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An overview of the digital evolution of the Mexican Publishing Market

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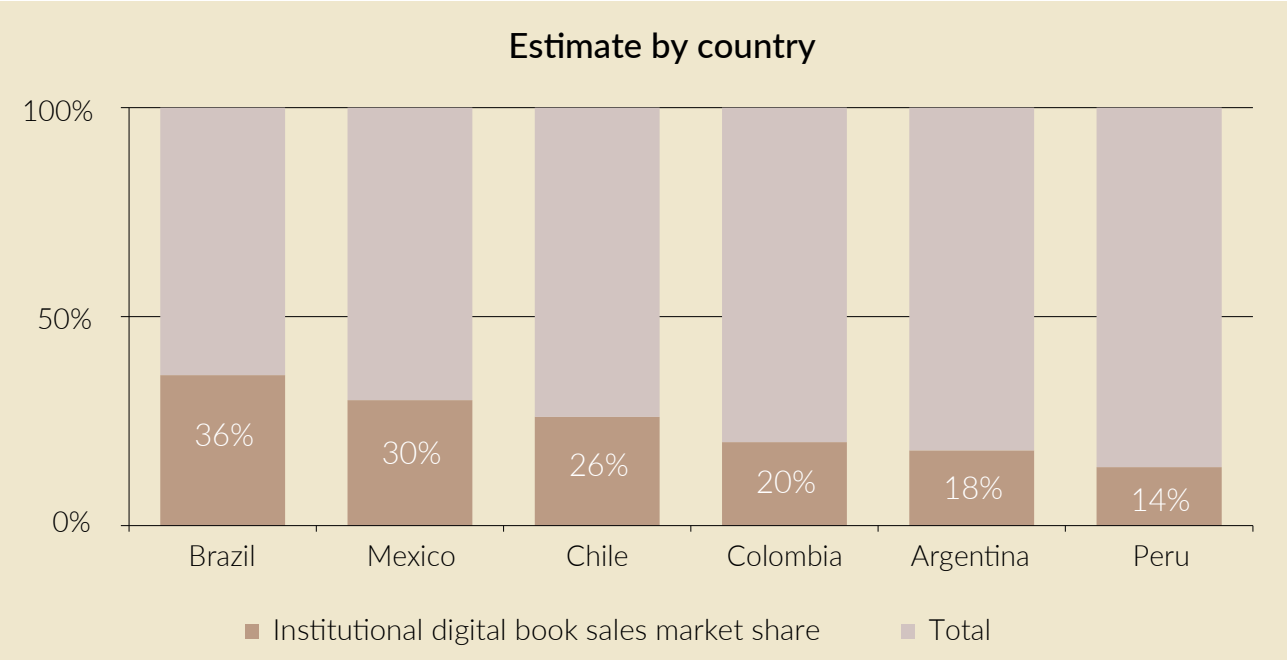
1. Introduction to the Latin American Markets

Though it wouldn't be correct to talk about Latin America as a unified whole, given that each country moves at its own pace and has its unique characteristics, still there are transversal trends throughout the region, and these should be analysed with precision to determine where their business opportunities lie in each of these markets.

Spanish is the third most spoken language in the world after English and Chinese, and the revenue potential from a market made of 550 million Spanish speakers in all continents of the world will not be overlooked by the publishing sector. The Spanish-language markets represent over 500 million Spanish speakers mainly living in Latin America and Spain, along with the US, where the latest census counted over 50 million people of Hispanic or Latino origin who speak regularly Spanish at home.

The development of the publishing sector in Latin America has varied greatly from one country to another. Countries with consolidated industries such as Brazil, Argentina, Mexico and Colombia represent almost 80% of the books published in the region, co-existing with others, such as Chile, Peru and Ecuador, where the publishing industry has only just begun to take shape. The remaining countries, particularly in Central America, are making efforts to advance in this arena. The state plays a very important role in generating demand in almost every Latin American country, although the private publishing industry is the essential driving force behind the cultural diversity of books in the region.

