APTARA survey

Uncovering eBooks' Real Impact

Aptara's Fourth Annual eBook Survey of Publishers

eBooks are the most dominant force in contemporary publishing. Their sales rose nearly 40 percent in 2010,[1] and over a third of book publishers will issue more than 75 perccent of their titles as eBooks in 2011.[2]

Aptara has tracked publishers' transition from print to digital in response to the rise of eBooks through a series of three surveys, from 2009 to 2011. Designed to reveal the real impact of eBooks on book publishers, the annual surveys examined topics including preferred eBook formats, specific production approaches, preferred devices and platforms, distribution channels, enhancement strategies, and volumes and sources of eBook sales. The results present significant insights into the emergence of eBook trends and best practices across all four publishing market segments: Consumer (Trade), Professional/Research/Scholarly (Prof), Education (K–12 and College), and Corporate (B2B).

The phenomenal growth in survey participation—100 percent year over year—reflects the rapid expansion of the eBook market and provides a statistically valid basis for the conclusions drawn from the survey. The April 2011 survey collected and organized responses from 1,350 publishers.

What Did the Fourth Survey Reveal?

Though the eBook market is expanding exponentially, it is still young, with unpredictable dynamics and an immature infrastructure. For most publishers, this early-stage market reality results in production growing pains and business model challenges, often overshadowed by the allure of eBook sales figures.

While one out of five eBook publishers generates more than 10% of their sales from eBooks, eBook production, promotion, distribution, and sales are still far from reaching their full potential. eBooks' market opportunity is vast, particularly for the majority of publishers that are still eluded by production efficiencies and meaningful revenues.

Publishers still see eBook formats, distribution channels, quality, and digital rights management (DRM) as serious challenges—but these concerns have gradually eased since our first survey—an encouraging sign that the eBook market is beginning to mature.

Survey Highlights: 2009 to 2012

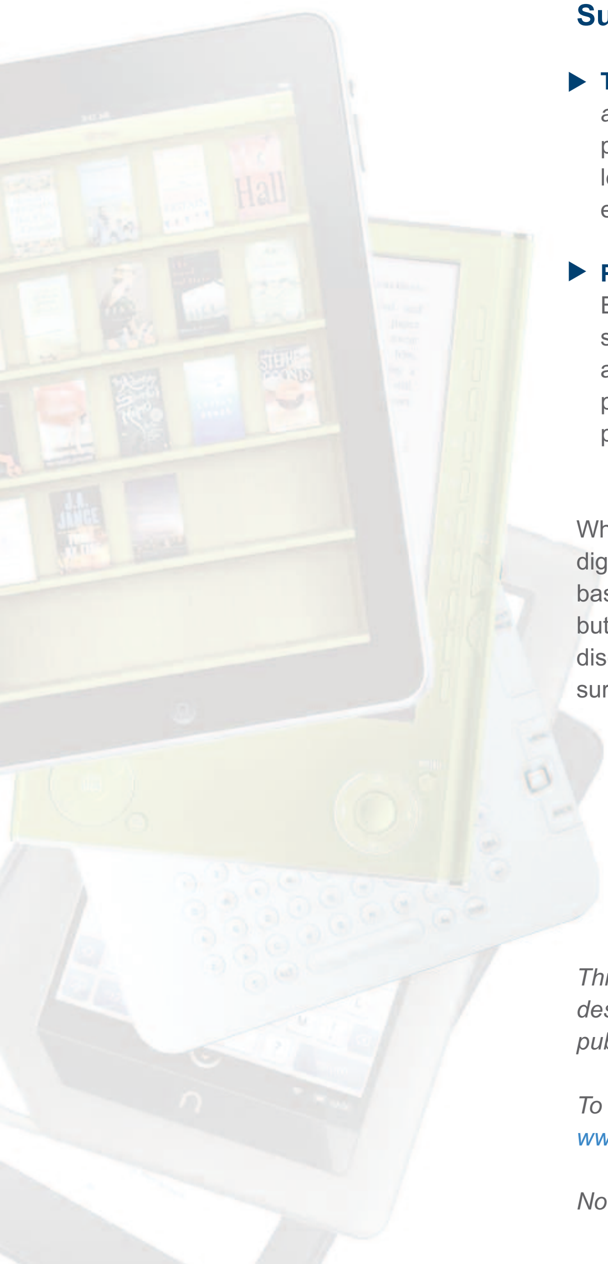
- **One out of five eBook publishers generates more than 10% of their revenues from eBooks.** This is a strong statistic for an early-stage market. Considering the increasing rate of consumer sales projections, it highlights that the eBook market still has plenty of room for growth. (Question 7)

(cont'd)

[1] BookStats Survey, Association of American Publishers and the Book Industry Study Group, 2011
[2] Aptara's Third eBook Survey of Publishers, 2011

Uncovering eBooks' Real Impact

Aptara's Fourth Annual eBook Survey of Publishers



Survey Highlights (cont'd)

- **The question of "digital or print?" has been answered.** The answer is both: "digital *and* print." The vast majority of book publishers (85%), across all market segments, are producing print and eBook versions of their titles. For the time being, print publishing's legacy cost structure and business and production models are living alongside newer eBook-inspired practices. (Question 12)

- **Publishers' awareness of EPUB3 and pursuit of enhanced eBooks is limited.** EPUB3 is the next edition of the EPUB eBook format standard and includes significant support for enhancements. There is a general lack of awareness of it and its benefits across all publisher types. While there has been a sizeable increase in enhanced eBook production in the past year, 60% of publishers are either still investigating or have no plans to produce enhanced eBooks. (Questions 16 and 17)

While no one will be surprised by the range of needs faced by book publishers moving to digital, the contrasts among Trade, Prof, Education, and Corporate publishers reveal very basic differences. There are key issues shared by all of the publishing market segments, but as the digital revolution has accelerated, some very different challenges, opportunities, discrepancies and trends have emerged, as the following results from Aptara's third eBook survey indicate.

This report documents results from the fourth in a series of eBook-related surveys designed to identify the eBook trends, challenges, and strategies of importance to book publishing professionals.

To be included in Aptara's fifth survey, scheduled for the spring of 2013, contact us at www.aptaracorp.com.

Note: Due to rounding, not all response calculations total 100%.

About Aptara: Aptara provides digital publishing solutions that deliver significant gains in cost, quality and time-to-market for eBook publishers. Having converted tens of millions of pages to eBooks, Aptara offers comprehensive solutions across all content sources and delivery media, including the Apple iPad and iPhone, Amazon Kindle, Barnes & Noble NOOK, and Sony Reader devices. In addition to eBook production, Aptara's expertise includes app design and development, content technology solutions, custom content development, and editorial and design services. Founded in 1988, Aptara is a U.S.-based company with more than 5,600 professionals worldwide serving leaders in the Trade and Consumer, Professional, Education, and Corporate publishing markets.

APTARA

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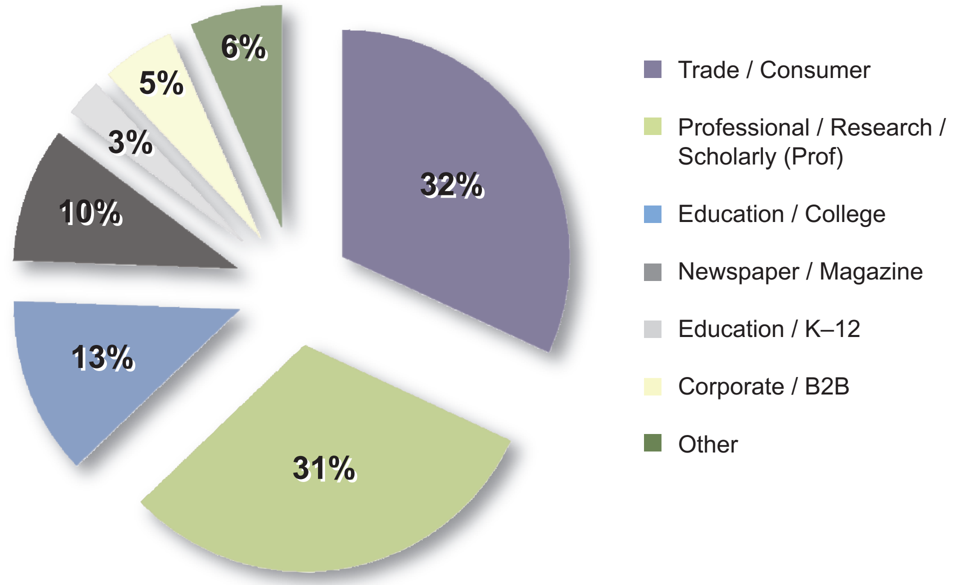
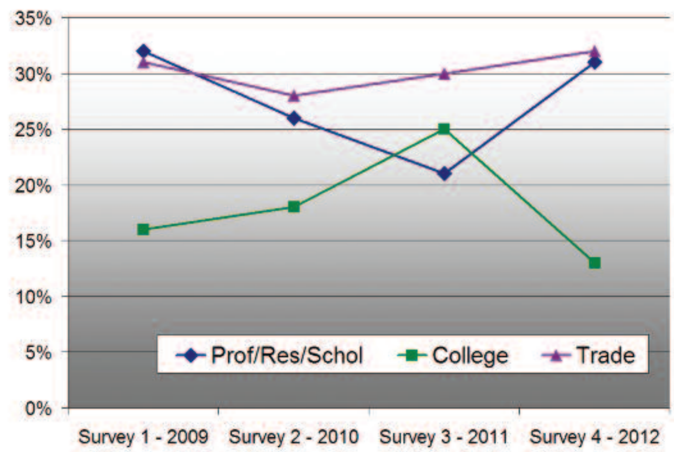
1) Market Focus

What industry segment best describes your market focus?



Significant Points:

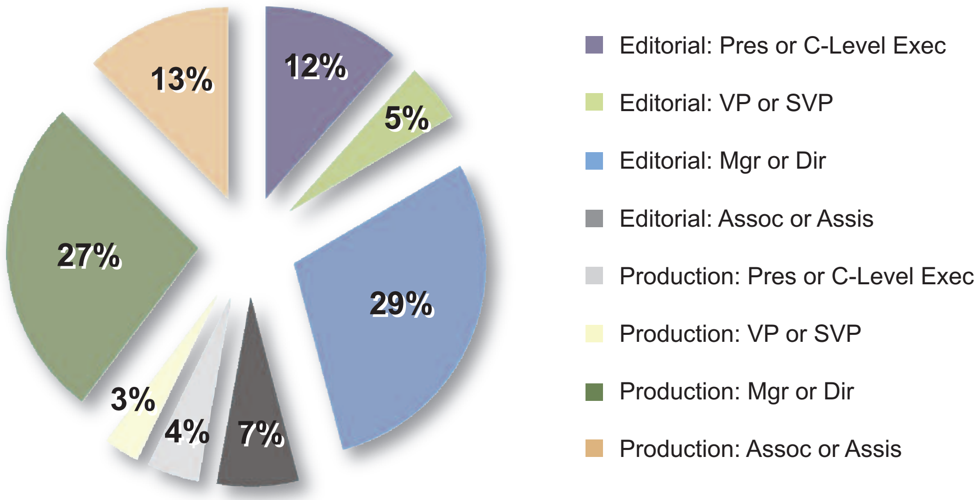
- The Trade (32%) and Professional/Research/Scholarly (31%) market segments make up the largest response groups in the fourth survey, with Education/College publishers coming in third (13%).
- While the Professional/Research/Scholarly segment's survey participation is on the upswing from previous years, the Education/College publishing segment waned, down over 10% from last year's survey. This trend is difficult to assess accurately because the survey's distribution varies from year to year, particularly due to broader dissemination via social media.



2) Respondent Details

2a: Which best describes your title?

