

2016 REPORT

DIGITAL TRENDS IN THE SPANISH MARKETS (SPAIN AND LATIN AMERICA)



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EXECUTIVE SUMMARY

Although publishing and digital cultures are evolving at highly different speeds in the Spanish markets, technology and the ebook both offer a broad spectrum of business opportunities for publishers in Latin America and Spain. The soaring number of ebooks published in those countries, the growing importance of digital reading and the increasing role of the Internet as a distribution and marketing tool for books, all lead to the assumption that the evolution of the digital market is a reality in most Latin American countries.

Having looked closely at digital and publishing trends in various countries (Argentina, Brazil, Colombia, Chile, Ecuador, Spain, Mexico, Peru), this report, compiled by Dosdoce.com in collaboration with Bookwire, offers a series of indicators and prospects regarding each of these markets, with the purpose of offering a tool for publishers, booksellers, authors, investors, the media and experts to understand the changes being experienced by Spanish-speaking and Portuguese markets, together with the business opportunities these changes offer professionals in the publishing sector worldwide.

Evolution of digital market

The growing amount of data, business intelligence and market information available in relation to digital sales and distribution makes it possible to analyse in detail the evolution of the Spanish and Latin American digital markets.

As occurs with print books in physical bookstores, independent publishers' behaviour is different from that of big publishing houses in online stores. As more and more independent publishers strongly invest in the digital distribution of their books, peculiarities of that nature are once again being detected. One of the main conclusions of this Report, is that there are extremely different behaviour patterns between small and large publishing companies.

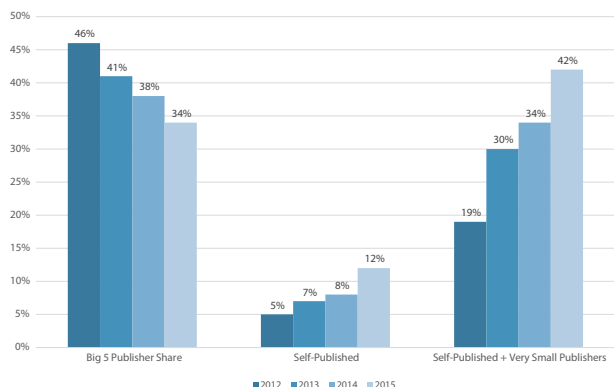
At a first glance, we have observed a massive trend by independent publishers to become more involved in the production and marketing of digital books, especially in Latin America. In the Spanish speaking markets, independent publishers are experiencing a growth of between 20% to 35%, whereas big publishers in the region have experienced a "plateau" in some markets or moderate growth with respect to certain business models in comparison with other years.

1.1. Increase in sales by independent publishers and self-publishing in the Spanish markets

Sales increases in ebooks sold by independent houses, as well as indie authors, have been highly significant and are presumably due to a better understanding and acceptance by them of price dynamics on the Internet. The increase in these kind of publishing products has altered figures pertaining to the digital book market, particularly in cases of products without ISBN numbers.

According to the above chart from Nielsen's most recent report, published for the BookExpo America Fair, the digital market share for the five

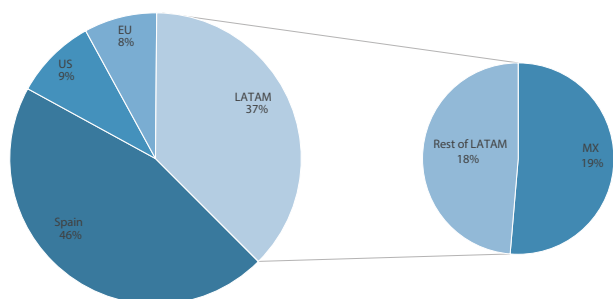
MARKET SHARE BY MAJOR PUBLISHERS CATEGORIES



largest US publishers has decreased year after year. In 2015, sales for the “Big 5” represented 34% of the digital market in comparison with 46% in 2012. However, the market share for independent publishers did nothing but increase in the same period. In 2015, ebook sales by small independent publishers – with a staff of 1 to 5 people - reached 30% of the digital market, whereas in 2012 it barely rose over 15%. Simultaneously, the sale of self-published ebooks by self-publishing authors rose from 5% in 2012 to over 12% in 2015.