After a decade of economic, political and social stability across Latin America has provided a solid foundation for the emergence of a digital marketplace. During the last 10 years, Latin America has witnessed a significant rise of the middle class (50% according to the World Bank), private consumption (now up to 67% to 75% of the GDP) and access to education (school enrolment rates have greatly increased although there are still



high levels of poverty and inequality). According to the World Bank, every 10% increase in penetration on the Internet can mean a 1.3% growth rate for the GDP of emerging countries.

In this ongoing stable growth context, we are witnessing the eve of a highly important digital mutation in the Spanish markets. Let's take a look at some facts:

- Internet usage is increasing rapidly and expectations and projections forecast a 53% penetration rate in 2016, with an annual growth of 13%.

- According to recent research published by CERLALC[1] in its report, "Espacio Iberoamericano del Libro 2014", the number of titles published in digital format accounted for about 21% of the total publishing production in 2013.

- The presence of eBooks has increased from 8% in 2008, to 14% in 2011 and 21% in 2013 and it is expected to surpass the 25% level by the end of 2015.

- E-commerce volume via B2C channels has been highly significant over the last year. Many Spain based publishers have acknowledged that their digital sales in Latin America account for 25% to 50% of their total turnover.

- The foreseeable and already contrasted decrease of trade in paper should imply an increase in e-commerce, particularly in libraries, universities or institutions. A reasonable forecast leads to the assumption that by the end of 2020, 60% of purchases by libraries and universities in Latin America will be entirely digital.

- The "Latinobarómetro", an annual public opinion survey conducted in Latin America since 1995, has added the following question to its survey: "Do you read books, newspapers, magazines and blogs directly online?" Answers to this question suggest that in some countries in the region, digital reading is, in fact, growing in importance. In Colombia and Uruguay about 19% of respondents indicated that they read directly on the Internet, followed by 16% in Argentina, 13% in Chile and Mexico, and 11% in Brazil and Peru. In the remaining countries in the region, fewer than 10% reported reading directly online. In Spain, 6.5% of people read books in digital format and 4.1% report reading books directly online.

- According to the *Bookwire Spanish and Portuguese Digital Markets Report*[2], governments in the region will continue to have an important role in promoting digital content creation and demand. All the data indicates that there is a direct relationship between reading and levels of social and economic development. The emergence of the digital era offers governments and publishers a new opportunity to increase the number of readers in the region. Public library elending will be key for achieving this increase in the number of readers because they will provide free access to ebooks across the region.

1 Cerlalc. http://cerlalc.org/el-espacio-iberoamericano-del-libro-2014/

2 Download the complete Bookwire Spanish and Portuguese Digital Markets Report for free at http://bit.ly/bookwire-latam-en

2. Mexico: The largest market in the region

Mexico is the fourteenth largest country in the world (about 2 million square kilometers) and the eleventh most populated (around 120 million inhabitants). Apart from Spanish, 67 indigenous languages are spoken there. Mexico is the tenth largest exporter in the world, with sustained growth over the last few years. The country's economic activity depends greatly on trade with the U.S., which consumes over 80% of Mexican exports and employs almost 10% of its population. The flow of remittances by international migrant workers constitutes the second most important source of income in the country after oil.

This is undoubtedly one of the countries with the biggest disparities in all of Latin America. Despite low rates of reading, it ranks second in book production in Latin America, behind Brazil. With a population of 122 million people, mainly young (50% are under 35 years of age), 73% are non-readers and only 2.9 books are read per inhabitant per year. Despite these figures, 7% of Mexicans already report reading ebooks, quite an interesting data point.

