Article

e-Readers in Europe

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InfoTrends
A Questex Company

Printing and publishing is a sizeable industry in Europe, with over €130 billion in revenues and over 800,000 employees. Much of all published content ends up in print with the three main print categories (i.e., newspapers, periodicals, and books), accounting for 92.3% of all publishing revenues. There is a noticeable spread in the size and value of the publishing industry by country. The size of the population has a strong influence on the size of the publishing industry, but there is also a strong cultural element in spending on publishing products by country. For example Norwegian publishers achieve 44-times the revenue per head compared to Romanian publishers. In general, revenues for the publishing industry showed good growth in the last ten years with Germany being the only exception. Nevertheless, growth levelled off in many countries in the last few years. There is no doubt that the publishing industries have a couple of challenging years ahead.

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In recent years, e-media in several forms have emerged as competition for the traditional publishing-printing chain. Not only is print in danger of being replaced by e-media, but traditional publishers are also under pressure as new competitors arise through the new media channels, which take advantage of the opportunities created by new technologies. The new media are starting to divert readers and especially advertising revenues from the print channels. While the amount of reading that is moving to the Web is still limited, the shift of advertising spending towards electronic media has been massive. With the advent of portable e-readers, for example, more changes are in store for the publishing industry.

Books have been mostly out of reach for electronic displays so far, but dedicated portable readers could change this, as well—at least when one is listening to Amazon and other purveyors of e-readers. Doubtless the hardware market is booming already. We counted nearly 30 e-reader models at the beginning of 2010 being marketed or pre-viewed by 18 vendors. Prices range from €200 for a simple black & white device to over €700 for a colour device with a touch-screen. No doubt there will be even more announcements, and pricing should hit the €100 barrier within next 18 months. On top of this, multi-purpose devices like Apple's iPad vie for the same market.

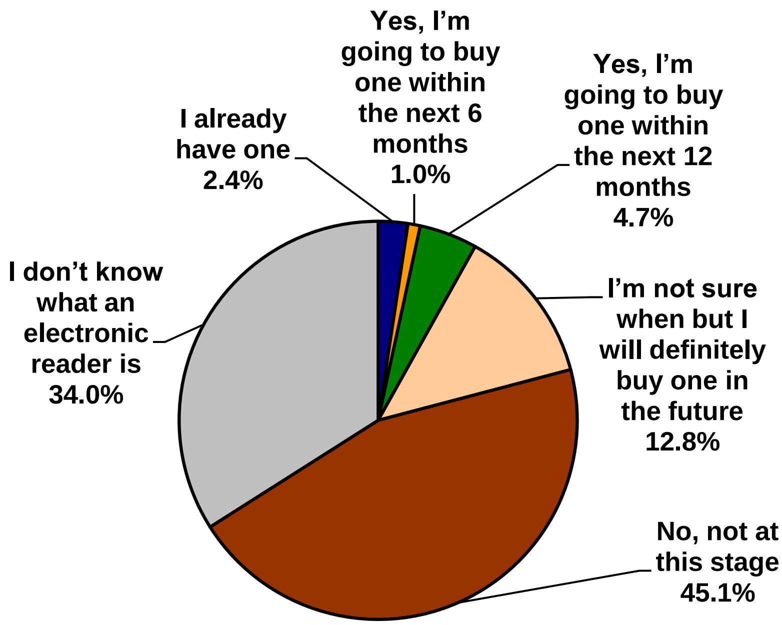
The uptake of the new media channels is driven by progress in technologies, but customer acceptance will ultimately govern on how the balance is shifting from print to e-media. Noticeable differences in media consumption can be found between age groups. Younger consumers spend less time reading, and use more e-media channels and alternative offerings to publishing products, such as social networks. Data shows that teenagers spend more time chatting on the computer than talking to real persons. European Union time surveys show that a person in the age group of 15 to 25 spends on average 17 minutes reading, a 25 to 44 year old slightly more with 20 minutes. This compares to 33 minutes for a 45 to 64 year old and 45 minutes for a 65 to 85 year old. In other words, an average 65 to 85 year old spends 2.7-times as much time reading as a 15 to 24 year old. It can be assumed that most persons older than 65 are retired and have more available time at hand, so this comparison is somewhat biased. As there is no historic data available on these time studies, it is difficult to tell whether the lower rate of reading in younger age groups is more related to their particular work and social life conditions or to a higher uptake of alternative media channels. Interestingly, the deviations in reading time by country are even more distinctive than the age differences. On average, a Finnish person spends three-times as much time reading as an U.K. citizen. Accordingly, the cultural factor is at least as strong as the age factor when determining reading preferences