1.2. The digital markets in Spain and Latin America are growing at different rates

Sales in 2015 by over 170 independent Spanish and Latin American publishers using the Bookwire.es platform to distribute their ebooks revealed that about 45% of the ebooks published

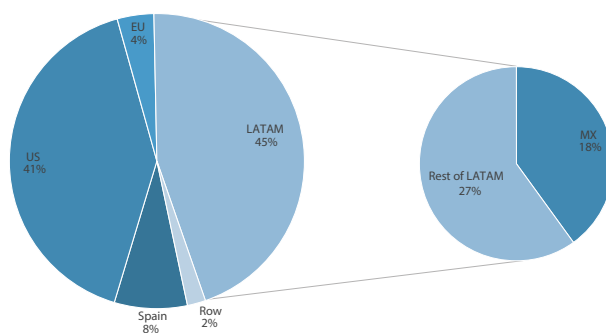


in Spain were sold on Spanish territory, whereas 55% were sold outside Spain, i.e. Latin America (37%), the US (9%), Europe (8%) and the rest of the world (1%).

Mexico takes the lead in sales of digital content published by independent Spanish publishers (19%), whereas remaining sales are distributed among other countries in the region (Argentina, Colombia, Chile, etc.).

1.3. Latin American and Hispanic digital market boom in the US

There are more and more independent publishers strongly committed to the distribution of their ebooks in order to reach readers all over the world. We are all aware of the difficulties involved in distributing print books in the region due to the various setbacks and shortcomings of analog distribution. Ebooks are fortunately boundary-free thanks to digital distribution. As a result, independent publishers such as [Rey Naranjo](#) in Colombia, [Amanuta](#) in Chile, [Malatetra](#) in Mexico, among many others, have seen how their digital books are not only being sold in their countries of origin, but also in unreachable paper format markets.



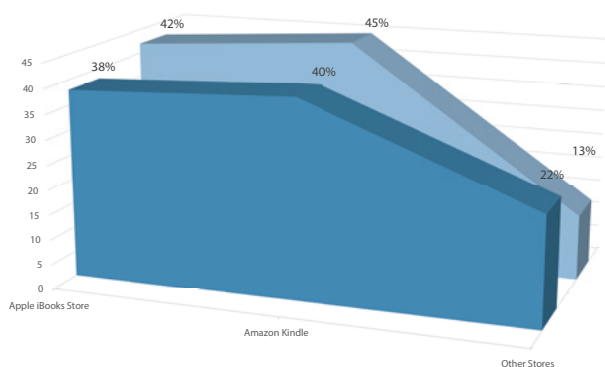
According to recent figures, 45% of independent Latin American publishers’ digital sales were made in Latin America, whereas 55% occurred in markets

beyond that region: 41% in the USA, 8% in Spain, 4% in Europe and 2% in the rest of the world.

1.4. Less dependence on Amazon

According to numerous international reports, the big publishers generate from 60% to 75% of digital sales through Amazon, whereas independent publishers' digital sales are more equally distributed among the main international digital channels (Amazon, Apple and Google). In other words, independent publishers do not depend so heavily on one sole channel to reach readers.

In 2015, 40% to 45% of digital sales by Spanish and Latin American independent publishers are processed via Amazon, whereas 38% to 42% are made through Apple; remaining digital sales are distributed equally among other channels (Casa del Libro, Gandhi, Kobo, FNAC, etc.).



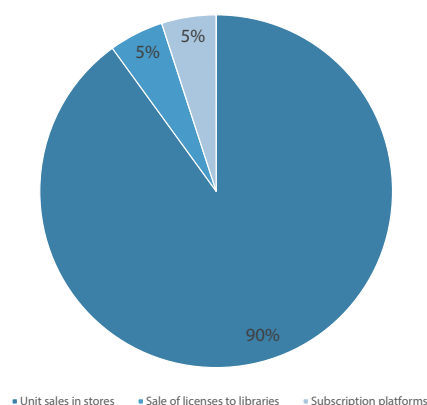
The reasons for the decreasing dependence on Amazon are due to certain common characteristics of independent publishers and may be summarised as follows:

- Amazon launches a large number of campaigns to promote new releases. Independent publishers offer much fewer new releases per year than big 5 publishers.