A good place to start is by looking at the data, characteristics, and profiles pertaining to Internet users in Mexico[3]:

- Internet penetration in Mexico increased by 15.3% in 2014 with higher growth levels in comparison with the previous year. The number of Internet users reaches 53.9 million.
- The average duration of Internet usage was 5 hours and 36 minutes, 26 minutes more than in 2012.
- Internet access mainly occurred in the home, followed by the workplace. High usage of public and private Wi-Fi networks was also observed.
- The most popular Internet activities were the use of e-mail and social networks, overtaking search for information.
- 82.4% of Internet users have downloaded an app.
- Search engines are the most widely used sources to find information, followed by social networks.
- The main device used to connect to the Internet continues to be the computer, though now 5 out of 10 users connect via their smart phone.
- Last year, 8 in 10 children with parents who are Internet users also use the Internet, mainly at school and for entertainment purposes. The average age at which children become Internet users is 8 years old.
- Penetration of social networks among Internet users is sustained, 9 out of 10 access a social network.
- The most popular social network in Mexico continues to be Facebook, followed by Twitter, YouTube, and Google+.

3 Report on the Habits of internet Users in Mexico 2014: http://es.slideshare.net/EdgardGarza/estudio-hbitos-del-internauta-mexicano-2014

According to preliminary statistics provided by the National Chamber of the Book Industry in Mexico[4], the number of copies produced from year to year is consistently high:

- 2008: 385 million copies
- 2009: 321 million copies
- 2010: 345 million copies
- 2011: 293 million copies
- 2012: 330 million copies
- 2014: 340 million copies

However, these figures require qualification. In 2013, 57% of copies produced were published by the public sector (government), leaving only 43% in the hands of private publishers.

Furthermore, of the 145.7 million copies published by the private publishing industry, 43.6 million (30%) correspond to production intended for government school programs.

The private publishing sector published 30,597 titles in 2013, a 27.7% growth compared to 2012. Of those, 2,739, or 11.4% of production in 2012, were published in digital format, 60% more than in 2011. (Digital production data for 2013 not available yet)

The title production numbers for the private publishing sector are as follows:

- 2008: 20,242 titles
- 2009: 18,618 titles
- 2010: 25,348 titles
- 2011: 26,836 titles
- 2012: 23,948 titles
- 2013: 30,597 titles

Sales volume for 2013 may be broken down as follows:

Print: 10.889,84 million pesos (about $706 million), a 4.6% increase in comparison with 2012.

eBooks: 19,57 million pesos (around $1.2 million), an increase of 17.6% over 2012.

eBooks are as yet less than 1% of total sales, but this reveals the enormous development and growth they could have in the next few years.

One trend worth noting is the drop in percentage of imports. The increase in books produced by the private industry in combination with commissions for educational books by public

Market	2008	2009	2010	2011	2012	2013
Government	67%	62%	63%	55%	57%	57%
Private	33%	38%	37%	45%	43%	43%
Total	100%	100%	100%	100%	100%	100%

4 http://www.caniem.com/libros.html Report: Indicators for the Private Publishing Sector in México 2013. CANIEM.

institutions have caused the share of imports to drop. It declined from 20% in 2006 to 8% in 2012, the same year that sales of imported books increased 7%.

Sales of imported books have been decreasing since 2006.

The table below shows sales by channel in thousands of copies:

According to these figures, the government was the principal sales channel with an decrease of 6% from 2012 to 2011, followed at a distance by bookstores, which experienced a 1% drop in sales in the same period.

Turning to external trade, exports remained stable with a slight upward trend within modest export figures. In 2013 the number of copies exported increased by 8.3% although sales decreased by 0.9%, evidently due to an decrease in average price.

Digital production figures showed growth in the number of titles of 60% from 2011 to 2012, from 1,709 to 2.739 titles. Scientific and professional (48.9%) were the biggest categories, with fiction (307 titles) accounting for only 11.2%.

The most popular subjects for ebooks produced in 2012 (2,739) were as follows:

Fiction, Children's, and Young Adult: 307 titles.

K-12 Education: 653 titles.

Science and Technology: 1,342 titles.

Philosophy and Psychology: 262 titles.

Other: 175 titles.