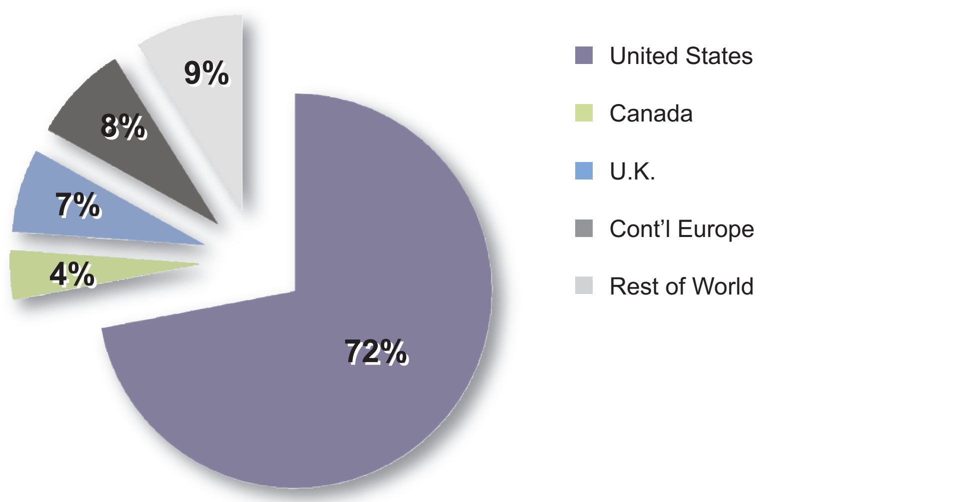
Note: This question is new this year.



Significant Points:

- Editorial Managers and Directors (29%) and Production Managers and Directors (27%) make up over half of the survey's total respondents.
- Overall, slightly more survey respondents occupy Editorial roles (53%) than Production roles (47%).

2b: Which country represents your largest market?

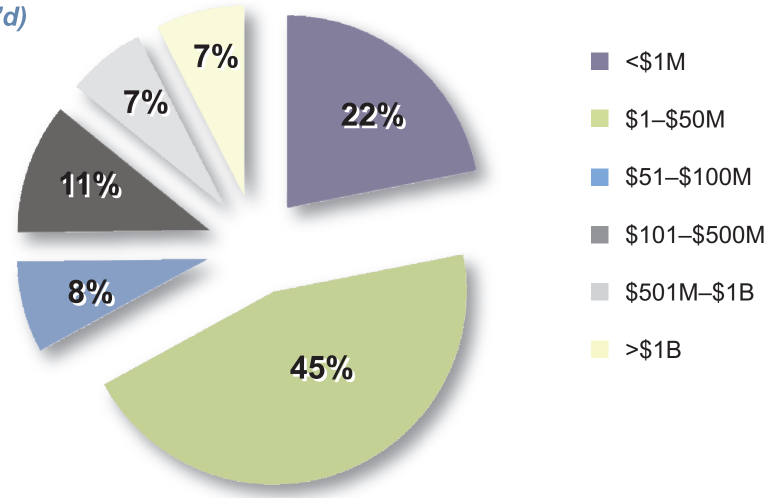


Significant Point:

- As with past years, the largest market for most survey respondents is the U.S. (72%), which, globally, has the most developed eBook market. In addition, publishers do the most business in English-speaking countries, with the second and third largest markets being the U.K. (7%) and Canada (4%).

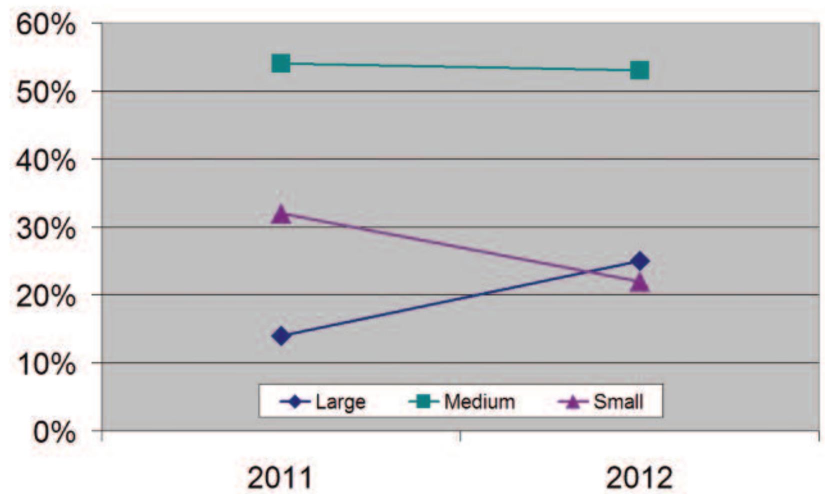
2) Respondent Details *(cont'd)*

2c: What is the size of your company based on revenue?



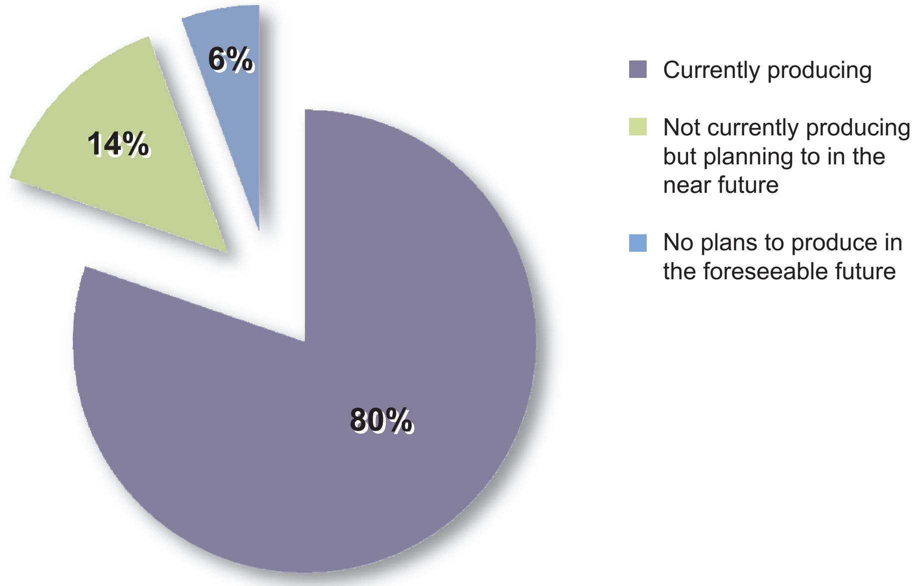
Significant Point:

- This year's data represents a greater proportion of large publishers (> $100M in annual revenue) and a smaller proportion of small publishers (<$1M) than last year. The majority of respondents (53%) are from mid-size publishers ($1M–$100M).



3) eBooks

What is your organization's current involvement with eBooks?



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Currently producing	92%	77%	74%	91%	71%	50%
Not currently producing but planning to in the near future	7%	18%	18%	9%	21%	18%
No plans to produce in the foreseeable future	1%	6%	8%	0%	7%	32%

Significant Points:

- Four out of five publishers now produce eBooks, a 30% increase in three years and a significant 18% increase in just the last year.
- Working in digital is becoming a necessity for players in the eBook space. In last year's survey, 16% of publishers said they did not foresee producing eBooks in the near future. This year, just 6% have no such plans.
- Trade (92%) and Education/K-12 (91%) publishers are the most "all-in" with eBooks.
- Trade publishers have experienced the most dramatic increase in eBook involvement: from 50% in 2010 to 92% in 2012, including a 16% spike in the last year alone.

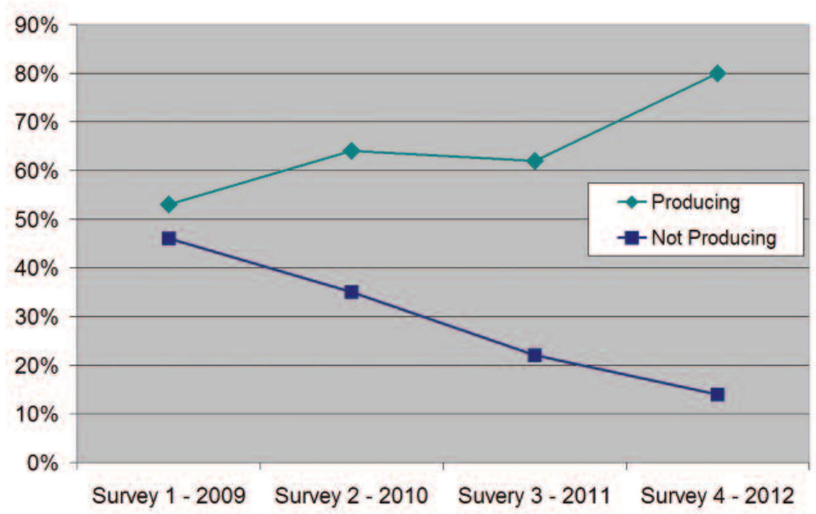
(cont'd)

3) eBooks *(cont'd)*

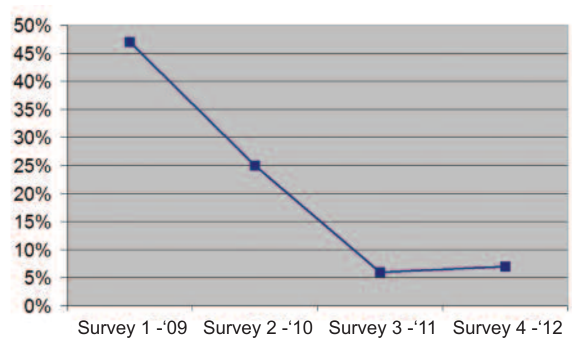
What is your organization's current involvement with eBooks?

- The majority of Trade publisher respondents who are not currently producing eBooks are planning to in the near future.

Currently Producing vs. Not Currently Producing: Four-Year Comparison

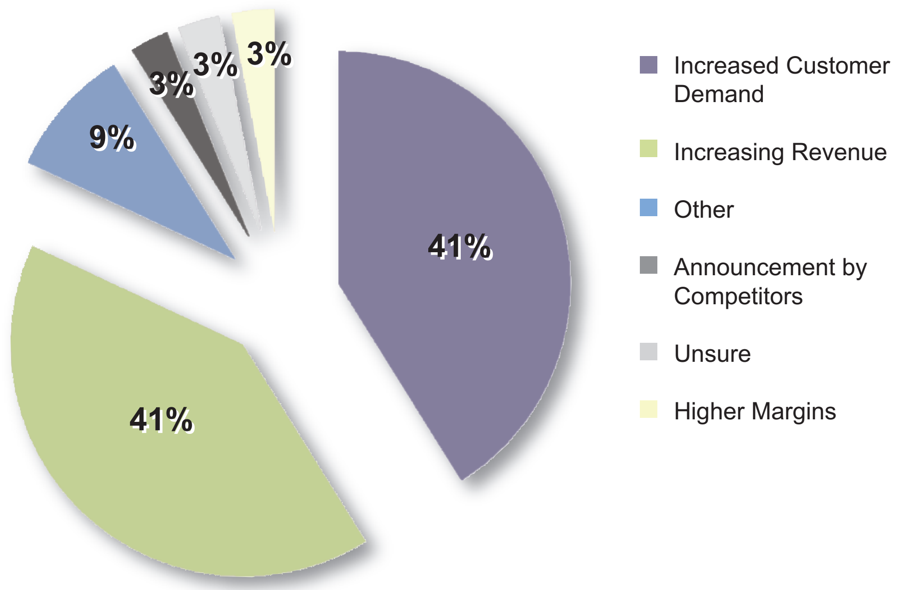


Trade Publishing Companies "Not Producing eBooks"



4) Driver

What is the main driver for producing eBooks?