- Amazon launches various campaigns offering large discounts. Independent publishers are more reluctant to offer big discounts on their ebooks since their titles usually have a longer life-span (backlist) than those offered by major publishers.
- Marketing campaigns beyond price discounts. Apple, Google, Orbile and Kobo, among other online stores, are investing in campaigns to promote transversal content rather than price discounts. Independent publishers have an extensive backlist on which to base such campaigns.

1.5. Diversification of business models

Although unit sales in online stores continues to be the dominant business model, library and subscription channels are becoming more and more relevant. Several sources indicate that the public and academic library channels may shortly experience a huge increase in the region.



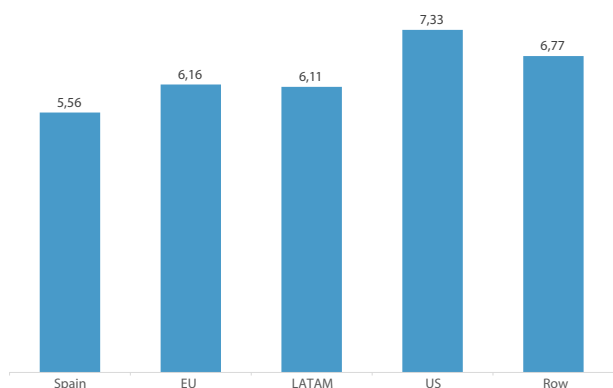
Although sales by stores such as Amazon, Apple, Kobo, among others, continue to be the main sales channels for independent publishers (90%), the sale of ebook licences to libraries surpassed

5% of digital sales in less than a year. In the same period (2015), we saw how profits from subscription platforms, especially in the US and Germany, are becoming more and more relevant for independent publishers.

1.6. Most competitive sales prices

As opposed to the major publishers, who on average have increased the retail price of their new releases to over €9.99 euro, reaching the price of €14.99 on many occasions, independent publishers and indie authors offer more competitive retail prices inline with the current supply and demand of digital contents.

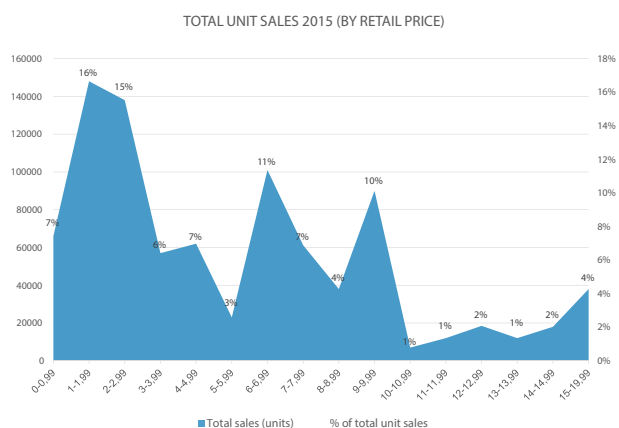
According to the chart below, the average price of an independent publishers' ebook in Spain is about 5.56 euros, whereas the highest prices for independent publishers' ebooks in the USA reached an average of 7.33 euros. It may be worth considering whether a greater price adjustment in the Latin American market would be advisable in 2017, essentially due to the decrease in exchange rate within the last year.



According to various international reports, one of the reasons for the drop in ebook sales by major publishers is the increase in prices over the last few months. Although most of the new releases

proposed by the big publishing companies were offered at an average price of €9.99 at the beginning of 2015, prices rose at the end of the year from €12.99 to €14.99.