Sales of digital books amounted to 19.5 million pesos in 2013 (1.2 million USD), a 17.9% increase with respect to 2012. Science and technology books represented 64% of total sales.

Sales Channels	2006	2007	2008	2009	2010	2011	2012		2013	
							Number	%	Number	%
Sales to government	60,347	46,619	48,140	44,142	46,496	49,512	59,349	39.2	48,486	32.8
Bookstores	42,045	42,084	41,705	40,468	39,999	40,345	39,408	26.0	36,776	24.9
Sales to schools	11,681	13,789	9,822	9,722	12,476	13,512	17,974	11.9	25,152	17.0
Export	16,085	14,991	14,894	11,545	15,466	14,951	13,428	8.9	14,545	9.8
Grocery and department stores	13,731	12,747	11,013	11,926	10,611	8,393	9,549	6.3	8,153	5.5
Kiosks	2,431	1,825	2,240	1,908	3,870	4,494	4,311	2.8	5,356	3.6
Book fairs	2,539	991	1,094	1,131	1,170	1,032	1,413	0.9	1,968	1.3
Sales to private companies	2,254	3,710	2,972	3,152	2,426	3,761	907	0.6	1,101	0.7
Direct sales via credit	1,946	1,658	1,378	1,329	1,226	1,181	148	0.1	194	0.1
Other	7,544	8,715	5,431	3,680	4,867	5,158	4,930	3.3	6,032	4.3
Total	160,603	147,129	138,689	129,003	138,607	142,339	151,417	100	147,763	100

Total sales for the private publishing industry in 2013 increased to 10.909 billion pesos, (707.8 million USD) meaning the ebook share is still quite low, less than 1% of total sales.

According to some sources, there were about 60,000 monthly downloads, which would come to 720,000 per year. At an average price of 135 pesos, total ebook sales would equal 97 million pesos, a number that would include sales of ebooks from outside of Mexico sold through online platforms.

The Role of Bookstores

The National Chamber of the Book Industry in Mexico publishes a Statistical Report on Bookstores on a periodical basis. The report describes the main characteristics of bookstores in Mexico, such as the type of establishment, location, size, and catalogue.

The most interesting points in the latest report, issued in 2012, may be summarized as follows:

- Of the 1,198 points of sale surveyed, 40.9% were main stores and the rest were branches.

  a. Cristal, with over 40 branches throughout Mexico.

  b. Porrúa, with over 30 branches.

  c. FCE (Fondo de Cultura Económica), the most important Mexican publishing house also has more than 22 bookshops.

  d. Ghandi, with 25 branches.

  e. Casa del Libro, 10 branches.

  f. Sanborns, a restaurant chain with attached stores, with almost 380

points of sale throughout the country, sells a wide range of Mexican and foreign periodicals, with a book selection focused on bestsellers.

- 30% of points of sale are located in the Mexico City. The state of Jalisco ranks second in number of bookstores, accounting for 6.8%.
- 3% of bookstores occupy less than 50 square meters, and 21% occupy between 50 to 100 square meters.
- About 32% of bookstores are 10 to 20 years old and 31% have been in business for up to 10 years.
- 55% of the bookstores offer a general trade catalogue, whereas 29% offer a specialized catalogue.
- 80% of bookstores sell imported editions.

A growing and diverse indie publishing industry

The Mexican publishing sector embraces the XXI century transforming itself from a market basically driven by international publishing houses, as well as government owned publishing entities, to an emerging new industry driven by independent publishing houses. As we have seen in this report, digital publishing is still in the early stages, but the ongoing digitalization efforts undertaken by most publishing houses, as well as the arrival of native digital initiatives indicates a fast-forward attitude towards digital.

To provide an overview of the Mexican publishing industry, we have selected the 20 most singular publishing houses with a brief description of each of them:

Fondo de Cultura Económica (FCE)

With over 80 years this publishing house has a long-standing tradition as an academic publisher and the works of outstanding authors and scholars, creating one of the richest and most diverse backlists in Latin America.

