

ONTARIO MEDIA DEVELOPMENT CORPORATION

INDUSTRY PROFILE
BOOK
PUBLISHING



Ontario

Ontario Media Development
Corporation
Société de développement
de l'industrie des médias
de l'Ontario

www.omdc.on.ca

Introduction

Ontario has the largest book publishing sector in Canada. Its operating revenues are more than twice those of Quebec's publishing sector—the second largest provincial book publishing industry in Canada—and Ontario's profits are more than one-and-a-half times higher.¹ The Canadian-owned book publishing industry in Ontario comprises mainly small to medium-sized firms. The largest book publishers operating in Canada are foreign-owned.

Domestically owned book publishers in Ontario face demanding market conditions, including the relatively small size of the Canadian market, the impact of technological changes and strong competition from large international publishing companies.

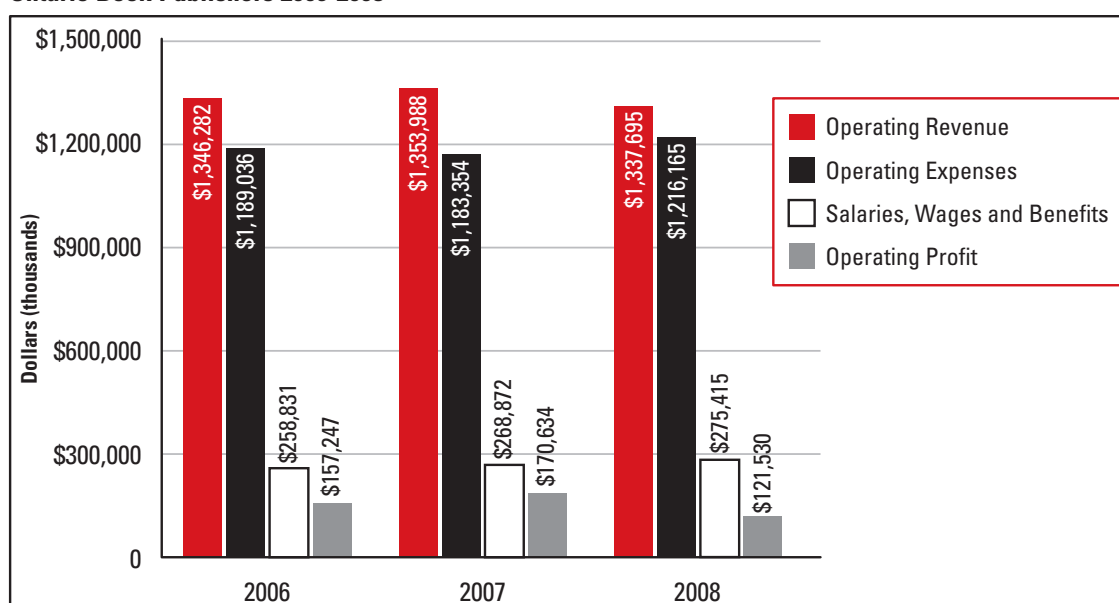
Ontario authors and publishers regularly receive accolades for their work:

- Karen Solie won both the 2010 Trillium Award and the 2010 Griffin Poetry Prize for her collection *Pigeon*, published by Ontario-based House of Anansi Press.
- Kate Pullinger won the 2009 Governor General's Award for Fiction for *Mistress of Nothing*, published by McArthur & Company. Alice Munro was shortlisted for the same award for *Too Much Happiness*, published by McClelland & Stewart. In the non-fiction category Eric Soblin was nominated for *The Cello Suites: J.S. Bach, Pablo Casals, and the Search for a Baroque Masterpiece*, published by House of Anansi.
- Gil Adamson, another Ontario author, won a number of awards for her debut novel, *The Outlander*, published by House of Anansi Press and recently optioned as an international treaty co-production by Ontario's Triptych Media and Strada Films and their UK co-producing partner Xingu Films.² Adamson received the Amazon.ca/Books in Canada First Novel Award, the Hammett Prize for Crime-Writing, the Drummer General's Award and the ReLit Award. The novel was also a finalist for Canada Reads 2009, and was shortlisted for the Trillium Book Award and Commonwealth Writers' Prize (Canada and the Caribbean): Best Book in 2008.
- The shortlist for the 2009 Giller Prize saw Ontario authors Kim Echlin and Anne Michaels nominated for *The Disappeared* and *The Winter Vault* respectively.