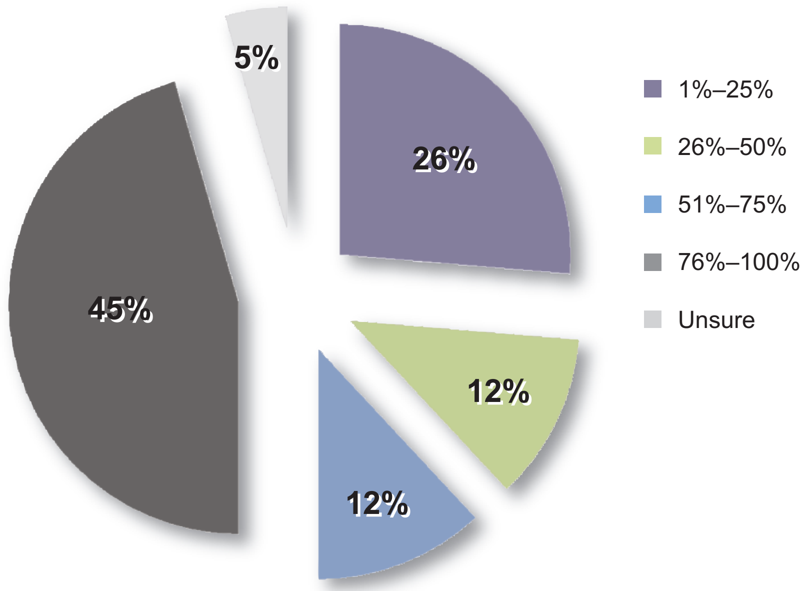
Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Increased Customer Demand	38%	47%	40%	43%	22%	53%
Increasing Revenue	50%	39%	33%	25%	56%	35%
Other	7%	5%	17%	13%	0%	0%
Announcement by Competitors	1%	4%	4%	13%	0%	0%
Unsure	3%	4%	2%	3%	0%	6%
Higher Margins	1%	1%	4%	5%	22%	6%

Significant Points:

- Industrywide, the two main drivers for producing eBooks are "increasing revenue" (41%) and "increased customer demand" (41%). These statistics reflect very little change from last year, either across the industry or by publisher type.
- The main difference between this year and last is that the "increasing revenue" driver is in fact coming to fruition (see Question #6).
- Only 3% of publishers selected "higher margins" as the main reason for investing in eBooks this year, identical to last year. While eBook popularity is driving revenue, publishers' margins are uncertain. With no standard eBook pricing model having yet emerged and a variety of pricing strategies being tested, the ability to earn higher margins from digital titles still requires a more mature eBook ecosystem.

5) eBook Volume

Approximately what percentage of your titles will be distributed as eBooks in 2012?

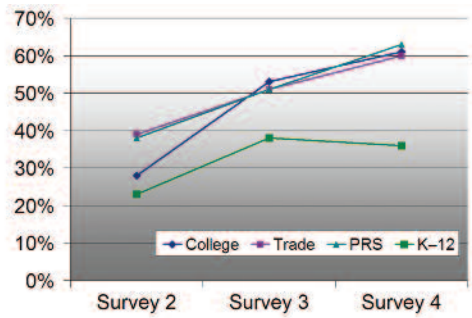


Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
1%–25%	23%	24%	21%	45%	22%	24%
26%–50%	13%	10%	10%	15%	11%	6%
51%–75%	12%	14%	13%	3%	22%	18%
76%–100%	48%	49%	48%	33%	33%	35%
Unsure	4%	3%	8%	5%	0%	18%

Significant Points:

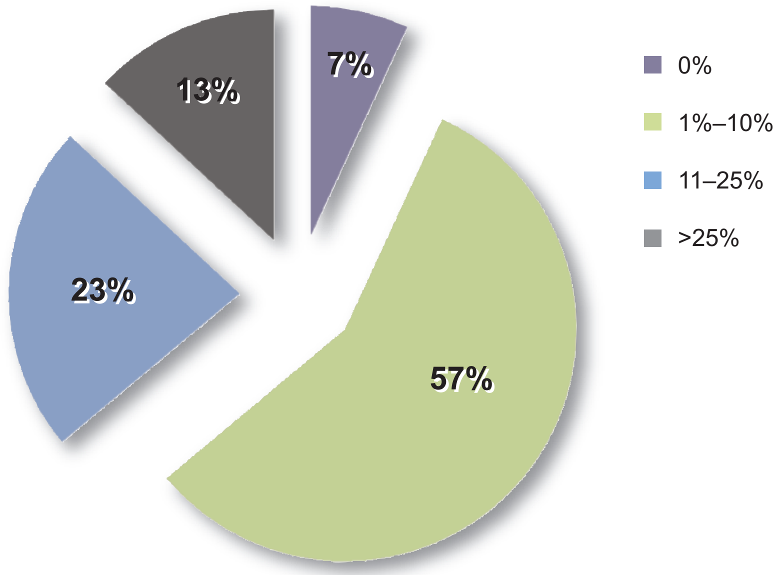
- The majority of eBook publishers (57%) are producing more than half of their titles as eBooks; a tremendous 26% increase from two years ago when less than a third of publishers planned to issue more than half of their titles as eBooks.
- Nearly half of eBook publishers are producing more than 75% of their titles as eBooks—a 22% increase since 2010.
- It's worth noting that the Trade segment has gone digital far more than any other publishing segment. Last year, 42% of Trade publishers said they were distributing more than a quarter of their titles in digital. This year that number has jumped a full 31%, to 73%.

Publishers Distributing Over Half of Their Titles as eBooks



6) eBook Revenue

Approximately what percentage of your revenue is currently derived from eBook sales?



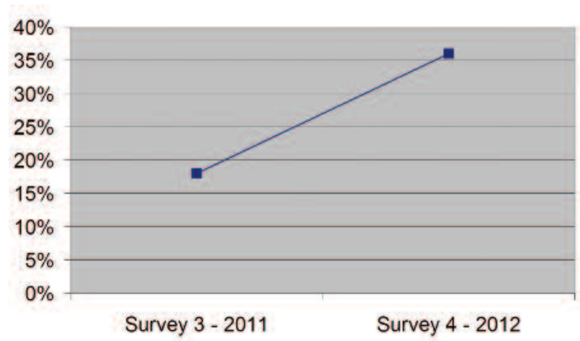
Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
0%	6%	4%	8%	13%	11%	24%
1%–10%	55%	62%	52%	60%	55%	18%
11%–25%	26%	24%	26%	18%	33%	24%
>25%	14%	10%	15%	10%	0%	35%

Significant Points:

- A 100% increase in one year in the number of publishers recognizing double-digit annual revenues from eBooks. This year, 2012, marks the first year that eBooks are making meaningful contributions to publishers' top lines.

Publishers Recognizing Double-Digit Annual Revenues from eBooks

(this question was not asked in surveys 1 and 2)



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6) eBook Revenue *(cont'd)*

Approximately what percentage of your revenue is currently derived from eBook sales?

- Digital content now accounts for more than 10% of annual revenues for more than a third of publishers (36%). Since the early days of eBooks, this double-digit threshold has been regarded as the indicator of eBooks' "arrival". Even with pricing models still in limbo, publishers are generating significant income from eBooks.

- These statistics demonstrate that there is plenty of room for publishers to draw greater revenues from a market that has still not reached maturity. As pricing models standardize, and more eTailers emerge to compete with Amazon, there will be more opportunities to drive prices higher than the loss-leading ones established by Amazon, which remains the dominant eBook retailer. (Kobo continues to be an alternative device/retailer with growing consumer saturation abroad.)

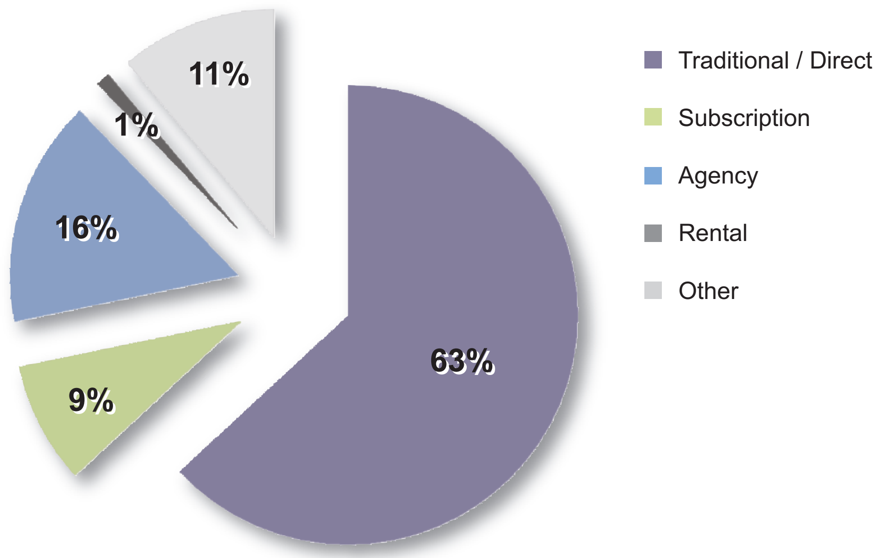
- The Education/K-12 market, while still lagging behind other segments, is now drawing slightly more revenue from digital.

- Confirming the rise in adoption of digital textbooks, this year marks significant increases of 21% and 19%, respectively, in Education/K-12 and Education/College publishers that report drawing more than 10% of their revenue from eBooks.

7) Pricing Model

What is your current eBook pricing model?

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Traditional / Direct	64%	66%	69%	53%	56%	47%
Subscription	1%	9%	10%	33%	11%	18%
Agency	30%	6%	6%	0%	22%	0%
Rental	0%	1%	4%	3%	0%	6%
Other	6%	18%	10%	13%	11%	29%

Significant Points:

- Despite all of the press attention that the agency pricing model* has drawn, not to mention litigation, the majority of publishers (63%) sell their eBooks the same traditional/direct way that they have long sold their print books.
- Only 16% subscribe to the agency model, and this group includes mostly Trade publishers.
- While publishers continue to test subscription sales models, they are not widely used (9%). Education/K-12 publishers indicate, by far, the most use of subscription pricing (33%).

(cont'd)

7) Pricing Model *(cont'd)*

What is your current eBook pricing model?

- Outside of the Trade (30%) and Newspaper/Magazine (22%) segments, the agency model is even less popular, used by only 6% of both Professional/Research/Scholarly and Education/College publishers.

* **Pricing Models:**

Agency model: The publisher sets the eBook's price and the agent (seller) gets a pre-determined profit margin.

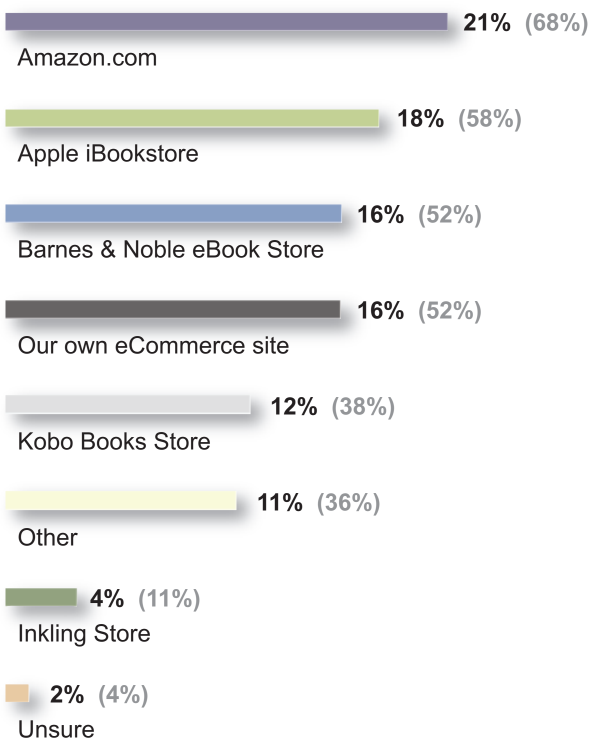
Traditional/Direct model: The eBook is purchased from the publisher at a wholesale rate and the seller determines the profit margin.

Subscription model: Typically, offers readers access to books or content one chapter at a time to convert browsers into buyers.

8) Distribution

Through which channels are your eBooks distributed? (Select all that apply.)