Dirección de Publicaciones de CONACULTA (DGP)

A publishing institutional effort carried out by CONACULTA, a decentralized agency of the Ministry of Public Education, it's commited to promoting reading and literary creation through the publication and dissemination of a wide publishing offer.

Universidad Nacional Autónoma de México (UNAM)

The largest publishing house in the Spanish-speaking world with an average of 1,700 print and electronic titles published each year.

Penguin Random House

Leading company in publishing and distribution in the Spanish language, with a penchant for innovation aimed at responding to the changing times.

Grupo Planeta

The largest Spanish-speaking publishing house and one of the top-ten publishing houses worldwide, especially interested in promoting Latin American authors and the region's literary production internationally.

Grupo SM

A publishing house with over thirty years of dedication to children´s literature, it has developed a catalogue designed to generate the enjoyment of readers with different degrees of maturity and reading ability.

Editorial Santillana

One of the leading educational publishing companies specialized in delivering content, services, and educational and literary high-quality and innovative materials that cater to both the needs of the agents of the Mexican educative system and young readers.

Ediciones Castillo

Well-renowned publishing house for its children's catalogue as well as its textbooks and educational publications.

Sexto Piso

With over a decade of operations, and over 200 titles, it is currently one of the most important literary publishing houses in Mexico; it has a subsidiary in Spain and distribution throughout Latin America.

Almadía

Founded over ten years ago, this Mexican independent publishing house has sought to publish some of the best national and international contemporary literary works that are peripheral to mainstream ideas and to do so while innovating in the market.

Trilce

This publishing house specializes in the development of content from the creation of the concept, research and production, to its distribution through several platforms such as books, apps, exhibitions and web.

ERA

With over fifty years in the market and over 400 titles it has been one of the most important Mexican publishing houses that has adapted well into the digital era.

JUS

With over eighty years of existence, this publishing house is rapidly transforming itself into a contemporary reference for texts that promote critical thought and literary prowess.

CIDCLI

A publishing house with over 35 years of being dedicated exclusively to children's books seeking to represent the best of Latin American literature.

El Naranjo

Independent publisher with more than 10 years experience in the production of both children and young adult titles that have consolidated an extraordinary catalogue.

Nitro

A publishing house of multidisciplinary character that has enjoyed graphic and editorial design while exploring literature, plastic arts and essays and lately other forgotten genres.

Mantis

A publishing house that specializes in poetry and has almost 300 titles it publishes some of the most promising and representative poets from Mexico and abroad.

El Milagro

A publishing house and association specialized in contemporary playwriting and theatrical thought.

Malaletra

Independent publishing house that specializes in ebooks as well as digital distribution and marketing with a dialectic approach towards its public.

Nieve de chamoy

Innovative publishing house that focuses its production towards ebooks and apps that not only have optimum performance but that care for the readers' experience form a multidisciplinary and creative editorial approach.

Editorial Océano

A global Spanish-language publishing and distribution group present in all Latin American markets.

Norma Ediciones

With over fifty years of experience operating in Spanish-speaking countries of Latin America and Europe,

Cal y Arena

Independent publisher with over two decades devoted to publishing an exceptional catalogue of literary texts that cover many genres.

Ediciones del Ermitaño

Independent publisher with almost 30 years of experience and an ambitious catalogue with a variety of contents within an enormous range of topics and genres.

Textofilia

Publishing house that specializes in literature and art, it has also gone into distribution of books and cultural projects.

In sum, it is worth remarking on the enormous potential for the development of digital market in Mexico. Many international publishers who publish in Spanish indicated that sales in Mexico constituted 40% to 65% of their total ebook sales in Latin America. Mexico is therefore of prime importance in any business development strategy designed to break into the Latin American market.