Industry Size and Economic Impact

(N.B. The figures for Canadian-controlled publishers contained in this profile include a very small number of large Canadian-controlled corporations whose characteristics are frequently different than those of small and medium-sized Canadian-controlled book publishers. The two largest Canadian-owned book publishers represented 28% of the total Canadian-owned publishing market in 2008.³)

Ontario Book Publishers 2006-2008



Source: Statistics Canada, "Book Publishers 2008," Catalogue no. 87F0004X, Table 1, June 2010.

Employment and wages

- It is estimated that in 2005, the most recent year for which these numbers are available, 1,324 book publishing firms were operating in Canada, 479 of which were located in Ontario.⁴ In 2004, 8,844 full time and part time workers were employed in the sector nationally, with just over half of those—4,729 or 53%—being employed in Ontario.⁵ These figures do not include freelancers employed in the sector.
- In 2008, Canadian publishers paid out \$406.3 million in salaries, wages and benefits, down from \$409.8 million in 2007. Ontario publishers accounted for 68% of these wages, salaries and benefits, for a total of \$275.4 million in 2008. In the same year, royalties,

rights, licensing and franchise fees made up 9.0% of the \$1.9 billion in total operating expenses for book publishers in Canada.⁶

Revenues and related figures

- Book publishers operating in Canada reported \$2.12 billion in operating revenues in 2008. This marked a decrease from 2007, when book publishers reported \$2.15 billion in revenues.⁷ Canadian-controlled book publishers accounted for \$1.22 billion (58%) of 2008 revenues.⁸
- Ontario book publishers reported \$1.34 billion in operating revenues in 2008, down slightly from the \$1.35 billion reported in 2007 and 2006. Ontario publishers fared better than their counterparts in

INDUSTRY PROFILE

BOOK PUBLISHING

Alberta and British Columbia in 2008, where revenues declined 26.3% and 34.1% respectively since 2006.⁹

- Canadian-controlled book publishers' revenues from export and other foreign sales accounted for 18.7% of their total operating revenue in 2008.¹⁰
- Profit margins for Canadian book publishers dropped between 2007 and 2008, from 11.0% to 9.7%.¹¹ In 2006, the last year this data was available, Canadian-controlled book publishers fared slightly worse than their foreign-owned counterparts, with a drop in profit margin from 9.7% in 2004 to 8.3% in 2006. Seventy-six point four per cent of Canadian-controlled companies showed a profit in 2006, up from 67.0% in 2004.¹²



Source: Statistics Canada, "Book Publishers 2008," Catalogue no. 87F0004X, Table 1, June 2010.

- All Canadian publishers (including both Canadian-controlled firms and multinationals) reported \$206 million in operating profit in 2008; Ontario publishers account for \$121.5 million of this amount. This resulted in an operating profit margin of 9.7% for Canadian publishers as a whole and a margin of 9.1% for Ontario publishers, down from 12.6% the previous year.¹³

- The bulk of the revenue and profits in the Canadian publishing industry tend to be earned by a smaller group of larger publishers. The top ten publishers in Canada earned 62% of the total revenue reported for 2007, the last year for which these figures were available. Ontario and Quebec's publishing companies accounted for the majority of the Canadian book publishing industry's profit, earning 94% of the Canadian industry's profits in 2008.¹⁴
- Statistics compiled by the Book Publishing Industry Development Program (BPIDP) based on the financial statements of Aid to Publishers clients indicate that median profit margins for those clients were 2.99% in 2006-07, 2.96% in 2007-08 and 2.20% in 2008-09. Ontario-based 2008-09 BPIDP recipients had a median profit margin of 1.84%.¹⁵

Consumer market

- The global consumer and educational publishing market – defined as retail spending by consumers on consumer books and by institutions and students on educational books and textbooks, as well as spending on e-books – is estimated to have remained relatively stable in 2010, decreasing by 0.3% from 2009 (US \$109 billion in 2010 compared to US \$112 billion in 2009). This is in contrast to an earlier 5.3% gain in 2007, which was due in part to strong sales for the seventh and final Harry Potter title. The Canadian share of this market is projected to rise by 2.4% in 2010, to a total value of US \$1.62 billion. In the past two years, Canada had a healthier market than the United States due to the milder economic downturn. It is predicted that the Canadian book publishing market will also grow faster in the next five years, rising at a 3.1% compound annual rate, compared to a projected growth of 2.5% for the U.S.¹⁶
- The fourth quarter of 2009 saw a decrease in number of Canadian books sold while in terms of dollar value, sales increased slightly.¹⁷ Final results for the Canadian-owned sector saw a drop overall for 2008; Canadian-owned publishers reported a sales volume of 4,317,127 books sold in 2009,

