

ONTARIO MEDIA DEVELOPMENT CORPORATION

INDUSTRY PROFILE
BOOK
PUBLISHING



Ontario

Ontario Media Development
Corporation

Société de développement
de l'industrie des médias
de l'Ontario

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Introduction

Book publishing in Canada is a \$2 billion industry, with nearly two-thirds of revenues generated in Ontario.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. Most of Ontario's book publishers are English-language and based in Toronto. Ontario's six French-language publishers² are located in Ottawa, Sudbury, and Toronto.

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.

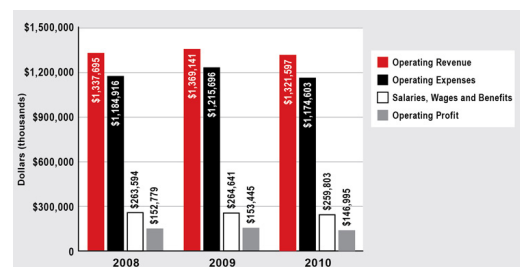
Ontario authors and publishers regularly receive accolades for their work:

- Patrick deWitt's *The Sisters Brothers* and Stephen Kelman's *Pigeon English*, both published by House of Anansi Press, were shortlisted for the 2011 Man Booker Prize. This was the second year in a row that the Ontario publisher earned a place on this list. Esi Edugyan's *Half Blood Blues*, published by Thomas Allen, was also shortlisted for the 2011 prize.
- The 2011 Giller Prize-winning book, Esi Edugyan's *Half Blood Blues*, was published by Thomas Allen, an Ontario publisher. Two House of Anansi Press books also made the Giller shortlist: Lynn Coady's *The Antagonist* and Patrick deWitt's *The Sisters Brothers*.
- Ontario-based poet Ken Babstock's *Methodist Hatchet* (House of Anansi Press) won the 2012 Griffin Poetry Prize. Also shortlisted was Phil Hall of Perth, Ont. for *Killdeer* (BookThug), which won the 75th Governor General's Award for Poetry. Both titles are also finalists for the 25th Trillium Book Award.
- Ontario-based publishers Dundurn Press and Coach House Books were shortlisted for the 2012 Canadian Booksellers Association Libris Awards in the Publisher of the Year and Small Press of the Year categories, respectively.

Industry Size and Economic Impact

The following information on employment, revenue and the consumer market should be considered a snapshot of activity in the industry based on the best available information. The figures for Canadian-owned publishers contained in this profile include a very small number of large corporations whose characteristics differ significantly from those of small and medium-sized book publishers. The two largest Canadian-owned book publishers represented 34% of the total Canadian-owned publishing market in 2011.³

Ontario Book Publishers 2008-2010



Source: Statistics Canada, "Book Publishers 2010," Catalogue no. 87F0004X, Table 1, April 2012.

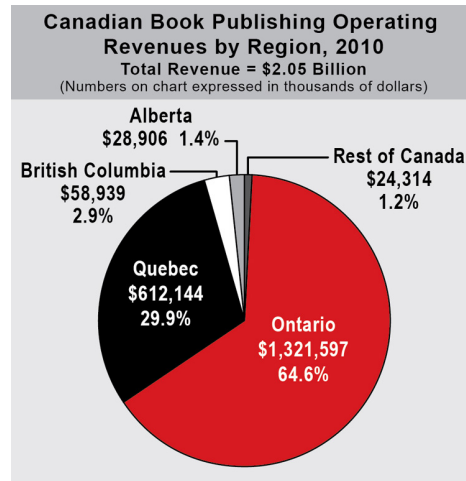
Employment and wages

- In 2010, Canadian publishers paid out \$383 million in salaries, wages and benefits, a 0.9% decrease from 2009. Ontario publishers accounted for \$260 million, or 68%, of these wages, salaries and benefits in 2010.⁴

Revenues and related figures

(N.B. Unless otherwise noted, the following figures include all book publishers in Canada, including both domestically-owned firms and multinationals.)