This question allowed for multiple responses. The first percentages listed have been normalized to add up to 100%. The percentages in parentheses are the total responses.



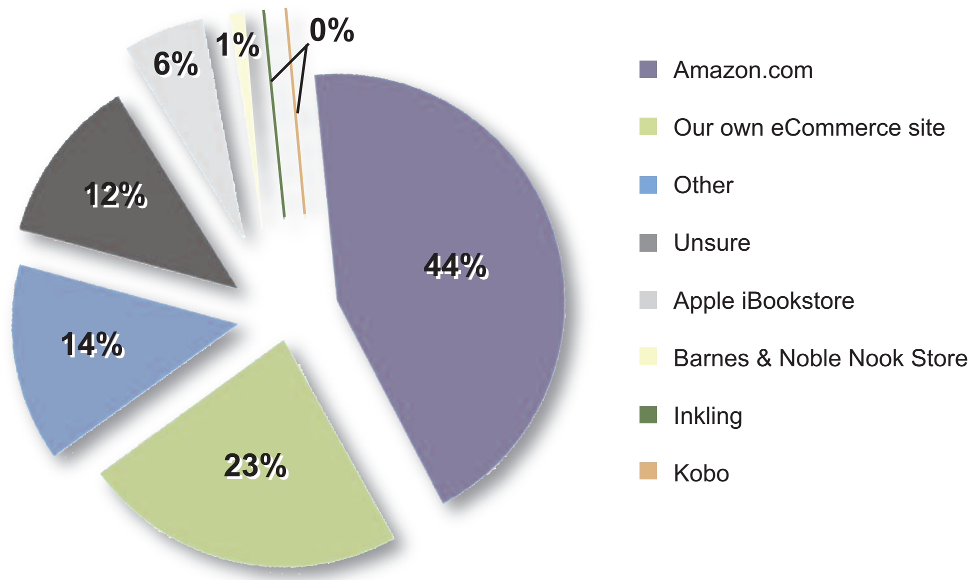
Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Amazon.com	23%	21%	19%	14%	27%	19%
Apple iBookstore	21%	14%	13%	22%	20%	10%
Barnes & Noble eBook Store	19%	16%	12%	10%	20%	10%
Our own eCommerce site	2%	4%	7%	4%	0%	3%
Kobo Books Store	19%	16%	12%	10%	20%	10%
Other	2%	4%	7%	4%	0%	3%
Inkling Store	16%	11%	4%	6%	7%	10%
Unsure	1%	1%	1%	4%	0%	0%

Significant Points:

- Amazon has remained the most popular distribution channel for eBooks for two years running. In 2011, 18% of respondents said they sold digital titles through the eTailer. This year the number rose to a significant 68%.
- Publishers' reliance on their own digital storefronts to sell eBooks has stayed relatively constant the last two years, at right around 50%, but dropped to third place this year, tied with the Barnes & Noble eBook store.
- Apple as a distribution channel remains in second place two years running, increasing this year by just two points, to 58%.

9) Source of eBook Sales

Which channel produces the largest percentage of your eBook sales?



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Amazon.com	68%	36%	20%	16%	57%	14%
Our own eCommerce site	6%	30%	32%	55%	14%	43%
Other	7%	18%	25%	8%	14%	29%
Unsure	8%	13%	13%	16%	0%	14%
Apple iBookstore	10%	3%	0%	3%	14%	0%
Barnes & Noble Nook Store	1%	0%	0%	0%	0%	0%
Inkling	0%	0%	0%	0%	0%	0%
Kobo	0%	0%	0%	0%	0%	0%

Significant Points:

- The most widely used eBook distribution channel, Amazon (see Question #8), is also by far the most profitable, by almost double (44%). Publishers' own eCommerce sites are a distant second at 23%.
- Outside of Trade and Newspapers/Magazines, publishers continue to sell the majority of their eBooks via their own eCommerce websites. (The Trade segment's overwhelming response heavily weighted Amazon as #1.)
- Apple is the second most popular distribution channel (see Question #8) and the majority of publishers prefer Apple devices for reading eBooks (see Question #30). However it is not a significant moneymaker for publishers, coming in fifth, at 6%, as the greatest source of eBook sales. This suggests that consumers are predominantly using Amazon's Kindle app on their Apple devices to read eBooks, as opposed to purchasing them from the iBookstore.

(cont'd)

9) Source of eBook Sales *(cont'd)*

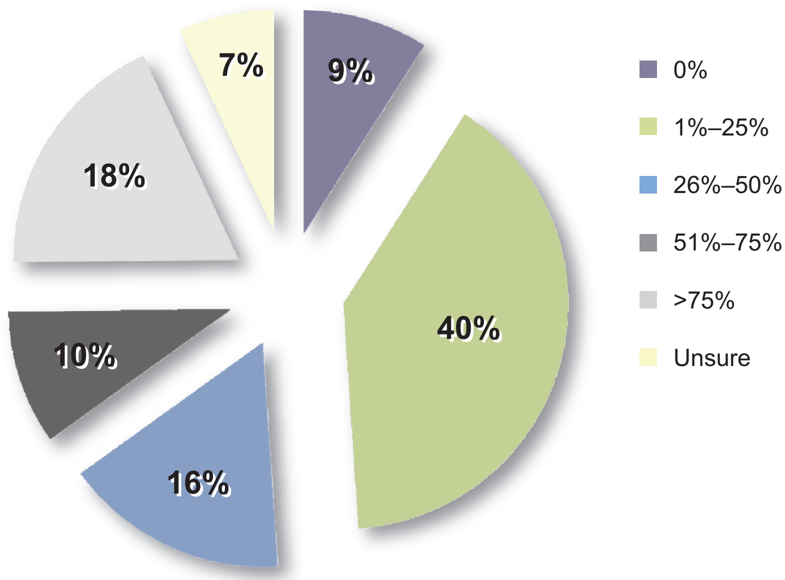
Which channel produces the largest percentage of your eBook sales?

- Although these numbers confirm Amazon's continued dominance, they may not equate to overall market share. While only 1% of respondents reported making the majority of their eBooks sales through Barnes & Noble, the retailer reports controlling 27–28% of overall eBook sales.

- Amazon controls the lion's share of the eBook market for Trade publishers (56% last year and 68% this year), though other players keep entering the market. Google is poised to enter the fray with its own tablet, and though it may not be heavily marketed as an eReader device, it will offer access to Google Books via the Google Play store. However, the main competitor many in the industry are watching is Kobo. A seemingly unlikely threat to Amazon now, Kobo was purchased in early 2012 by Rakuten, a Japanese company intent on making the brand ubiquitous outside of the U.S., where Amazon has less market saturation.

10) Backlist Conversion

What percentage of your backlist (legacy) titles have you converted into eBooks?



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
0%	3%	9%	20%	11%	14%	14%
1%–25%	36%	38%	27%	59%	43%	29%
26%–50%	20%	19%	18%	3%	0%	14%
51%–75%	13%	12%	2%	3%	29%	0%
>75%	23%	15%	18%	16%	14%	29%
Unsure	4%	6%	14%	8%	0%	14%

Significant Points:

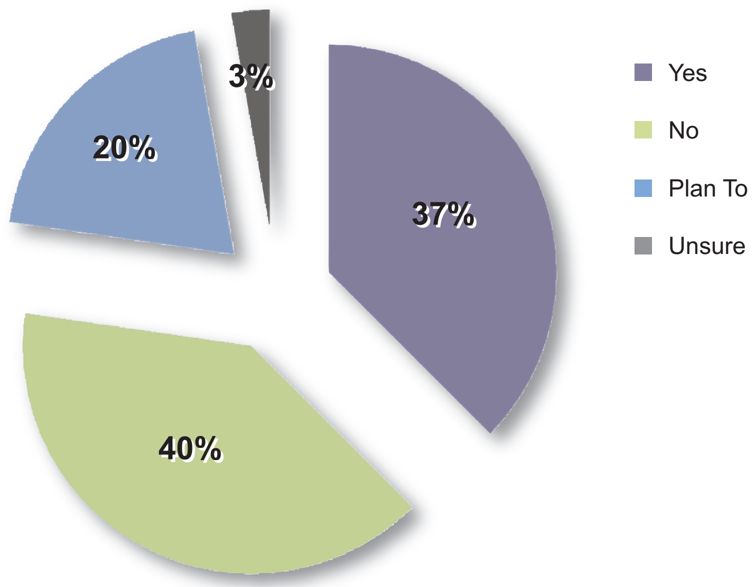
- In today's digital market, 50% of publishers' content has not been converted to eBooks. With the cost to produce the print edition of the book already incurred, the cost to convert backlist titles to eBooks is nominal. Half of publishers' content, collectively, represents a significant amount of untapped revenue for the market.
- In 2011, 14% of publishers had converted three quarters or more of their backlist titles; in 2012, that number has only risen four points, to 18%.
- Despite the fact that the eBook market is maturing and there is proven revenue in making out-of-print titles into eBooks, publishers are slow to convert.
- Trade publishers are moving most aggressively in converting backlist titles to eBooks. Last year 25% had converted over half of their backlist titles; this year 36% have. Comparatively, across all segments of publishers there has been only a 6% increase from last year (22% to 28%).

NOTE: In this year's survey, we dig deeper into production processes that publishers employ in their digital content strategies. As such, the following questions about production do not directly correlate to data from last year's survey.

11) Digital-First Publishing

Do you employ a digital-first publishing production process (in place of a print-based production workflow) for any of your publications?

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Yes	41%	33%	39%	19%	57%	50%
No	42%	40%	34%	51%	29%	29%
Plan To	12%	26%	20%	30%	14%	14%
Unsure	5%	0%	7%	0%	0%	7%

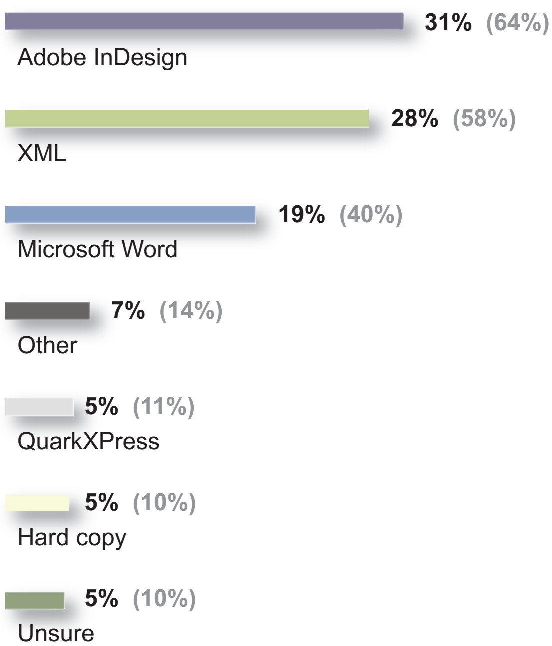
Significant Points:

- Despite the considerable efficiencies in moving to a digital-first workflow (i.e., enabling a single source input to be produced in multiple outputs: digital, mobile, and print), a meaningful proportion of publishers (40%) still rely on the traditional print-based production model.
- Education/K-12 publishers have shown the least adoption of digital-first production approaches, with 51% still relying on print-based workflows.

12) Digital Tools

What content creation and editorial tool(s) does your organization use to produce eBooks? (Select all that apply.)