ONTARIO MEDIA DEVELOPMENT CORPORATION

representing retail sales of \$73.8 million. This represents a rise of 5.1% in sales revenue and 5.2% in units sold from 2008. The average list price for trade paperbacks from Canadian-owned publishers fell less than 1%, from \$20.17 in 2008 to \$20.00 in 2009, while mass market paperbacks dropped slightly in list price over the same period from \$7.66 to \$7.30.¹⁸

- Juvenile Fiction is the best selling genre in Canada, with a 26% share of sales volume in 2009.¹⁹

Trends and Issues

Growth rate and industry trends

- According to consumer surveys, household spending on books in Canada has increased over the past decade or so. The average household spending on books was \$86 in 1998, rising to \$106 in 2008.²⁰ This increase was in notable contrast to the steady decline in household spending on newspapers, magazines and periodicals. Residents of Ontario, Alberta and British Columbia were the most avid book buyers, with spending on books in these provinces rising above the national average.²¹
- Canadian books have not seen much change in the retail price-per unit on average in 2009.²² A reduction in price from 2008-2009 can be traced to the phenomenon where the rise of the Canadian dollar prompted a consumer reaction to the mismatch between the listed U.S. and Canadian pricing on retail books; some publishers brought down the Canadian price of their titles.²³
- The global consumer and educational book publishing market is anticipated to grow at a compound annual growth rate of 1.9% to US \$118.8 billion by 2014. While print sales will still account for the lion's share of the market over the next five years, electronic publishing will be a large growth area – the emerging e-book market rose by 50.4% in 2009. In Canada, the compound annual growth rate is expected to be 3.1% for a US \$1.8 billion market by 2014.²⁴
- New developments in electronic publishing formats offer potential benefits to publishers. However, the market is still evolving and there are not yet standard business models for the sale of e-books and content. The industry leaders in the field tend to be the large, multinational aggregators and distributors who have the capital to take risks, such as Google, Sony, Amazon and the Canadian-based Harlequin Books.²⁵ Canadian-owned Ontario publishers have limited access to capital and are therefore often forced to defer digitization. They also often have difficulty acquiring, retaining, managing and exploiting ownership and control of digital rights.²⁶
- The global e-book market is expected to be fueled by new portable readers in North America, and smartphone penetration in the Asia Pacific.²⁷ In April 2010, Apple announced that users of the newly launched iPad tablet had downloaded 250,000 e-books from their iBookstore during the first day, and in July 2010 Amazon announced that it had sold more e-books than hardcovers over the preceding three months.²⁸ In Canada, Kobo, which is both a platform (launched as Shortcovers in 2009) and dedicated e-reader (launched in May 2010) was developed by Indigo Books & Music to compete directly with devices such as the Amazon Kindle. Kobo currently has a catalogue of over two million titles, and the e-reader retails for CDN \$149.²⁹
- Print-on-Demand (POD) technology is evolving and may ultimately offer publishers the ability to do “just in time” publishing which could dramatically reduce or even eliminate the wasteful returns regime which is currently the standard in the industry. In the shorter term, it offers a cost effective option for some niche and short run titles, particularly in academic publishing.³⁰