The extent to which these preferences are down to the temporary life situation of younger citizens compared to a deep rooted shift in preferences has yet to be seen. The time studies show as well that the focus of interest and time usage per activity shifts when kids start to work and start having kids themselves. Accordingly, it is a bit premature to extrapolate the media usage of teenagers today towards the general media usage of the whole population in 20 years time. Likewise a technology blogger is probably not the best source to judge the impact of technology on the daily lives of the whole population.

InfoTrends tried to find out a bit more on what factors are driving the media usage of consumers in Europe. In 2009, InfoTrends polled over 1,300 consumers in five European countries to gain an understanding on whether consumers are ready for the uptake of the new media. The survey was conducted in Germany, Italy, the Netherlands, Poland, and the United Kingdom, and the age of the respondents ranged between the ages of 16 and 79. We polled consumers on media channel usage, the main sources of information used, the extent of the interest in e-readers, as well as several factors exploring the reading habits of consumers.

The interest in e-readers among consumers is still limited. In Italy, 2.4% of the respondents stated that they already own an electronic reader, bearing witness to the fact that e-readers are still a nascent technology. Another 5.7% stated they would like to buy a reader within the next 12 months, which could effectively triple the market if all buying plans are followed through. There is another 13% of respondents that state they are likely to buy a reader, but do not have specific plans. About half of the respondents stated they have no plans to buy an e-reader at this stage. In addition, nearly a third of respondents state that they do not even know what an e-reader is despite briefly mentioning the Sony Reader and Amazon Kindle in the question text. When probing, the few with ownership of an e-reader did mostly indicate that they use a PC, notebook, or smartphone as e-reader.

Figure 1: Investment plans for en electronic reader – Consumers in Italy



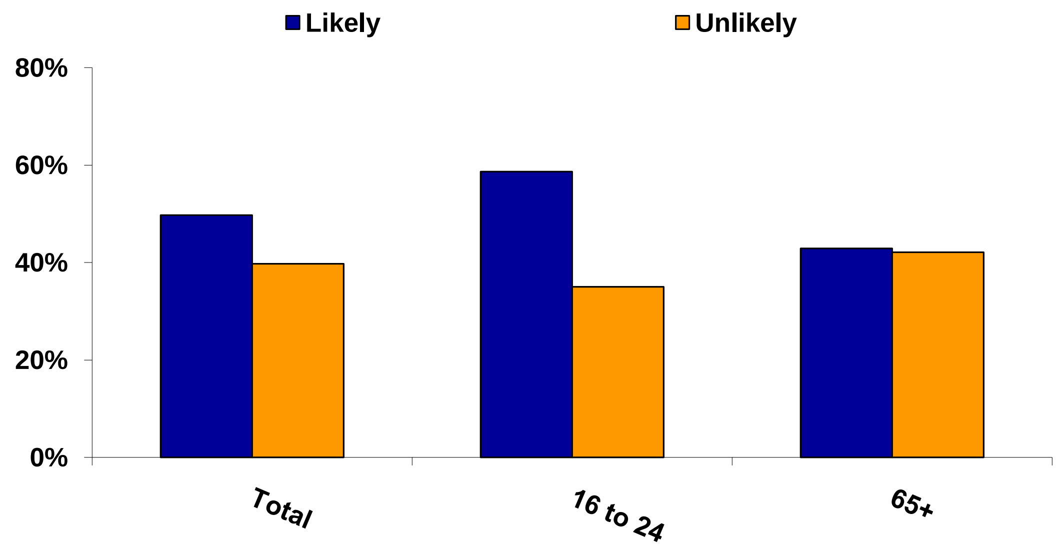
One has to keep in mind that the survey was conducted as a Web survey with most participants describing themselves as "heavy Internet users". Obviously, this introduces some bias towards early technology adopters within the survey and when considering the share of the population not being online, the total interest in e-readers should be even lower. This effect is quite noticeable in the results from Italy and Poland, where a general lower Internet penetration compared to other countries contrasts with a higher interest in buying an e-reader in the survey.