3. Upcoming trends in the LATAM region

The main opportunities and challenges faced by Latin America in the next five years can be summarized as follows:

- The impact of digitization on the book industry been strong and has begun, as in other cultural industries, with production, substantially altering the value chain. The next step will be to increase digital sales and distribution of content by Spanish and Latin American publishers throughout the entire continent and in the main bookstores and libraries throughout the world.

- Digital technology offers enormous opportunities for all creative and cultural industries in the region. The rampant development of the Internet in the region implies that anytime, anywhere access to cultural consumption and to all kinds of educational and entertainment content has caused a paradigm alteration in the ways, means, and habits we have for accessing books. In other words, it is essential to create new ways of discovering books, as well as new sales channels, beyond traditional bookstores.

- The consolidation of national publishing markets in the principal Latin American countries will arise from a firm commitment to digital publishing (the birth of new digital publishers with different business models, development of transnational distribution platforms, etc.).

- Book professionals will become increasingly aware of the importance of price as a variable in incentivizing cultural demand and consumption. This does not mean current fixed price policies should be eliminated, only that they should be complemented with more dynamic pricing policies.

- Governmental powers will continue to have an important role in promoting content creation and demand. All the data indicates that there is a direct relationship between reading and levels of social and economic development. The emergence of the digital era offers governments and publishers a new opportunity to increase the number of readers in the region.

- Libraries and digital library lending will be key tools for achieving this increase in the number of readers because they provide free access to books.

- Brick and mortar bookstores continue to represent the main sales channel for books in Latin America despite the marked inequality of bookselling infrastructure between countries and the high concentration in urban areas. While in Spain indirect distribution generates 60% of sales for publishers, in Latin America it represents only 25%. For the present, bookstores continue to be the main sales channel for books. Commitment by bookstores to new technologies will be the key to ensuring a role for themselves in the digital age.

The convergence of these facts and trends could lead to a real explosion of digital commerce in the region within the next decade. To achieve this goal, it is consequently essential to develop in the region solid e-commerce and distribution platforms capable of adding highly varied catalogue content.

The Latin American markets will probably be the ones to show us how the global ecosystem of ebooks will evolve in the upcoming years. It is highly unlikely that the Governments in Latin America will set a goal of establishing a dense network of bookstores and libraries in every town; nor will a rise in rates of reading in Bogotá or México City (or among the growing Hispanic population of the US) wait for the development of distribution centres for print books, or for tax regimes that facilitate imports and exports, or for book reviews in the printed press as a means of encouraging reading and purchasing books. It will be much easier for those public officials to leap-frog directly from a situation of poor physical infrastructure, in which accessing books is so hard and costly, to a digital future in which smart phones and tablets become doors to online knowledge, thereby filling the gap more rapidly and easily.

4. Credits

About the Report and The Markets Summit

This report has been drafted by Bookwire for The Markets Global Publishing Summit 2015, a new event from the Frankfurt Book Fair and Publishing Perspectives that showcases **seven** strong and vibrant publishing regions. You'll hear from the influencers from each of these markets, get insights from professionals working there, and meet the relevant people who can help you to expand your business abroad.

This overview of the Mexican Publishing Market is part of *The Bookwire Spanish and Portuguese Digital Markets Report* which includes a range of essential figures and perspectives with a view to enabling professionals in the publishing sector around the world to understand the transformation currently taking place in the Spanish- and Portuguese-language markets. If interested in knowing more about the rest of the Latin American Markets, you may download the complete Report for free at http://bit.ly/bookwire-latam-en

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About Bookwire

Founded in Germany in 2009, Bookwire is an eBook aggregator specialising in marketing digital content in all existing and emerging sales channels worldwide. In 2011 Bookwire became the first certified European supplier for the Apple iBooks Store.

Bookwire offers a full service package of delivery, reporting, quality management, shop marketing and conversion. The company works with over 800 publishing houses from 30 countries for which it provides the world's largest network of eBook and audiobook shops. Bookwire has offices in Germany, Brazil, Colombia, México, Peru, Spain and Russia.