INDUSTRY PROFILE

BOOK PUBLISHING

Global and domestic issues

- In Canada, massive consolidation of retail outlets for bookselling over the past decade has resulted in less and less accessible shelf space for domestic books. This is a particular concern for Ontario publishers who rely heavily on retailers as their primary avenue to reach consumers.³¹ New business models, such as e-books and print-on-demand, are expected to drive growth and enable new levels of customer interaction in the future.³² A recent decision by the federal government to allow U.S. online retailer Amazon to set up its own distribution centre in Canada has been criticized by some Canadian book retailers. It is reported that the federal government has secured some commitments from Amazon in exchange for the approval, including \$20 million which is earmarked for cultural events, awards and the promotion of Canadian books.³³
- Canadian-owned Ontario publishers also run into difficulties because of issues of scale and competition. Ontario publishers must compete at price points set by U.S. competitors who have lower costs due to greater economies of scale. These reduced prices lead to diminished margins and an inability to offer competitive remuneration to their authors. As a result, these publishers tend to lose successful Canadian authors to multinational corporations who are able to offer higher remuneration and access to larger markets. Therefore, while Ontario firms are generally able to survive, it is difficult for them to generate any substantial profits to reinvest in their content, operations or future growth.³⁴
- The global recession and market instability have had severe repercussions in the international book publishing sector. A major upheaval in the U.S. publishing industry in December 2008 saw massive layoffs and restructuring at Random House and Pearson, among others. On the heels of this major restructuring in the U.S., a number of multinational publishers operating in Canada have announced similar plans, with layoffs, wage freezes and other restructuring measures.³⁵ While economic markets are showing signs of recovery, book publishers are still feeling cautious. Exhibitor attendance was down at the 2009 Frankfurt Book Fair, though visitor attendance was nearly as high as in 2008,³⁶ and sales were reported to be slower than usual.³⁷
- A January 2009 study by the U.S. National Endowment for the Arts indicates that after a quarter-century of precipitous decline in fiction reading, Americans are turning their attention back to books. Just over half of American adults surveyed were currently reading some sort of literary work (novels, short stories, plays or poetry). While these numbers are still lower than they were in 1997, they represent an increase from 2002. Notably, the most significant growth was among 18-to-24-year-olds, the group that had previously shown the largest decline.³⁸ Readership among Canadians has remained consistently strong,³⁹ but this is the first signal that an appetite for literature may be returning in the U.S.
- A 2005 study indicated that 87% of Canadians had read at least one book for pleasure in the past year, and that 54% of Canadians read virtually every day. The average total time that Canadians spent reading was 4.5 hours a day—a figure that had remained unchanged since 1991.⁴⁰
- Canadian and Ontarian book publishers, particularly publishers of children's books, have long had difficulty in getting Canadian titles into school libraries. Canadian book publishers are looking at how they can best position themselves as an important source of Canadian stories and values to school libraries. Recommendations from a recent industry study include lobbying the Ministry of Education to release funds specifically for Canadian-authored books and to set a minimum for Canadian content for school libraries.⁴¹

ONTARIO MEDIA DEVELOPMENT CORPORATION

INDUSTRY PROFILE

BOOK PUBLISHING

- In July 2010 the Department of Canadian Heritage launched a review of the federal government's foreign investment policy in book publishing and distribution, as recommended by the Government of Canada's Competition Policy Review Panel in 2007. The objective of this review is to determine whether the government's foreign investment policy for the book industry provides for healthy competition and contributes to the broader government objective of ensuring that Canadian cultural content is created and accessible in Canada and beyond.⁴²
- The federal government also provides financial support to book publishers through Canada Council grants. At the provincial level, the Ontario Arts Council has a grant program, and in January 2009, the Ministry of Education announced that it would provide \$15 million to school libraries in the province.⁴⁶

Profiles current as of August 5, 2010.

Government assistance⁴³

- The Department of Canadian Heritage has restructured its support to the Canadian book publishing industry. The former Book Publishing Industry Development Program (BPIDP) was changed to the Canada Book Fund on April 1, 2010 with funding maintained at \$39.5 million for each of the next five years.⁴⁴ While most of the changes seem to be positive, including a streamlined application process, the full impact of the changes is not yet known.⁴⁵
- In 2010-11, Ontario publishers have access to provincial funding through the Ontario Book Publishing Tax Credit, the OMDC Book Fund, the OMDC Export Fund and the OMDC Entertainment and Creative Cluster Partnerships Fund. OMDC also provides funding to trade and event organizations in the book publishing industry through the Industry Development Program for events and activities that stimulate the growth of the industry.
- The OMDC sponsored Trillium Award, now in its twenty-third year, recognizes excellence among Ontario writers. The Trillium is the province's leading award for literature. The 2010 Trillium winners were Ian Brown, Ryad Assani-Razaki, Karen Solie and Michèle Matteau. Past Trillium winners include Margaret Atwood, Michael Ondaatje, Timothy Findley and Anne Michaels.