This question allowed for multiple responses. The first percentages listed have been normalized to add up to 100%. The percentages in parentheses are the total responses.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Adobe InDesign	35%	31%	33%	20%	17%	36%
XML	23%	35%	37%	27%	17%	36%
Microsoft Word	19%	18%	11%	27%	17%	7%
Other	7%	1%	11%	20%	17%	7%
QuarkXPress	5%	5%	4%	0%	33%	7%
Hard copy	4%	7%	0%	7%	0%	7%
Unsure	7%	4%	4%	0%	0%	0%

Significant Points:

- Adobe InDesign edges out XML as the most popular approach to content creation; 31% of publishers report using this software most frequently to create digital editions of their titles, while 28% largely use XML-first publishing solutions to create eBooks.
- One year deeper into the eBook revolution, XML and Microsoft Word adoption is on the rise. Notably, there has been a 12% increase from 2011 to 2012 in the use of Microsoft Word for production and a 10% increase in the use of XML.
- Although XML is the foundation for single-source input and multi-channel output to today's variety of digital and mobile devices, less than a third of publishers have adopted the technology. This suggests that implementations are still too difficult to

(cont'd)

12) Digital Tools *(cont'd)*

What content creation and editorial tool(s) does your organization use to produce eBooks? (Select all that apply.)

integrate into existing workflows and require too much upfront configuration. For many publishers (especially those in Education), time is a major factor in publishing schedules and, so far, schedules have not been modified to accommodate significant workflow changes.

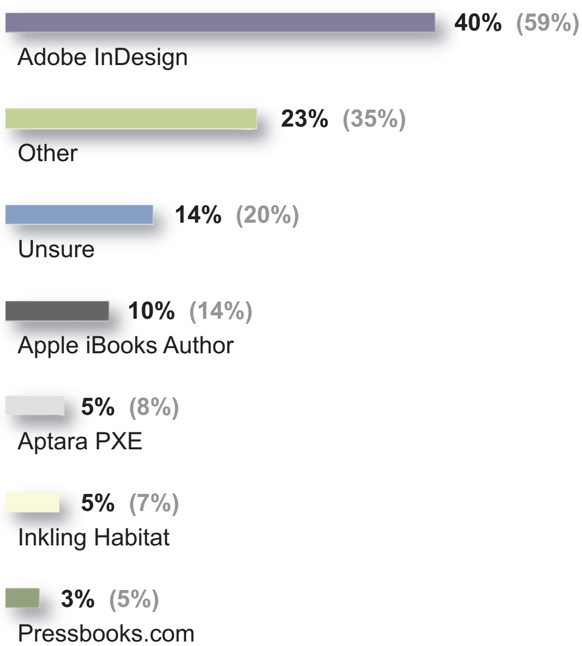
- In the last decade, publishers have increasingly outsourced production editorial tasks, including project management. Since publishers do not have direct control over software used by third-party production staff, and most manuscripts are originally authored in MS Word, it is not surprising that the use of Microsoft Word continues to rise.

13) Digital Production

What production tool(s) does your organization use to produce eBooks? (Select all that apply.)

This question allowed for multiple responses. The first percentages listed have been normalized to add up to 100%. The percentages in parentheses are the total responses.

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Adobe InDesign	48%	26%	10%	6%	1%	4%
Other	39%	29%	14%	2%	4%	4%
Unsure	43%	25%	18%	4%	0%	4%
Apple iBooks Author	47%	16%	11%	5%	0%	5%
Aptara PXE	0%	44%	33%	11%	0%	11%
Inkling Habitat	9%	36%	18%	0%	9%	18%
Pressbooks.com	33%	0%	0%	0%	17%	17%

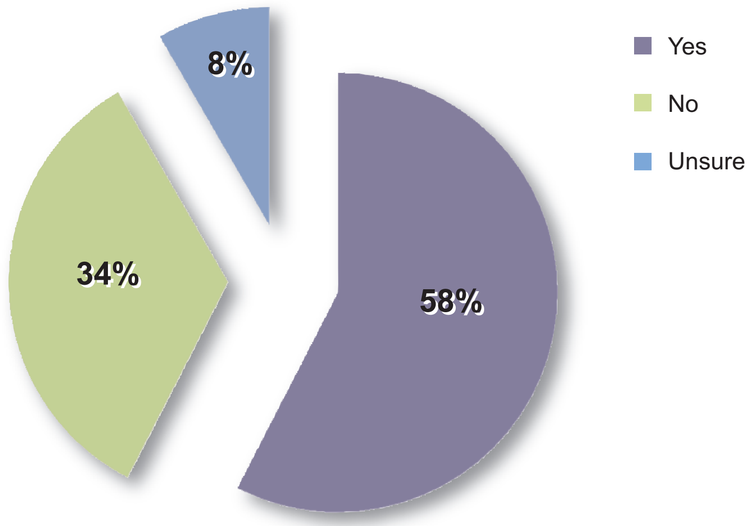
Significant Points:

- Just as Adobe InDesign was the most popular content creation and editorial tool for publishers in creating eBooks, the software also reigns in production.
- As more publishers evolve to a digital-first production methodology and XML continues to grow in popularity, publishers' reliance on InDesign may wane in the coming years.

14) Fixed Layout

Is your organization producing fixed layout eBooks (for non-reflowable, highly stylized or illustrated content)?

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Yes	57%	56%	67%	64%	50%	54%
No	37%	38%	19%	25%	50%	31%
Unsure	6%	6%	14%	11%	0%	15%

Significant Points:

- The majority of publishers (58%) are producing fixed layout eBooks, indicating a heightened adoption of a relatively new production option. 2010 saw the introduction of fixed layout formats by Apple and Barnes & Noble. Amazon and Kobo followed up with support for fixed layout formatting in 2011.

- While the popularity of fixed layout eBooks is growing as more publishers begin to release children's books, coffee table books, graphic novels and other highly illustrated digital texts, the lack of a universal format accepted by all the major retailers (the aforementioned players all use their own proprietary software) remains a challenge. Additionally, common multimedia features lack consistent support across devices. Amazon, for example, which has the KF8 format for fixed layout children's books and graphic novels, does not completely support fixed layout books in the "Kindle for iPad" app. The Kindle Fire has no support for audio or video in either fixed layout or reflowable text books at all.

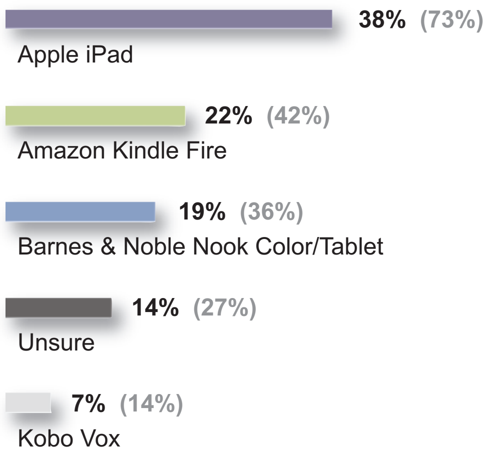
  Note: Given the current demand for fixed layout formatting support, the IDPF Working Group has actively planned and chartered development for an EPUB3 Fixed Layout Metadata specification, formally approved by the IDPF board of directors on March 13, 2012. Readium, an IDPF sponsored EPUB3 reference implementation, adopted the official IDPF EPUB3 Fixed Layout Metadata specification on March 30, 2012.

15) Fixed Layout Outlets

On what platforms are you targeting your fixed layout development efforts? (Select all that apply.)

This question allowed for multiple responses. The first percentages listed have been normalized to add up to 100%. The percentages in parentheses are the total responses.

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Apple iPad	39%	30%	34%	41%	50%	40%
Amazon Kindle Fire	23%	21%	20%	22%	17%	30%
B&N Nook Color/Tablet	23%	13%	18%	14%	33%	10%
Unsure	5%	30%	22%	19%	0%	10%
Kobo Vox	10%	6%	6%	5%	0%	10%

Significant Points:

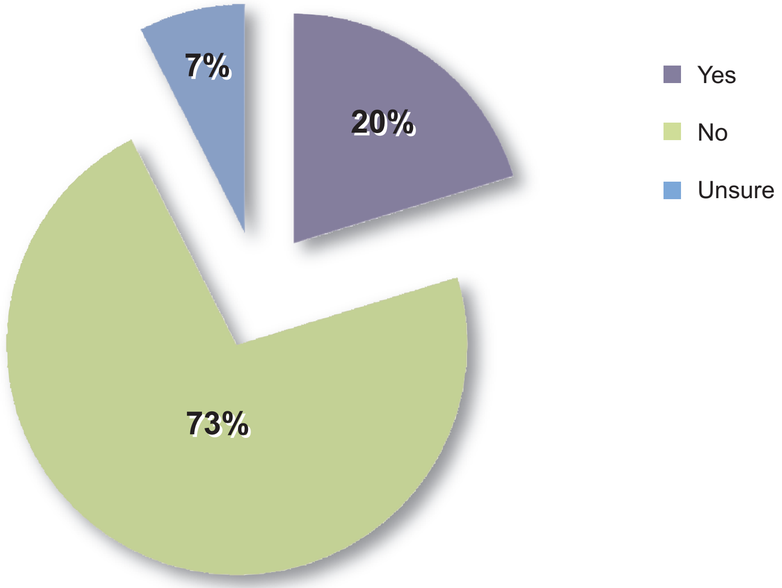
Note: In general, fixed layout eBooks are targeted at tablets and web apps as opposed to traditional eInk readers.

- When it comes to fixed layout eBooks, Apple has a considerable edge over Amazon and all other retailers. The iPad remains the device of choice for distributing highly illustrated eBooks, as an overwhelming 73% of publishers said they target their fixed layout titles for Apple's tablet.
- Amazon is a distant second, with 42% of publishers stating that they create illustrated eBooks for the Kindle Fire. However, Apple's leadership has the benefit of a year's head start in introducing its fixed layout format.

16) Translation

Do you translate eBooks into more than one language?

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Yes	17%	14%	24%	26%	17%	50%
No	75%	80%	59%	65%	67%	50%
Unsure	8%	6%	17%	9%	17%	0%

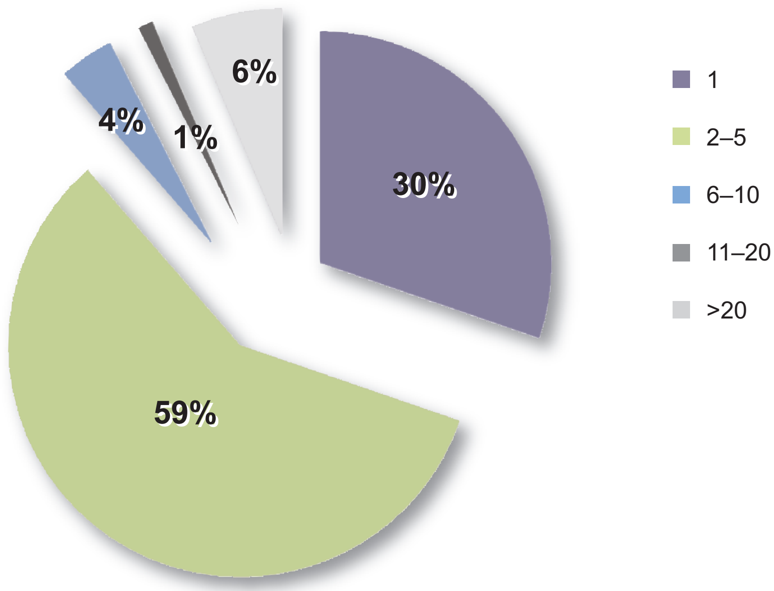
Significant Points:

- With digital publishing in its infancy in most international markets, except for the U.K., Canada, and Australia, where the wide availability of reading devices has greatly expanded the sales and popularity of eBooks, it's not surprising that the overwhelming majority of publishers (73%) are not yet offering translations of their digital titles.
- Corporate publishers are the most active translators by far, with 50% offering eBook titles in multiple languages. This is not surprising, particularly given product companies' need to prepare manuals and documentation in localized languages of each country in which they sell their products.

17) Languages

Into how many languages do you translate?

