



Consumer and Educational Books

Executive summary

After a volatile period marked by a consolidation of retailers, and digitisation of product, Australia's book industry has stabilised, and alongside it, gained a renewed confidence. Physical books are not being substituted by digital formats, but rather revenue across all formats - physical books, e-books and audiobooks - is improving. This equates to consumers spending more minutes with published content, regardless of format.

Two different aspects of the industry are concentrating on driving distinctive value for consumers, beyond price. In content, sales of the engaging and often talent-led audio book genre are improving whereas e-books are slowing. In distribution, independent book sellers- online and off - are leveraging their relationships with both publishers and authors to offer a range of exclusive products, events and services.

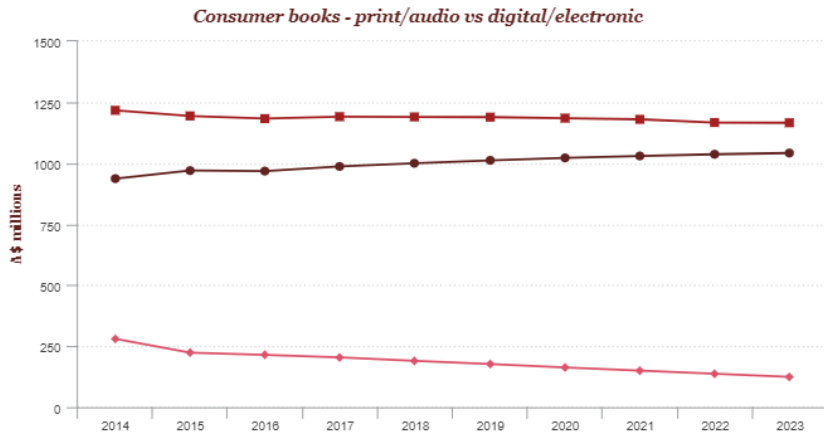


Growth Drivers

1. Audiobook narrator talent (authors, actors, celebrities)
2. Exclusivity: titles, talent, events
3. Deeper application of data and analytics

Forecasts at a glance

Physical/audio books revenue finds growth as digital books continue to decline



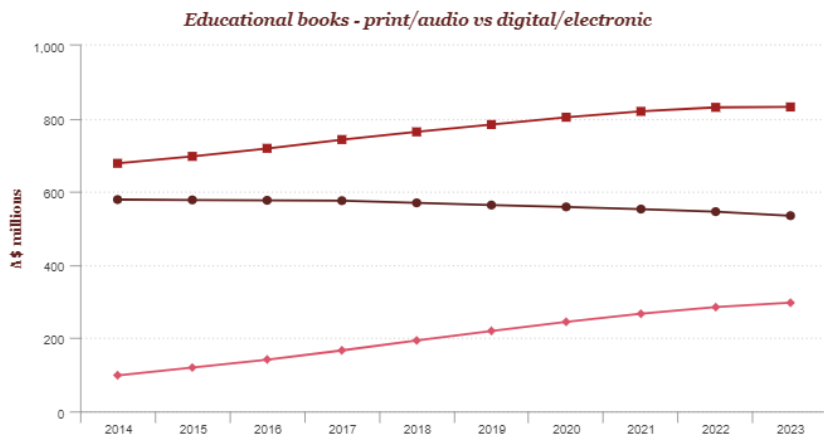
CAGR 2019-2023

Print/audio 0.8%

Digital/electronic -8.2%

Total -0.4%

Preference for digital education books continues to drive growth as the used book market goes online



CAGR 2019-2023

Print/audio -1.3%

Digital/electronic 8.9%

Total 1.7%

Selling ideas, culture and community, not books

Independent booksellers in Australia have staved off threats from large, international discount retailers, by leaning into their place as home of ideas in local communities. While the transaction is a physical book, the value proposition from independent booksellers is much richer. Australians are showing a willingness to pay more when the value exchange includes events, meet and greets, signed copies, and extra content accessed via social media and podcasts.¹ Retailers are stocking book-related products such as personal stationery, diaries and also offering gift wrapping services.² These diversified offerings have helped to solidify brand affinity for Australian booksellers and continue to drive people in-store, as well as online.

Audiobooks on the rise

The growth of e-books is slowing with the initial attraction of convenience and price competitiveness reducing. Audiobooks as a format offers these attributes, as well as a more engaging format. Audiobooks do not replace, but rather complement physical books, with both formats satisfying consumers' needs at distinct times and places. There are two distinct business models for audiobooks: an ongoing subscription (e.g. Amazon's Audible) and transactional audio-on-demand for individual titles. With podcasts being free-to-access, voice-over talent is key to improving the value proposition for customers. For example, English comedian, actor and writer, Stephen Fry, narrates the entire *Harry Potter* series as well as his own titles on Audible, and Australian journalist and author Leigh Sales narrates her own book, *Any Ordinary Day*.

