digital is the preferred, if not the only option. Clearly some of the digital sales being recorded are straight-to-digital products and self-published material: it only needs an ISBN to be counted in the statistics. As noted above, the few reliable available statistics currently suggest that the growth in ebook sales has slowed appreciably and that sales year over year are in decline—while printed books show small but significant growth.

Several factors are at work here: the frantic digitization of backlist is now complete, so digital readers can find most of what they are looking for in the e-tail stores; there is an element of "digital exhaustion"; but the clearest indicators are in the online stores themselves and the market for dedicated e-readers. Amazon Kindle overwhelmingly has the largest market share, something above 80%, possibly nearer 90%. Sony's brief foray into the digital library market has been abandoned; so more recently has the Nook. Our two leading supermarkets—Tesco and Sainsburys—have withdrawn from the market. Most of the legacy from these ventures has gone to Kobo, still being promoted by WHSmith and others, suggesting that Kobo is number two in the market, but far below Amazon. No doubt the many owners of iPads are still frequenting the Apple store, but it seems unlikely that Google—despite its ultimate victory in the US courts—has a major market share, books having been subsumed into its GooglePlay platform.

The current view is that here, as elsewhere, use of dedicated e-readers is in decline, with many digital consumers moving their reading habits to tablets or mobile phones.

The Retail Scene

As in many countries, the number of high street bookshops has been in steep decline. The reasons are various: competition from online sources, both on price and volumes; inept management; increasing costs of rents and rates. Fortunately, our major retailer—Waterstones—was saved from extinction in 2011 by the intervention of Russian oligarch Alexander Mamut. It is now trading profitably, operating around 275 stores. Under the management of James Daunt, who had previously run a small but flourishing chain of shops in London, the company has been increasingly experimental in its approach to design and locations, including the introduction of non-branded (quasi-independent) shops in small towns. Although it operates an online website, it has withdrawn from any direct involvement with the sale of digital content following an ill-advised flirtation with Amazon Kindle. At the time of writing, the company is formally up for sale, with Mamut bowing out and new investors being sought, but at present there does not appear to be any threat to the chain's survival.

WHSmith, though nothing like the industry behemoth it used to be, is still a formidable force in the sale of bestselling books, operating 611 high street branches and 815 in its travel division. The high street shops are more general stores than bookshops these days, selling stationery, newspapers and magazines, sweets, sandwiches, and toys alongside a small range of current bestsellers and children's books. The travel division has been the focus for expansion in recent years, both in the UK and overseas, and is a major presence in railway stations, airports, and motorway service areas. The group is currently experimenting with the launch of a small number of books-only stores in high street locations. It continues to produce healthy profits, despite generally declining sales, on the back of a ruthlessly efficient supply chain based on its operations centre in Swindon.

In the academic sector, Blackwell continues to have a significant presence, based on its famous Oxford flagship store, of 45 mainly academic bookstores in university cities and campuses; and John Smith has a growing business of 35 campus stores.

Each chain has its particular characteristics—how they buy, where they buy from (direct or via a wholesaler), how quick they are to return unsold stock—but always liable to change. There has been a growing trend to limit the number of direct accounts to only the major distributors, supplemented by supplies from wholesalers for books published by smaller firms. This has proved a successful way to reduce their overheads and simplify procedures for shop staff. Publishers are less happy about it: they lose control of their own sales and are unable to monitor sales to some of their major customers.

Dominating all these businesses, however, is Amazon.co.uk. It has, perhaps more than in any other country, taken a market-leading position both in the sale of physical books and ebooks. Based on aggressively competitive pricing and a supremely efficient supply chain, it has set the bar too high for competitors to challenge. For publishers, needless to say, ensuring the high profile of their titles on Amazon has become a key marketing task: providing frequent price and availability updates, cover images and reviews, digital files, and so on are crucial.

Formats and Pricing

Despite the impact of ebooks, the way in which the major trade publishers orchestrate publication remains broadly unchanged, though it has become more flexible over the years and more sensitive to individual title advantage. It is still customary to issue a hardback initially, generally with an ebook version also available, to be followed six months or so later by a paperback edition. In some cases, a trade paperback—in the same format as the hardback but at a lower price—is also made available before the mass market paperback is published. Publishers have become much readier to experiment with formats and pricing, exclusive deals with retailers and early export editions (available airside in airports for travellers and in bookstores in continental Europe).

Nielsen reports that paperbacks remain the most popular format, with ebooks overtaking and holding a substantial lead over hardbacks between 2011 and 2013. It is worth noting that audiobooks have been a notable success in recent years, recording double-digit growth—another beneficiary of digitization.