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
1	36%	19%	30%	33%	0%	17%
2–5	60%	63%	70%	67%	100%	50%
6–10	0%	6%	0%	0%	0%	17%
11–20	0%	6%	0%	0%	0%	0%
>20	4%	6%	0%	0%	0%	17%

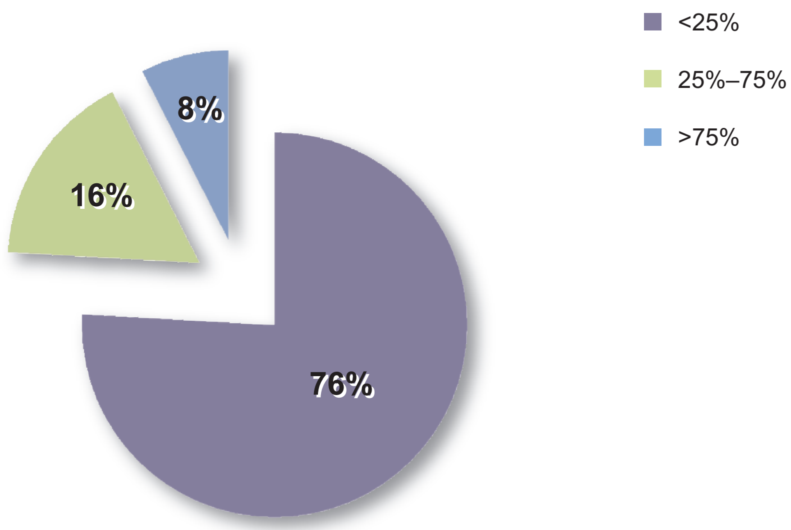
Significant Points:

- Though the majority of publishers are not offering translations of their eBook titles, the majority of those that are, are doing so for in multiple languages. Most offer between two and five languages.

18) Translation Output

Approximately what percentage of your eBook titles are translated?

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
<25%	80%	75%	80%	67%	0%	67%
25%–75%	16%	25%	10%	11%	100%	33%
>75%	4%	0%	10%	22%	0%	0%

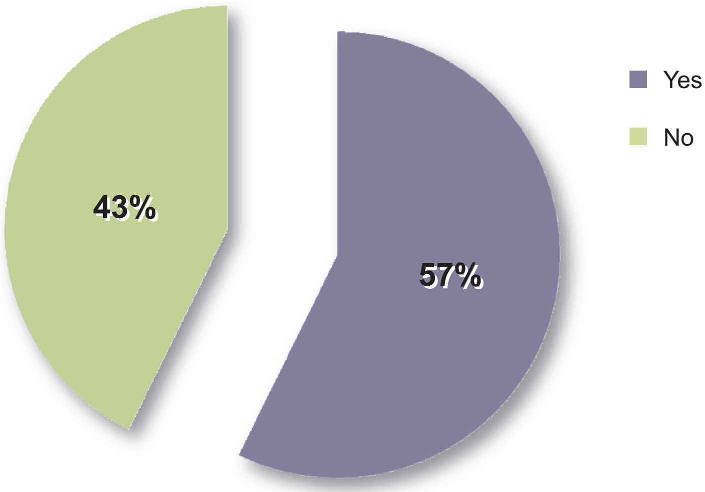
Significant Points:

- Given the response to Questions 16 and 17, it is no surprise that most publishers translating content (76%) are doing so for fewer than 25% of their eBook titles.

19) Library Access

Are your eBooks available in libraries?

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Yes	61%	73%	51%	24%	33%	50%
No	39%	27%	49%	76%	67%	50%

Significant Points:

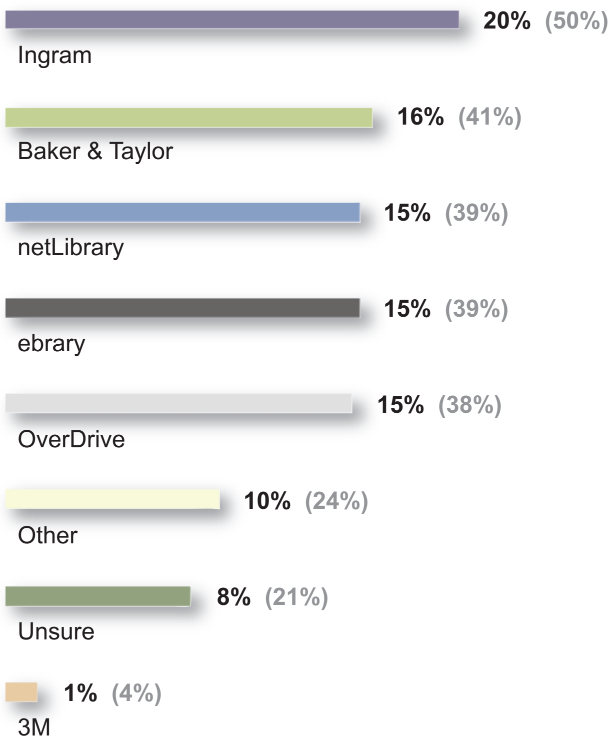
- Despite some controversy over distributing eBooks to libraries, especially in the Trade sector, most publishers (57%) are doing so. One reason for publishers avoiding digital lending models may be a remaining fear of piracy. Penguin cited piracy as a primary issue for pulling titles from OverDrive, the digital library distributor in 2011.
- Among survey respondents, Professional/Research/Scholarly publishers work most heavily with libraries (73%) to ensure that patrons can borrow their eBooks. This is likely because these publishers' readers rely on academic, scientific, and research libraries to provide them with the latest and best source, and depth, of content.
- Despite the concerns that Trade publishers like Penguin have aired regarding digital lending, most Trade publishers (61%) do work with libraries to make eBooks available to patrons.

20) Digital Library Distribution

What library services do you use?
(Select all that apply.)

This question allowed for multiple responses. The first percentages listed have been normalized to add up to 100%. The percentages in parentheses are the total responses.

Note: This question is new to this year's survey.



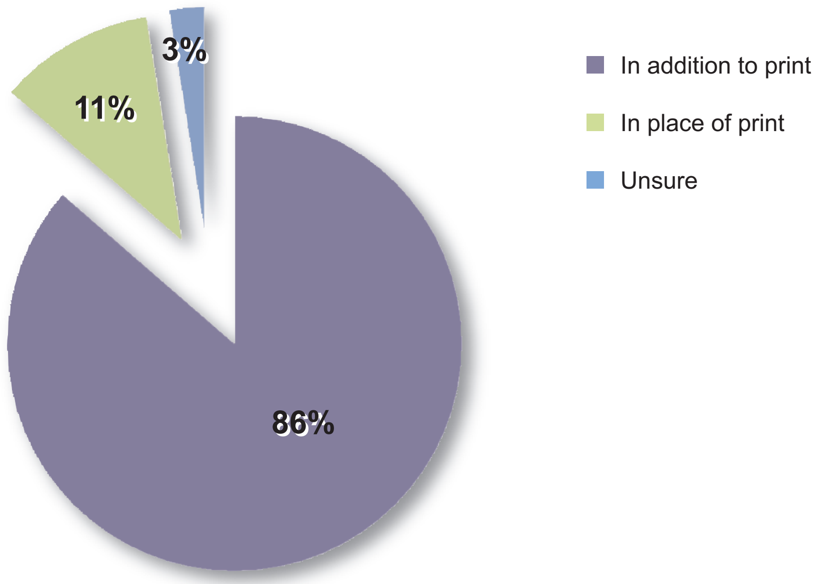
Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Ingram	20%	19%	13%	26%	67%	33%
Baker & Taylor	20%	14%	11%	16%	33%	17%
netLibrary	10%	20%	16%	21%	0%	25%
ebrary	8%	22%	18%	11%	0%	8%
OverDrive	23%	9%	13%	16%	0%	0%
Other	6%	10%	11%	5%	0%	8%
Unsure	11%	5%	16%	5%	0%	8%
3M	2%	1%	2%	0%	0%	0%

Significant Points:

- Ingram is the most popular distributor of digital content to the library market.
- Despite the heavily splintered library market, Baker & Taylor is the second most popular distributor to the library market.

21) Digital vs. Print

Are/will your eBooks be primarily produced in place of, or in addition to, print editions?



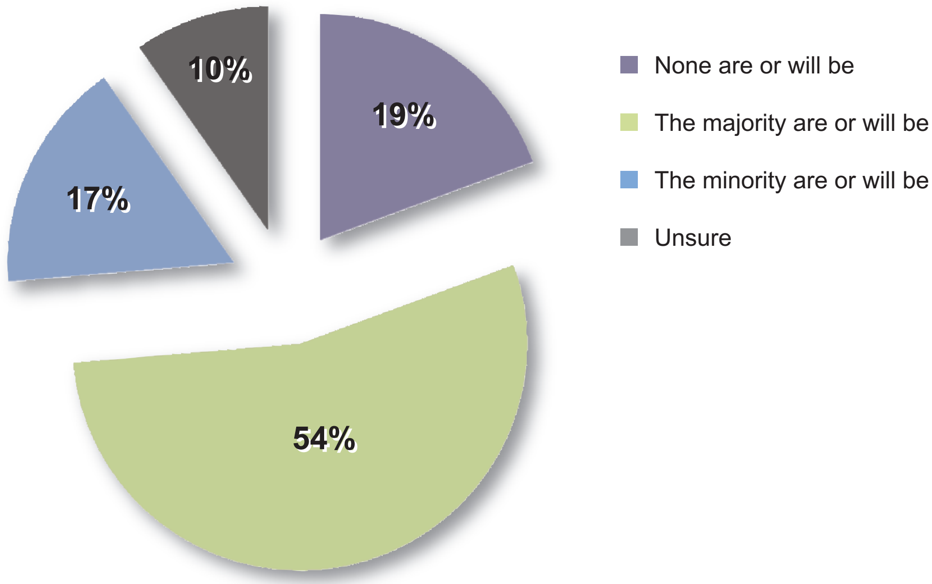
Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
In addition to print	90%	90%	76%	95%	78%	63%
In place of print	10%	6%	20%	5%	22%	31%
Unsure	0%	4%	4%	0%	0%	6%

Significant Points:

- As in last year's survey, this year's response was not either/or but both. In 2011, 85% of publishers said they were producing digital editions of their print titles rather than producing digital editions in lieu of print. The same numbers held strong, rising a single point this year to 86%
- Trade, Professional/Research/Scholarly, and Education/K-12 publishers produce the fewest digital-only titles. This corresponds with Question 11, which confirms that these publishing segments also have the lowest adoption rate of digital-first production processes.

22) Production Partners

To what extent are/will your eBooks be produced by an external partner/vendor?



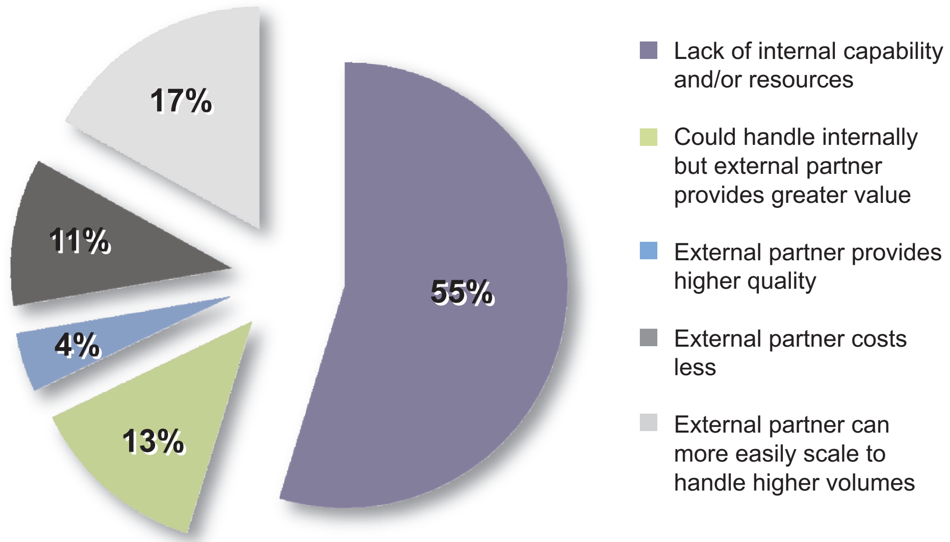
Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
None are or will be	26%	10%	15%	10%	22%	38%
The majority are or will be	54%	62%	45%	62%	67%	38%
The minority are or will be	15%	17%	19%	15%	11%	13%
Unsure	5%	10%	21%	13%	0%	13%

Significant Points:

- Consistent with last year's survey results, the majority of publishers rely on third party vendors to produce their eBooks. In 2011, 53% of publishers said they worked with a third party vendor; this year revealed a one-point increase, with 54% of publishers trusting a digital production partner with their eBook titles.
- Last year the Trade segment had significantly increased its reliance on third party digital production partners, with 55% of Trade publishers indicating that the majority of their eBooks were being produced by a third party. Consistent with the overall industry trend, this year 54% of Trade publishers report the same.