(Endnotes)

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- ³ BookNet Canada, *The Canadian Book Market 2008*, p. 21.
- ⁴ Statistics Canada, "Survey of Service Industries: Book Publishers 2005," Catalogue no. 11001XIE, Table 1, March 29, 2007.
- ⁵ Statistics Canada, "Annual Survey of Service Industries: Book Publishers, 2004," Catalogue no. 87F0004XIE, Tables 3 and 6, June 2006. Figures in these tables are based on Statistics Canada's survey portion of their data collection, which captures the companies that generate the top 95% of revenues in the Canadian book publishing sector.
- ⁶ Statistics Canada, "Book Publishers 2008," Tables 1 and 2.
- ⁷ Statistics Canada, "Book Publishers 2008," Table 1.
- ⁸ Statistics Canada, "Book Publishers 2008," Table 11-1. Figures in these tables are based on Statistics Canada's survey portion of their data collection which captures the companies that generate the top 95% of revenues in the Canadian book publishing sector, as well as administrative data which are used to account for the smallest firms.
- ⁹ Statistics Canada, "Book Publishers 2008," Table 1.
- ¹⁰ Statistics Canada, "Book Publishers 2008," Table 11-2.
- ¹¹ Statistics Canada, "Book Publishers 2008," Table 1.
- ¹² Statistics Canada, "Book Publishers 2006," Catalogue no. 87F0004X, Tables 2-2 and 10-2.
- ¹³ Statistics Canada, "Book Publishers 2008," Table 1.
- ¹⁴ Statistics Canada, "Book Publishers 2008," p. 5.
- ¹⁵ Numbers provided by the BPIDP, Department of Canadian

INDUSTRY PROFILE

BOOK PUBLISHING

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- ¹⁶ PricewaterhouseCoopers (PwC), *Global Entertainment and Media Outlook 2010-2014*, pp. 36 and 542.
- ¹⁷ Press Release, "BNC Sales Data: Report on Canadian Book Sales F2009 Q4 (October – December 2009)," Booknet Canada, February 12, 2010.
- ¹⁸ BookNet Canada, *The Canadian Book Market 2009*, p. 19.
- ¹⁹ *ibid.*, p. 12.
- ²⁰ Statistics Canada, "Book Publishers 2008," p. 5.
- ²¹ Statistics Canada, *The Daily: Book Publishing Industry 2006*, July 10, 2008.
- ²² BookNet Canada, p. 10.
- ²³ Laura Godfrey, "Strong dollar has publishers contemplating pricing (again)," *Quill & Quire Omni*, April 23, 2010.
- ²⁴ PwC, pp. 36, 53 and 542.
- ²⁵ Castledale Inc., in association with Nordicity, *A Strategic Study for the Book Publishing Industry in Ontario*, September 2008, p. 6.
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- ²⁷ PwC, p. 540.
- ²⁸ Chris M. Walsh, "Apple: 300K iPads Sold First Day," *Billboard.biz*, April 5, 2010 and Geoffrey A. Fowler and Jeffrey A. Trachtenberg, "Amazon says e-book sales outpace hardcovers," *Wall Street Journal*, July 20, 2010.
- ²⁹ Chelsea Murray, "Kobo eReader gets off to solid start," *Quill & Quire Omni*, May 3, 2010.
- ³⁰ Castledale Inc., p. 7.
- ³¹ Castledale Inc., p. 5.
- ³² SECOR Consulting, *Ontario Media Development Corporation: Towards a Strategic Plan*, September 2008, p. 10.

- ³³ Omar El Akkad and Marina Strauss, "Amazon given green light to set up shop in Canada," *Globe & Mail*, April 13, 2010.
- ³⁴ SECOR Consulting, pp. 9-10.
- ³⁵ Stuart Woods, "Layoffs at S&S, wage freezes at Penguin and HarperCollins," *Quill & Quire Omni*, December 9, 2008; James Adams, "Books: Price wars, layoffs and new works from Canadian stars," *globeandmail.com*, January 2, 2009.
- ³⁶ Rachel Deahl and Liz Thomson, "Frankfurt Book Fair: At a Slightly Smaller Fair, Michael Jackson Project Draws Lots of Chatter," *Publishers Weekly*, October 14, 2009.
- ³⁷ Stuart Woods, "Foreboding from Frankfurt," *Quill & Quire Omni*, October 21, 2009.
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- ³⁹ *Reading and Buying Books for Pleasure: 2005 report* by Creatac+ for the Department of Canadian Heritage, cited in Castledale Inc., p. 6.
- ⁴⁰ *Reading and Buying Books for Pleasure: 2005 report* by Creatac+ for the Department of Canadian Heritage, cited in Turner-Riggs, *The Book Retail Sector in Canada*, September 2007, pp 14-15.
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