Based on the business intelligence derived from Bookwire's platform which distributes more than 100.000 titles from 1.000 publishers worldwide, ebooks costing less than €6.00 represented 54% of the total sales incurred in 2015 and the first half of 2016. Ebooks with a sales price between 6,99 and 9,99 euros represent 21% of the sales. As prices of ebooks rise above 9,99 euros, sales plummeted, which is indicative of users' perception on assessing prices.



1.7. One in five e-books sold in Spain is self-published

Higher book prices by publishers have caused readers to focus their reading time on self-published books, which are sold at remarkably competitive prices.

Despite confusing figures and the controversy raised by self-published book sales, these ebooks are enticing more and more readers and becoming increasingly relevant on the market. In 2014, the first five most widely sold titles in France were self-published books. In 2015, the ratio in the UK

and Spain was of one self-published book per four ebooks sold, the new market being ruled yet again by Amazon. Once more, this player has scored a new business advantage in the book world. The scarce attention and reaction by publishers to Amazon's self-publishing strategy is startling, particularly when their long-term objective is to reduce paper.

Despite the lack of statistics in relation to potential market sales via self-publishing in Latin American region, it would appear likely that it will become a relevant option, according to ISBN data in certain Latin American countries.

1.8. Consolidation of library channels

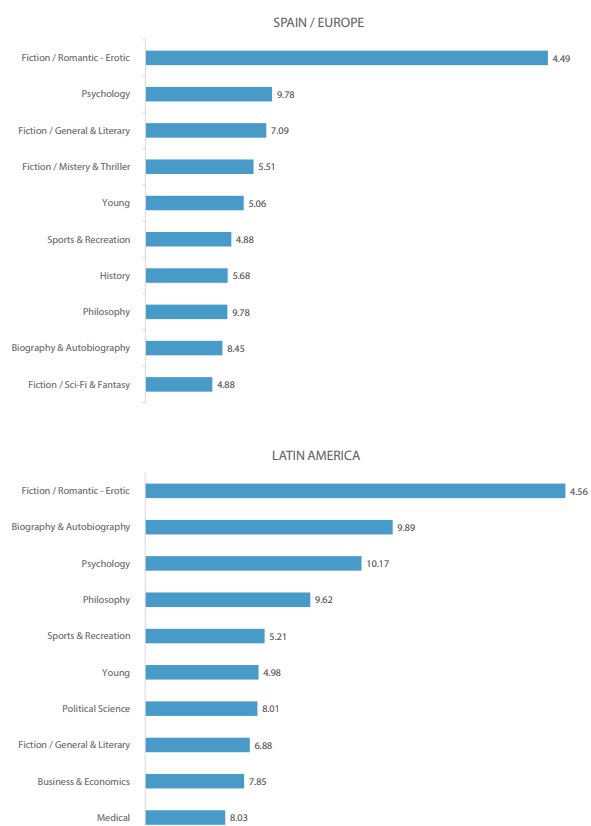
The cuts incurred last year in purchase budgets of public and university libraries is causing digital purchases to surface relatively slowly. The slow kick-off of Public Library eLending services in many Latin American countries has delayed the growth of this channel in the region. Nevertheless, various library networks in the region (Colombia, Chile, México, Spain etc.) are nonetheless beginning to implement eLending services, either by way of their developing their own proprietary platform such as eLiburutegia in the Basque Country or licensing a library software. As far as commercial enterprises are concerned, both Librandia and Odilo or Xercode in Spain, as well as Overdrive in the US, are striving to make a niche in the region, which may lead to a massive increase in digital content purchases within those channels, bringing about very rapid changes.

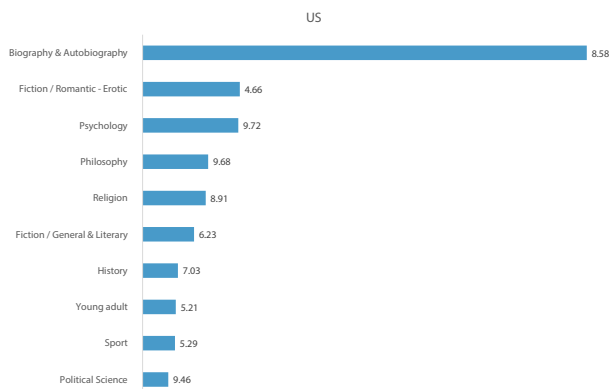
The change in digital purchasing among library channels is an undeniable fact in the coming years, mainly due to the saving in prices this will

represent, together with the automatism of a service made available by libraries to devices owned by users who will be able to access thousands of titles in their smartphones or tablets with a couple of clicks.