23) Outsource Driver

What is the main driver for using an external technology partner?



Publisher Type Breakdown	Trade	Prof	K–12	College	News/Mag	Corporate
Lack of internal capability and/or resources	57%	54%	45%	55%	71%	38%
Could handle internally but external partner provides greater value	13%	10%	12%	10%	14%	13%
External partner provides higher quality	1%	6%	6%	3%	14%	13%
External partner costs less	12%	12%	12%	7%	0%	38%
External partner can more easily scale to handle higher volumes	16%	19%	24%	24%	0%	0%

Significant Points:

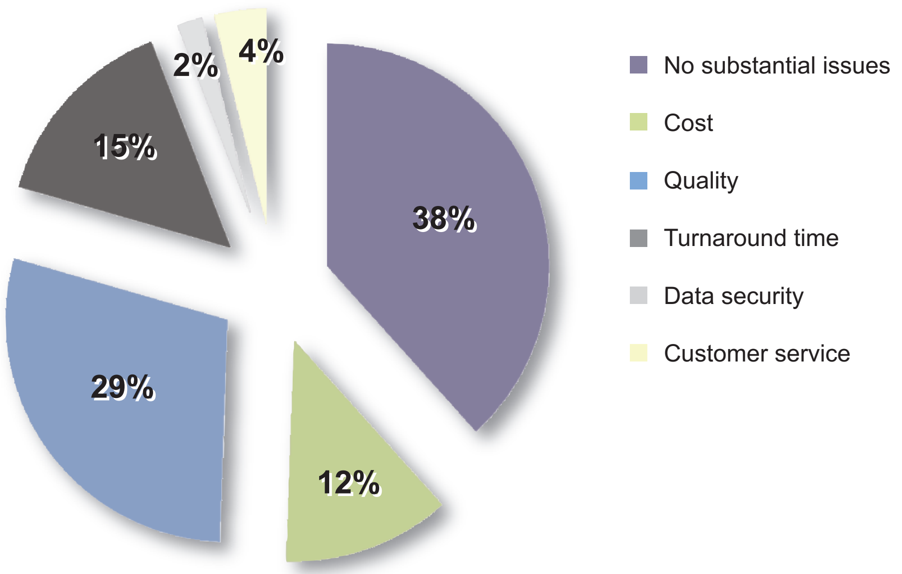
- Although the eBook market has become a stronger revenue driver for most publishers (see Question 6), effectively implementing internal digital edition production remains a struggle for most publishers.

- In 2011, 45% of publishers cited a "lack of internal capabilities and resources" as the reason for outsourcing the production of their eBooks. This year reveals a 10% increase in outsourced work, solidifying the lack of internal capabilities and resources as the main reason the majority of publishers continue to outsource work. These findings correspond with the significant budget cuts and downsizing that many publishing houses have experienced over the last few years.

24) Partner Challenges

Have you encountered any specific challenges when work external partners?

Note: This question is new to this year's survey.



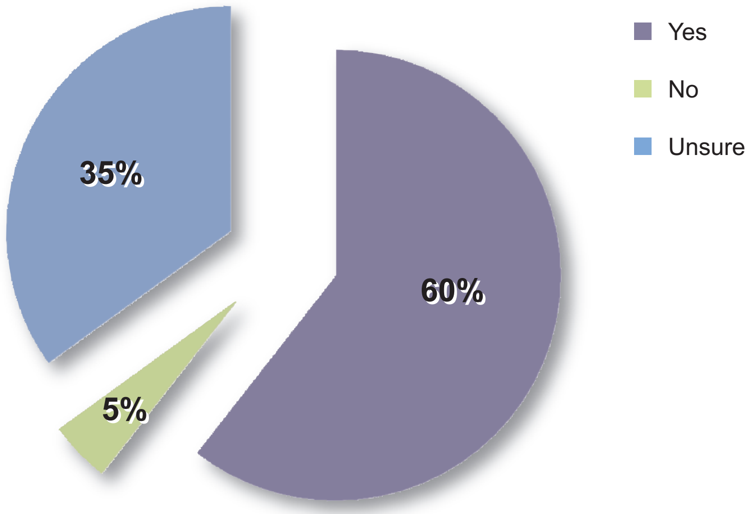
Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
No substantial issues	31%	38%	48%	41%	71%	38%
Cost	9%	13%	12%	10%	14%	38%
Quality	38%	31%	15%	31%	14%	13%
Turnaround time	16%	12%	21%	14%	0%	0%
Data security	2%	2%	0%	0%	0%	13%
Customer service	4%	4%	3%	3%	0%	0%

Significant Point:

- While 38% of respondents have "no substantial issues" with outsourced partners who create their eBooks, a notable 29% said the quality of their digital editions is an issue with outsourced production. One reason may be the number of smaller and less-experienced offshore service providers that have entered the market in recent years.

25) EPUB3

Do you plan to move to the EPUB3* eBook formatting standard once it is more widely adopted by mobile device manufacturers?



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Yes	64%	66%	52%	45%	56%	56%
No	4%	4%	10%	5%	0%	0%
Unsure	32%	30%	38%	50%	44%	44%

Significant Points:

- Overwhelmingly, publishers plan to implement EPUB3, the free, open eBook standard formally approved in October 2011. The intent of the EPUB3 specification is to facilitate the creation of enhanced eBooks. Upon the release of last year's survey, the EPUB3 specification had not received formal approval; however, publishers did indicate that production departments were preparing for its arrival, citing EPUB as the most targeted eBook format.
- The Education/K-12 is the one sector in which more publishers (50%) are unsure about implementing EPUB3, than those who are planning to (45%).

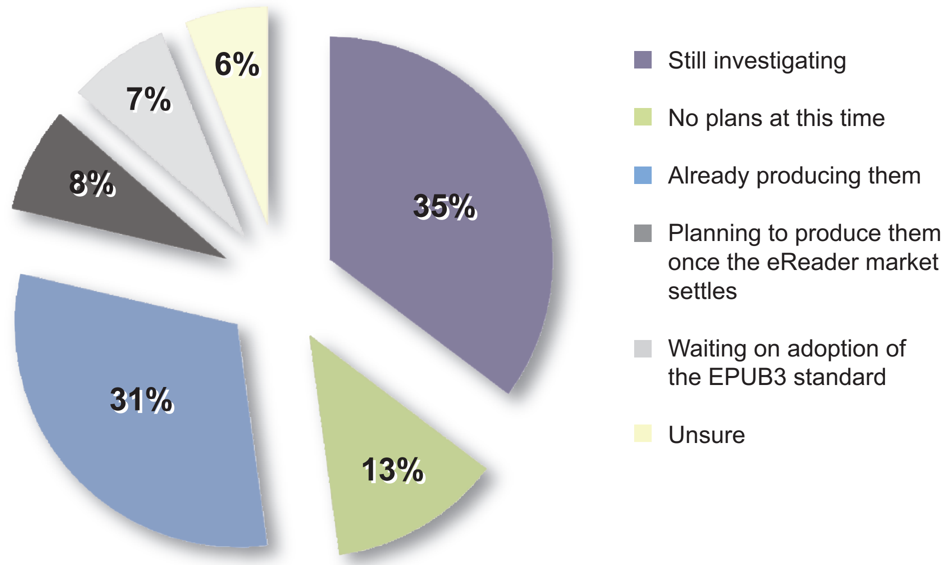
* **NOTES:**

EPUB3 is an open and collaboratively developed specification documenting support for a number of media-rich capabilities not included in the EPUB2 specification, including multimedia, interactivity, and global language support. Current support for the EPUB2 specification's features varies on different devices/reading systems. Inconsistent feature support remains an issue with EPUB2 and EPUB3, despite the best intentions of the IDPF (International Digital Publishing Forum), which owns and maintains the specification.

Amazon has not yet committed to EPUB3 in favor of promoting its own KF8 specification. This is a significant finding, given that the Kindle is still the leading eReading device on the market and Amazon is still the largest online eBook retailer.

26) Enhanced eBooks

What is your plan regarding enhanced eBooks (e.g., books with links to related content or rich media such as audio/video)?



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Still investigating	36%	38%	33%	24%	33%	31%
No plans at this time	12%	16%	13%	5%	33%	6%
Already producing them	35%	24%	33%	42%	22%	31%
Planning to produce them once eReader market settles	9%	7%	6%	11%	0%	19%
Waiting on EPUB3 standard	5%	10%	6%	5%	11%	6%
Unsure	4%	5%	10%	13%	0%	6%

Significant Points:

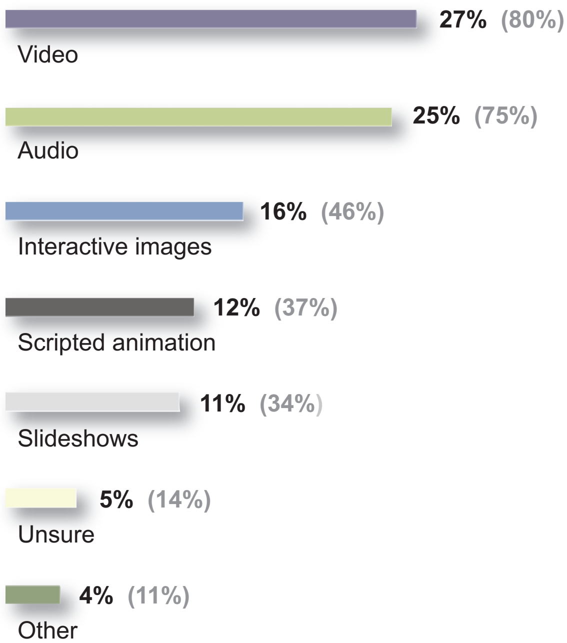
- Although enhanced eBooks are more expensive to produce and questions still linger regarding the size of, and interest in, the enhanced eBook market (see Question 28), nearly a third of publishers are currently creating enhanced eBooks (31%) or actively investigating enhanced eBook production (35%).
- One possible explanation for the lack of industrywide adoption of enhanced eBooks is the difficulty publishers are encountering in acquiring the necessary digital rights and permissions for the multi-media assets used to enhance publication content.
- The children's book segment (Trade and K-12) has proven the most fertile; animation, multimedia, and interactivity are particularly appealing as teaching tools. Picture book and educational content are well suited to digital enhancement.

27) eBook Enhancements

What type of eBook enhancements are you employing? (Select all that apply.)

This question allowed for multiple responses. The first percentages listed have been normalized to add up to 100%. The percentages in parentheses are the total responses.