There were several reasons cited for being interested in buying an e-reader. A lower weight of books tops the list of reasons, with simply "liking new gadgets" coming second. This confirms again that technophiles and early adopters are strongly represented in our survey. While some consumers see the benefits that could come with an e-reader, such as weight, accessibility, availability, and timeliness of content, many others simply prefer the look and feel of paper and feel that they have nothing to gain from an e-reader.

An important driver of e-reading decisions is costs. Consumers with interest in the technology expect e-readers to reduce the cost of the content. While general readers reported they would read more print is the costs were lower.

To take out price sensitivity and to find out what consumers would use an e-reader for, we asked what documents they would read on an e-reader given to them for free. Even then, a large share of consumers stated that they are unlikely to use one. We received some interesting feedback on the types of documents consumers would read on an e-reader and books surprisingly came out at the bottom of the list. It seems that e-book is a misnomer when talking about an e-reader. There are some distinctive differences on how consumers in different countries warm to an e-reader. While the interest level is pretty balanced in Germany, the majority of consumers in the Netherlands and the U.K. are rather critical towards using an e-reader. In Italy and Poland, however, the consumers being rather likely to use an e-reader are leading by a large amount. There are also some age biases, as younger consumers are more likely to use an e-reader that is given to them than older consumers. Interestingly, this effect is less pronounced than the country influence.

Figure 2: Reading Documents on an Electronic Reader – Average Likelihood of Using the Reader



Realistically, many users in the survey stated that they expect to read more online in the future. But it is obvious that print remains an important activity as well for many. The market will become more fragmented and the traditional "one size fits all" model in publishing will struggle to cope. e-Readers certainly offer a huge market opportunity, at least for device vendors and infrastructure suppliers. Derived from a calculation made by InfoTrends based on the results of the survey, 15 to 32 million e-readers could be sold in the coming two years.

Nevertheless, this still represents a single digit market penetration at best and the impact on total book sales will remain small. Likewise, publishers have not that much to gain, as consumers are expecting lower prices for content on e-readers. That will ultimately cut into the margins. While publishers can save on print and distribution costs, price reductions and charges of the electronic distribution channels are likely to eat up any gains. Add to this the general attitude of consumers expecting to get electronic content for free or illegally copied on file-sharing networks.

Publishers find themselves between a rock and a hard place. There is no doubt that the market for e-books is growing rapidly, but from a very small base. e-Books have found their market with technophiles and frequent travellers, and look set to make their inroads into journals and educational textbooks (provided some support by the institutions involved). Most publishers will not be able to avoid having an e-strategy and, for a few publishers, e-books will offer growth opportunities, but it must be made clear that the publishing industry will lose revenue overall. The printed product remains the preferred product for many readers and the one they are most likely to spend money on. We hope that more publishers start to explore the opportunities new print technologies—namely digital printing—can offer, as well.

About the Author

As Director of the On Demand Printing & Publishing Consulting Service Europe, Ralf Schlözer is responsible for all service related publications and research in Europe. He is responsible for market trend analysis and forecasting, event or client driven research projects and creating presentations, newsletters and analysis reports. Mr. Schlözer has over 20 years of experience in the Graphic Arts and Graphic System Manufacturing industries. Before joining InfoTrends, Mr. Schlözer spent 5 years in the Research & Development and Digital Printing Business groups of MAN Roland in product planning and system integration for direct imaging presses and xerographic OEM printing systems. Mr. Schlözer has extensive knowledge of traditional and direct imaging presses as well as non-impact printing technologies. He is the author of several conference papers, trade press articles, and presentations. Mr. Schlözer graduated as Diplom Ingenieur in Printing Management and Technology in Berlin, Germany and also holds an M.S. Degree in Graphic Arts Systems from the Rochester Institute of Technology (R.I.T.) in the United States.

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