1.9. Pricing behaviour by markets

When comparing the most highly sought-after genres in Spain, LATAM and the USA, it has been observed that the US market allows publishers to set a higher pricing for their ebooks than Spanish speaking countries. A comparison of specialised materials in Spain and LATAM revealed that perhaps a more flexible approach to price policies in the latter may lead to a strong increase in demand.





1.10. Emergence of the audiobook market in the region

The worldwide audiobook marketing phenomenon has led publishers to envisage a significant source of income. The penetration of the smartphone among users is fuelling the explosion of audiobooks in many markets. According to the Association of American Publishers, US market figures revealed that 3.88 million audiobooks were downloaded in 2015, leading to a sales figure of 205.8 million dollars. The Association of Audiobook Publishers also corroborates those figures, as well as a 24% increase in sales and 9,630 more titles with respect to the previous year, 76.3% of which corresponded to fiction and 23.7% to non-fiction.

A large number of Spanish and Latin American publishers is currently analysing the podcast phenomenon with a view to monetising this format, which is thriving worldwide. To increase demand of audiobooks, Spanish markets must face the challenge of raising the quantity of the catalogue which is still rather limited, representing less than 4.000 titles in Spanish.

Bearing in mind that all new car models will be connected by 2020, the prediction that this format may end up becoming a major success may not be far from the truth. The growth of

audiobooks (at a rate of about 32% per year according to Audioteka) is not just a fact in English speaking markets, it is also happening in Germany and Northern European countries, whereas Spanish publishers continue to hold that there is no market for that format, with the marked exception of Penguin Random House's new audiobook collection and initiatives such as Narradores, Blue Planet Tales, Seebook or Literaudio, among others.

Audible, a company belonging to Amazon, monopolises the audiobook market, representing 85% of sales in that format. A few of those are available through other distribution channels in the form of the cards, such as those offered by Seebook as a way of transferring the sale of audiobooks to physical bookstores.

The audio format is popular in certain Latin American countries such as Argentina, Mexico and Colombia, where companies like Deezer, specialising in music streaming, are beginning to incorporate audiobooks to their business proposals and launch their platform throughout Latin America. In some cases, telephone companies are including ebook and audiobook packs with their starting offers. The thought that the format may become widely used in Spanish region therefore appears to be quite plausible.

1.11. More books without DRM

Although most ebooks are still distributed with hard DRM, more and more publishers in the Spanish market are distributing with social DRM or no DRM at all in order to make it easier for readers such as Sinerrata, Herder Editorial, Rey Naranjo Editores, Arpa Editores, Páginas de Espuma, Roca Editorial, Gigamesh, Trama Editorial, Valdemar, Baile del Sol, Ediciones B, among others.

Furthermore, we have seen how stores such as Lektu, who only market ebooks without DRM or social DRM, have taken off in recent years. Publishing without DRM not only makes the whole purchase and reading process of ebooks friendlier for readers, it also allows publishers, bookstores and libraries to save the money they require nowadays to pay for highly priced DRM licenses.

1.12. Growing innovation: new players in the sector coming to the fore

Innovation is constant in the Spanish book world. Every month, book professionals see the birth of new digital initiatives aspiring to transform the publishing sector.

Although no one holds the key to success, advantage should be taken of the good health perspective enjoyed by most of the Spanish markets start-ups to create greater and more common links between them and the publishing sector world. It is expected that investments by Spanish start-ups will exceed €500 million euros next year and create at least 7,000 new jobs within the next 4 years.