- Book publishers operating in Canada reported \$2.05 billion in operating revenues in 2010, down 2.7% compared to 2009. This marked the first year-over-year operating decrease since 2007. However profit margins remained stable at 11.1% as publishers adjusted their operating expenses to account for lower revenues.⁵
- Ontario book publishers reported just over \$1.32 billion in operating revenues in 2010, 3.5% less than the \$1.37 billion reported in 2009. Ontario's share of national operating revenues declined slightly from 65.1% in 2009 to 64.6% in 2010.⁶
- In 2010, Canadian-controlled book publishers generated \$1.39 billion in revenues. Exports and other foreign sales accounted for 16.6% of their total operating revenue.⁷
- The Canadian publishing industry is highly concentrated from a geographic and linguistic perspective. In 2010, Ontario and Quebec companies generated 94.5% of all national revenues. English-language publishers were responsible for 77.8% of the country's operating revenues, compared to the 22.2% brought in by firms publishing primarily in French.⁸ In addition, a small group of larger publishers earns the bulk of national revenue and profits, and their share appears to be growing: the five largest companies earned 42% of the industry's operating revenues in 2009, compared to 38% in 2008.⁹



Source: Statistics Canada, "Book Publishers 2010,"
Catalogue no. 87F0004X, Table 1, April 2012.

Consumer market

- In 2011, nationwide sales of print books through traditional channels decreased in volume 11% compared to 2010 levels, due in part to the rise of e-book sales and a shift to online sales of physical books. Canadian-owned publishers reported a sales volume of 5,091,708 books, with corresponding retail sales revenues of \$75.4 million. This represented a decrease of 7.9% in units sold and 6.2% decrease in sales revenue from 2010. The average list price for trade paperbacks from Canadian-owned publishers decreased slightly from \$19.44 in 2010 to \$19.31 in 2011, as did list prices for mass market paperbacks which slipped over the same period to \$7.16 from \$7.35.¹⁰
- Juvenile Fiction was the best-selling genre in Canada in 2011, with a 27% share of sales volume and 19% share of sales dollar value based on sales through traditional book retailers. General Fiction came in second with a 15% share of volume and 16% share of sales value.¹¹

- According to data drawn from the 2010 Statistics Canada General Social Survey, 75.7% of Canadians 15 years and older read books as a leisure activity (not for paid work or studies). This figure represents a significant increase in readership from previous surveys. Frequency of reading varies greatly, with 10% of Canadians reading at least one book each week, another 22% at least one book per month, and 21% at least one book every three months.¹² In 2009, median spending on books was highest in Ontario, Alberta, British Columbia and the three territories at \$150 per year or more.¹³
- In the U.S., readers consume printed books in much greater proportions than other formats. In December 2011, 72% of U.S. adults reported having read printed books in the last year, while 17% had read e-books and 11% had listened to audiobooks. However, e-readership rates are increasing steadily. Between December 2011 and February 2012, the percentage of U.S. adults who had read an e-book increased four percentage points to reach 21% following the holiday gift-giving period.¹⁴
- A number of interesting characteristics of U.S. e-book consumers are emerging. They are particularly avid readers of books in all formats. While the average non e-book reader reads 15 titles per year, the average reader of digital books consumes 24 in the same period (including both print and electronic books). About 30% of those who read e-books, especially men and the under 50 segment, report reading more now than they did before they read digital books.¹⁵ In keeping with this finding, Amazon reports that its customers purchase three to four times more books after acquiring a Kindle device.¹⁶ This data appears to support the notion that e-book sales do not cannibalize print sales, but rather generate new interest in book products.
- Twenty-eight percent of U.S. adults own a tablet or e-reader.¹⁷ In Canada, three e-reader brands dominate the market: Kobo at 36%, Amazon's Kindle at 25% and Sony's eReader at 23%.¹⁸
- In addition to devices, virtual bookstore apps and sites are playing an increasing role in the developing e-book market. Apple launched a Canadian version of its popular iBookstore in 2010,¹⁹ and Google sells books via its Google Play platform; its first agreements with Canadian booksellers were signed early in 2011.²⁰ According to the National Book Count, e-books represented 10% of all books sold in English Canada during a snapshot week in 2012.²¹

Trends and Issues

This section provides information on growth rates, trends and burgeoning issues in the global and domestic book industry.