'Everything we release needs to help our readers live their life well.'³

Lou Johnson, Publishing Director, Murdoch Books

Consumers are turning to books to navigate their lives

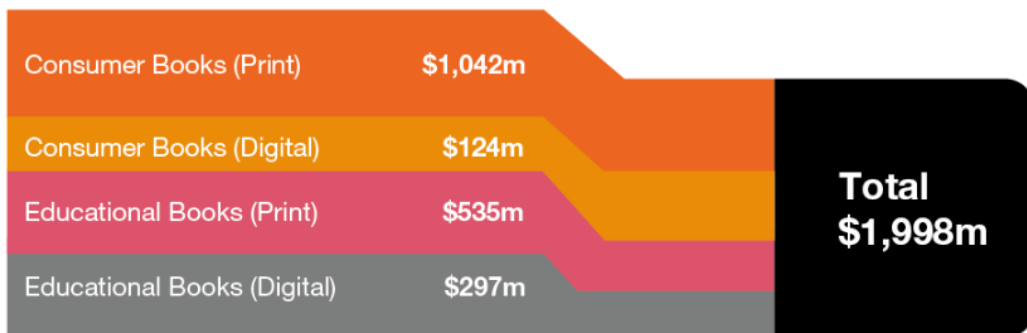
Personal development titles grew by over 80 percent in 2017,⁴ totalling close to A\$40 million. Recognising this, publishers are looking to develop products and their brand around subjects that are topical and have cultural relevance.⁵ Consumers are responding to this strategy, as 71 percent of readers see books making a contribution to their lives beyond their cost.⁶ Topical categories such as self-help or mindfulness to achieve personal development are driving growth in sales, mirroring the general consumer interest in these areas.

'We are leveraging machine learning and artificial intelligence to predict what's working in books.'⁷

Steve Cox, Managing Director, Dymocks

This could be in the tangible advice formats such as popular finance books social commentaries that look to shape conversations around important topics, such as gender equality.

Australia's total spend by 2023 (A\$ millions)



Data and analytics paints a richer picture of reader trends

Successful organisations see analytics as three-dimensional, meaning that data is being used as a tool to learn from historical sales data, react to trends in real time, and predict future demand.⁸ Australian book retailers are leveraging this by using camera tracking systems, artificial intelligence and machine learning to predict the demand of particular genres and content.⁹ For retailers and distributors, this allows them to manage stock more efficiently than ever. Publishers are also leveraging trend-forecasting as a way of 'editorialising' insights, choosing which authors to work with, in what genres, and what type of books to publish.¹⁰

Academic book retailers suffering, with more revenue flowing direct to publishers

Education books remain the leading product segment but are on the decline partly due to the digitisation of classroom activities.¹¹ Once largely sold at the Co-Op textbook retailer on University campuses, supply chain management issues have put the retailer under pressure, with two dozen stores closing over the last five years.¹² Students are instead accessing text books direct from publishers, often for digital copies which are sold at a significant discount to their respective physical editions. Online book retailers such as Booktopia¹³ and Amazon have also benefited, while the second-hand book market has moved online, largely on Facebook Marketplace.¹⁴

'In Amazon mature markets, those that succeed specialise in doing one thing well.'¹⁵

Tony Nash, CEO, Booktopia

Amazon arrives: local retailers must adapt to thrive

Amazon's Australian launch in 2018 had less impact than expected, but their customer base is growing with incentives such as offering free shipping to Amazon Prime members who pay an annual fee. It is not a matter of 'if', but 'when' the e-commerce giant will solidify its Australian supply chain and cause disruption.¹⁶ Retailers, especially discount department stores who sell price-reduced, mass appeal books, will be most under threat from Amazon. Online traffic on Amazon's Australian website increased by 9.9 percent between February 2018 and February 2019, a turnaround from the 0.1 percent decline over the same period one year prior.¹⁷ In preparation for 'the Amazon effect', CEO of Booktopia Tony Nash says, 'Booktopia is de-diversifying by selling a camera business to focus purely on books',¹⁸ refocusing its attention on its core business.

Consumer book market (A\$ million)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2019-2023
	Historical data					Forecast data					CAGR
Consumer Print	937	970	968	987	1,000	1,012	1,022	1,030	1,037	1,042	
% change		3.5%	-0.2%	1.9%	1.3%	1.2%	1.0%	0.8%	0.7%	0.5%	0.8%
Consumer Digital	280	224	215	204	190	177	163	150	137	124	
% change		-20.0%	-4.0%	-5.2%	-6.6%	-7.0%	-7.9%	-8.0%	-8.7%	-9.5%	-8.2%
Educational Print	579	578	577	576	570	564	559	553	546	535	
% change		-0.2%	-0.2%	-0.1%	-1.0%	-1.0%	-1.0%	-1.0%	-1.3%	-2.0%	-1.3%
Educational Digital	99	120	142	167	194	220	245	267	285	297	
% change		21.4%	18.7%	17.4%	16.4%	13.4%	11.4%	9.0%	6.7%	4.2%	-8.9%
Total	1,895	1,891	1,902	1,933	1,954	1,973	1,989	2,000	2,005	1,998	