There are plenty of initiatives leading to the discovery of innovation, either via Book Fairs such as The Frankfurt Book Fair, LIBER or FIL Guadalajara International Book Fair, hackathons, conferences such as Congreso del Libro Electrónico de Barbastro (Huesca), or the European Ecommerce Conference organised by Adigital (as a way of opening up to other fields which equally affect book evolution). There are also more and more incubators in the Spanish markets similar to those created by Pearson or The New York Times,

allowing the possibility of working hand-in-hand, instead of doing so independently with a total disregard for the other party's needs and no way of assessing them.

In a nutshell, rather than a lack of innovation, there is a lack of desire to take the final, big step into the digital world which is just a matter of attitude and strategic vision. In order to really embrace the digital market, there is a need to understand those responsible for steering the business towards technology and to stop viewing them as pilots or trials. This already occurred with the first web pages and social networks and now there is no brand name today that can function without them.

As evidence of the fact that there are plenty of people with ideas, here are 12 innovation proposals for different areas in the Spanish book world:

1. [Tekstum](#): Artificial Intelligence and Big Data for the Publishing Sector. Technology that identifies, measures and analyzes the feelings of readers to achieve better editorial decisions.
2. [RelatosRevueltos](#): platform allowing the fragmentation and blend of over 1,000 short stories to create your own ebook.
3. [Seebook](#): sale of ebooks and "tangible" audiobooks in bookstores, libraries and museums.
4. [The Spanish Bookstage](#): an online platform for the purchase and sale of worldwide rights in Spanish.
5. [El placer de la lectura](#) (The Spanish "GoodReads"): A social network with over 2 million readers across the Spanish markets.
6. [Komilibro](#): book recommendation app based on readers' real tastes.

7. [Librotea](#): platform with over 2,000 book recommendations.
8. [Bibliomanager](#): an alliance of Spanish and Latin American entities has launched this “sell-first, print-later” POD platform to deliver books locally, cutting production and distribution costs.
9. [CreativeChain](#): independent platform for the free registration and distribution of culture on the net, enabling users to visualise and finance creators working with copyleft licenses.
10. [Lektu](#): platform for the sale of ebooks without DRM via more than 8 extremely innovative sales models.
11. [Lectora futura](#): platform allowing book readers of every genre to keep up-to-date on their preferences as well as being at the disposal of professionals to develop their activities.
12. [EmprendeLibro](#): this is a programme geared towards supporting emerging Spanish digital initiatives. Developed by Fundación Germán Sánchez Ruipérez in conjunction with Factoría Cultural with the support of the Spanish Ministry for Education, Culture and Sport.

These proposals, like many others, offer innovative solutions and perspectives with a view to helping professionals in the book world (publishers, agents, bookstores, libraries, etc.) to achieve a greater understanding of the digital era and use it to encourage their companies to grow.

2.

ABOUT THE REPORT AND THE MARKETS SUMMIT

This report has been drafted by Bookwire and Dosdoce.com for The Markets - Global Publishing Summit 2016, an annual event, organized by the Frankfurt Book Fair and Publishing Perspectives, that showcases seven strong and vibrant publishing regions. Attendees of this conference will 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 12 most relevant Digital Trends in the Spanish Markets is part of The 2016 Spanish Markets Digital Evolution 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 Spanish and Latin American Markets, you may download the complete Report for free at:
<http://www.bookwire.de>

Design and layout of this Report was conducted by Emiliano Molina (www.cuadratin.es). Translation of this Report from Spanish into English was done by Annabelle Pratts

About Dosdoce.com

[Dosdoce.com](http://dosdoce.com) was launched in March 2004 for the purpose of analyzing the use of new technologies in the cultural sector and publishes annual studies related to trends in the creative industries.

[Dosdoce.com](http://dosdoce.com) provides strategic management consultancy services, as well as digital skills training sessions to a wide range of cultural sector professional: publishers, retailers, museums, librarians, etc.

Throughout the years we have compiled over 40 studies and reports on the use of new technologies in different areas of the cultural sector.

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 1.000 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, Chile, Colombia, México, Peru, Spain and Russia.