Growth rate and industry trends

- The global consumer and educational book publishing market is anticipated to grow at a compound annual rate of 1.9% to US \$119.2 billion through to 2015. PricewaterhouseCoopers (PwC) predicts that almost all growth in the book industry in the next five years will be generated by e-books, continuing a trend begun in 2010, when e-reader prices came down and the devices penetrated the market in many countries, with unit sales increasing and spending soaring.²²
- As of 2010, the U.S. still dominated the global e-book market, with 57% of global spending. However this was expected to fall to 50% of global spending by 2015 as electronic book markets in other countries develop and grow. For example, India is poised to become the fastest-growing book market during the next four years, with its strong print market and developing e-book market.²³

- PwC projects that the overall Canadian book publishing market will grow at a compound annual rate of 2.2% to reach US \$1.96 billion by 2015. The overall market for print and audio books is expected to contract slightly between 2011 and 2012 despite gains in the print educational category, but growth in e-books will offset these trends. The Canadian e-book market is expected to grow 54% between 2011 and 2012, exceeding the anticipated rates of e-book growth in the more mature U.S. market of approximately 36% over the same period.²⁴
- The digital book distribution landscape is still evolving and there are not yet standard business models for the sale of e-books. 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 For example, Amazon is reportedly in talks with publishers about launching a subscription service for digital books, which would give customers access to a library of content in exchange for an annual fee.²⁶ Microsoft is the most recent major entrant to the digital book market with its purchase of Barnes & Noble's Nook, to be incorporated in its new Windows 8 operating system.²⁷
- While e-books have disrupted the marketplace, they also offer opportunities and potential benefits to publishers. Digital distribution and online sales have expanded the accessible market for English language books, allowing publishers to more easily reach hundreds of millions of English speakers worldwide regardless of geographic location.²⁸ E-books are also facilitating the creation of new literary forms and the re-emergence and commercialization of others, including long-form journalism, essays and short-form fiction 'singles'.²⁹
- Authors today have increased opportunities to bypass traditional channels in favour of self-publishing, a movement facilitated by new funding models including crowd-funding websites like Kickstarter and Indiegogo, and by new entrants to the market like Amazon and Kobo that are now contracting directly with authors.³⁰ Yet thus far, traditional publishers' value proposition remains strong; a 2011 study found that half of self-published authors made less than US \$500 from their self-published books. Viable self-published books tend to be written by well-known authors or belong to specific genres with a dedicated following, such as romance.³¹

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, even as e-books and print-on-demand opportunities are expected to begin enabling new levels of customer interaction.³²
- 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.³³
- Canadian and Ontarian book publishers, particularly publishers of children's books, have long had difficulty 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.³⁴

- Francophone booksellers and publishers outside Quebec are unable to cultivate direct relationships with institutions in that province due to Bill 51, a law enacted in 1981 requiring local institutions to purchase exclusively from accredited Quebec retailers. More recently, the Franco-Ontarian book industry has faced an additional challenge due to its key customers—school boards and libraries—increasingly purchasing from major aggregators and online stores. A committee of industry stakeholders came together in 2007 to address common challenges and to consider the development of a book policy for Francophone Ontario. This group remains active and has studied the issues but has not yet made public any policy outcomes or agreements from its work.³⁵
- In July 2010, the [Department of Canadian Heritage](#) launched a review of the federal government's foreign investment policy in book publishing and distribution, the objective of which was to determine whether existing policies provide for healthy competition and facilitate the creation and accessibility of Canadian cultural content in Canada and beyond. No outcomes of this policy review have yet been announced.³⁶

Government assistance³⁷

- The [Department of Canadian Heritage](#)'s former Book Publishing Industry Development Program (BPIDP) was restructured as the Canada Book Fund on April 1, 2010. Annual funding was maintained at \$39.5 million through 2014-2015.³⁸
- Currently, Ontario publishers have access to provincial assistance through several OMDC programs and a tax credit: the [Book Fund](#), the [Export Fund](#) and the [Ontario Book Publishing Tax Credit \(OBPTC\)](#). Through its [Industry Development Program](#), the OMDC also provides support to book industry organizations for events and activities that stimulate growth of the industry.
- Other funding mechanisms at the federal and provincial levels include the [Canada Council](#)'s Book Publishing Support program (Emerging Publisher and Block grant streams) and the [Ontario Arts Council](#)'s Block Grants to Book Publishers.
- The OMDC sponsored [Trillium Book Award](#), celebrating its 25th year in 2012, recognizes excellence among Ontario writers as the province's leading award for literature. Past Trillium winners include Margaret Atwood, Michael Ondaatje, Timothy Findley, Ian Brown and Michèle Matteau. This year's shortlisted English-language authors for the main book award are Ken Babstock, Phil Hall, David Bezmozgis, Tony Burgess, Kristen den Hartog, and David Gilmour. Finalists in the main French-language category are Yann Garvoz, Maurice Henrie, Monia Mazigh, Joëlle Roy and Michèle Vinet.

Profile current as of June 8, 2012.

Endnotes

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