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Video	28%	32%	26%	22%	67%	29%
Audio	30%	24%	25%	21%	0%	24%
Interactive images	14%	13%	17%	20%	0%	14%
Scripted animation	13%	5%	11%	18%	33%	14%
Slideshows	9%	11%	13%	13%	0%	10%
Unsure	3%	7%	6%	4%	0%	5%
Other	2%	7%	3%	2%	0%	5%

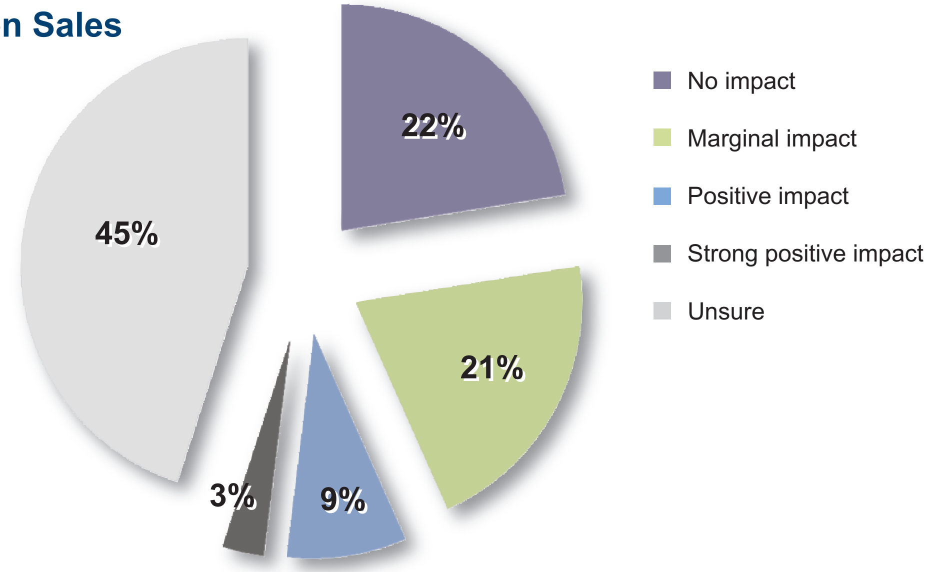
Significant Points:

- Video and audio are by far the most popular enhancements, with audio trailing video only slightly.
- Video is exceedingly important for Newspaper/Magazine publishers: 67% of publishers in this sector said video was the key enhancement in their digital editions, while none cited demand for audio enhancements. Scripted animations are the second most important feature for Newspaper/Magazine publishers.
- For publishers outside of the Newspaper/Magazine sector, audio and video are almost equally important.

28) Enhancements' Impact on Sales

Are you seeing a correlation between enhancements and an increase in eBook sales?

Note: This question is new to this year's survey.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
No impact	34%	20%	27%	5%	50%	17%
Marginal impact	22%	20%	14%	19%	0%	17%
Positive impact	5%	2%	14%	14%	50%	33%
Strong positive impact	0%	0%	0%	19%	0%	0%
Unsure	39%	59%	45%	43%	0%	33%

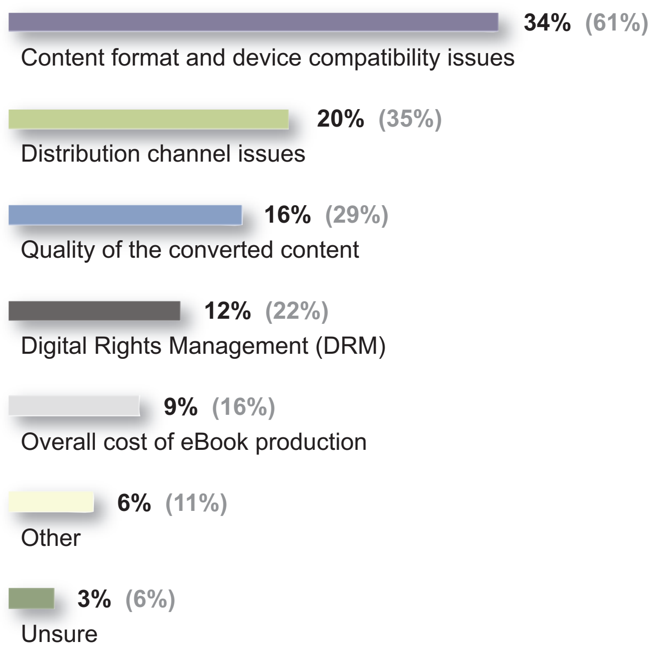
Significant Points:

- Only 12% of publishers producing enhanced eBooks correlate the enhancements with a positive impact on sales.
- Customers' willingness to pay a premium for enhancements has been an industry concern, and responses to this question bear this out. Almost half of enhanced eBook publishers (43%) saw either no impact, or only marginal impact, on sales. Beyond that, a significant 45% of publishers were unsure what impact their investment in enhanced eBooks has on sales.
- Publishing executives are concerned about the return on investment for digitally enhanced eBooks. Perhaps because of low sales, experimentation seems to be the norm here. Publishers are either undertaking enhanced titles as a show of support for important authors (in the Trade divisions there have been some notable launches for enhanced eBooks or apps tied to marquee/brand authors), or on a trial-and-error basis.
- Developers who create enhanced eBooks or apps for publishers have noted that there is stiff competition in Apple's iBookstore, though the majority of sales consist of only a few titles.
- Interestingly, in the Newspaper/Magazine segment, there is a notable split in feelings about enhanced eBooks, with half of respondents in this area saying these titles have no impact on sales, and the other half saying they have a positive impact.

29) Challenges

What are/were the greatest challenges in bringing eBooks to the market? (Select all that apply.)

This question allowed for multiple responses. The first percentages listed have been normalized to add up to 100%. The percentages in parentheses are the total responses.



Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Content compatibility issues	36%	33%	36%	31%	33%	40%
Distribution channel issues	20%	19%	18%	20%	13%	20%
Quality of the converted content	19%	19%	15%	7%	20%	15%
Digital Rights Management	7%	14%	14%	18%	7%	10%
Overall cost of eBook production	10%	7%	9%	15%	7%	5%
Other	5%	6%	4%	6%	20%	10%
Unsure	3%	3%	3%	3%	0%	0%

Significant Points:

- Compatibility issues presented by the variety of eBook formats and device types continue to be publishers' number one conundrum, four years in a row, with the relative weight of this challenge increasing every year—presumably in proportion to the number of new devices on the market and the likelihood of consumers to own multiple devices. In 2009, 21% of respondents cited "format and device compatibility" as their biggest challenge; in 2010 it rose to 45%, and for the past two years it was cited by 63% and 61% of publishers, respectively.

(cont'd)

29) Challenges *(cont'd)*

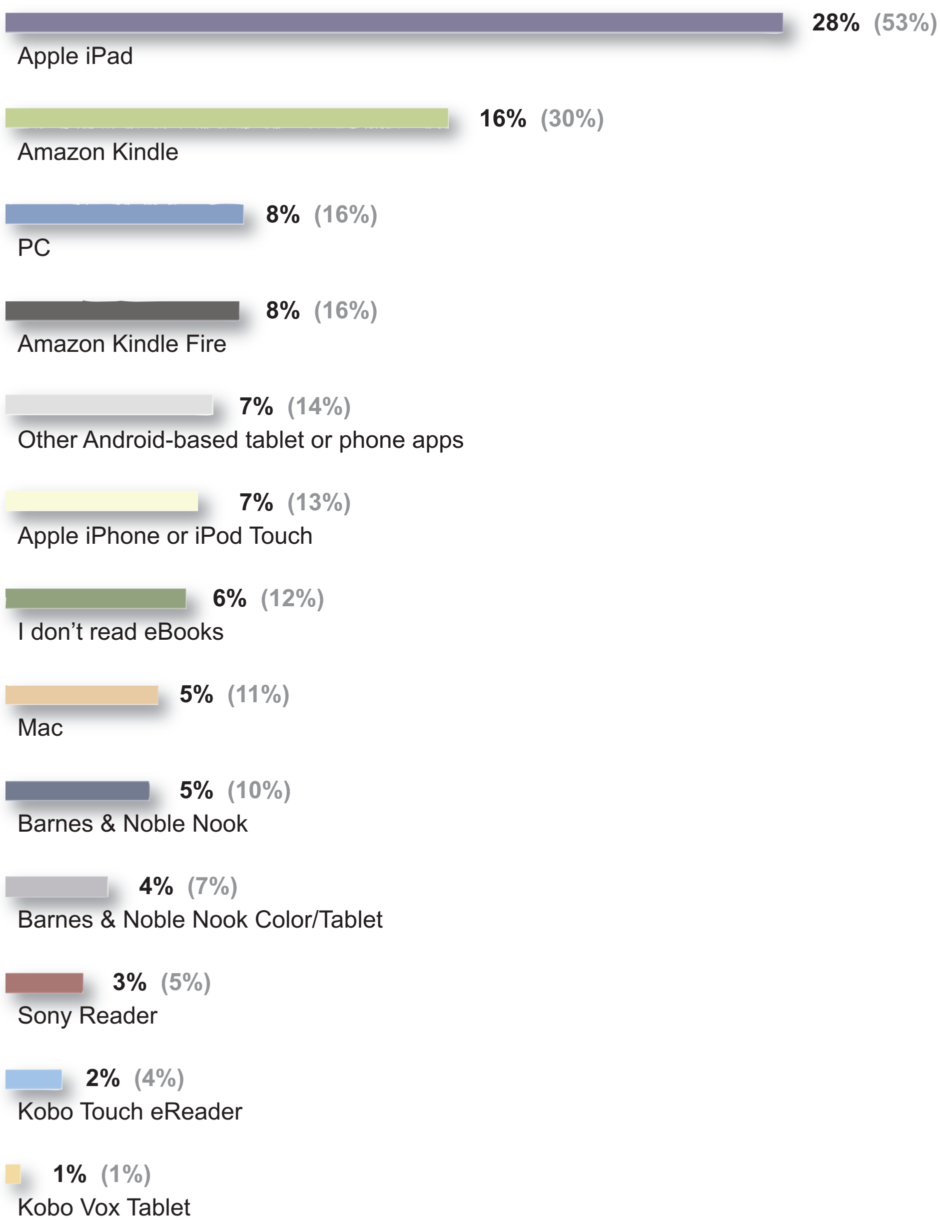
What are/were the greatest challenges in bringing eBooks to the market?

- While piracy ("DRM") remains a concern (22%), "distribution channel issues" (35%) and "creating 'quality' digital editions" (29%) are the more widespread problems.
- As eBook formats and production output options increase, quality is a growing concern. 12% of publishers listed it as a significant challenge to bringing eBooks to market in 2009; it rose to 21% in 2010, and quality concerns have continued this year, as noted by 29% of publishers.
- DRM issues are less of a concern for Trade publishers (7%) than for other publishing sectors.

30) Preferred eReading Device

What is your preferred personal eReading device(s)? (Select all that apply.)

This question allowed for multiple responses. The first percentages listed have been normalized to add up to 100%. The percentages in parentheses are the total responses.



(cont'd)

30) Preferred eReading Device *(cont'd)*

Which of the following devices do you personally use to read eBooks?

Publisher Type Breakdown	Trade	Prof	College	K–12	News/Mag	Corporate
Apple iPad	29%	28%	24%	27%	35%	25%
Amazon Kindle	15%	17%	15%	11%	12%	8%
PC	7%	8%	11%	14%	6%	8%
Amazon Kindle Fire	7%	9%	6%	18%	12%	8%
Other Android-based tablet/apps	5%	8%	7%	7%	12%	11%
Apple iPhone or iPod Touch	9%	6%	5%	5%	0%	11%
I don't read eBooks	4%	10%	6%	3%	6%	10%
Mac	4%	4%	7%	8%	6%	10%
Barnes & Noble Nook	6%	4%	10%	3%	6%	2%
Barnes & Noble Nook Color/Tablet	5%	2%	3%	4%	6%	3%
Sony Reader	3%	4%	3%	1%	0%	2%
Kobo Touch eReader	4%	1%	2%	0%	0%	2%
Kobo Vox Tablet	1%	0%	1%	0%	0%	0%

Significant Points:

- Despite Amazon's dominance as an eBook retailer, more than half of publishers prefer to read on Apple devices. Apple's iPad is the overwhelming device of choice (53%), while Amazon's Kindle (30%) lags well behind.
- The Kindle Fire is the third most popular device (16%) among respondents, tied with personal computers.
- Barnes & Noble's reading devices have not captured the imagination, or at least excitement, of the reading populace. Only 10% of respondents listed the Nook as their reading device of choice, while 7% listed the Nook Color/Tablet (Barnes & Noble's answer to the Apple iPad, and the Kindle Fire).