



## Summary

The book market in the UK is the second largest in Europe, trailing only Germany. It represents 22.3% of the UK publishing sector and is comprised of three major categories (Consumer Books, Academic & Professional and School Books). In 2006 the value of the UK market increased by 3.2%, to nearly \$8.2 billion. Table 1 provides a breakdown of the sector by percentage and value:

Table 1

| Category                | Percentage of book market | Value (US\$ billion) |
|-------------------------|---------------------------|----------------------|
| Consumer Books          | 68.3                      | 5.6                  |
| Academic & Professional | 25.7                      | 2.1                  |
| School Books            | 6.0                       | 0.5                  |

In 2006, 5,620 locations in the UK were classified as booksellers, engaging in the retail sale of books, newspapers and stationery. Market leaders include high-street chains such as WH Smith plc, Waterstone's, and Borders (UK) Ltd, followed by online seller Amazon.co.uk and Book Club Associates, the UK's largest mail-order bookseller.

Since 2000, the number of new and revised book titles published in the UK has more than doubled. Key Note estimates that in 2006 alone, approximately 240,000 new and revised book titles were published. Despite this increase, several independent high-street booksellers closed in 2007, following forced price cuts on popular titles driven primarily by Internet and supermarket retailers.

Long-term sales forecasts estimate that by 2011, the UK book industry will grow nearly 20%. Supermarket and Internet sales are expected to fuel this growth, thus placing an even greater strain on traditional retail outlets. Additionally, booksellers now must contend with the emergence of e-books and downloadable audio books, and their potential effects on a saturated market. The outlook for UK booksellers is therefore mixed, with more closures likely in the traditional retail sector, and anticipated growth in major retail chains, supermarkets and the Internet.

## Market Data:

Table 2 highlights the projected growth of the UK book market by value (source: Key Note).

Table 2: The Forecast UK Booksellers' Market by Value at rsp\* Current Prices (\$B) 2007-2011

|                       | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------------|------|------|------|------|------|
| Value (\$ billion)    | 8.5  | 8.8  | 9.1  | 9.5  | 9.9  |
| % Change year-on-year | -    | 3.4  | 3.4  | 3.8  | 3.9  |

\* rsp: retail selling price

The recent slowdown of the UK economy prompted less optimistic predictions of consumer spending, yet book sales in 2007 remained strong, a reminder that the book market is capable of weathering economic challenges. Therefore, the growth forecast of 3.4% through 2009 is still considered a possibility.

As previously mentioned, UK booksellers are monitoring the advent of electronic books (e-books), which many publishers now sell alongside hard copies. Publishers such as Harper Collins, Random House, and Pearson have developed digital warehouses to sell and distribute this new medium. While still a relatively small market, the potential for downloadable books is significant, given the strong sales of new e-book devices such as the Sony Reader and Amazon Kindle. Industry leaders do not doubt that the emergence of e-books will have an impact on traditional booksellers; that students can save up to 40% of the cost of traditional hardback books by purchasing titles in e-book format is reason for pause. Nonetheless, booksellers do have a role to play in the sale of digitized books; according to the report "Brave New World: Digitisation of Content – the Opportunities for Booksellers and The Booksellers Association", published in 2006:

- Booksellers act as aggregators and offer choice to consumers while promoting a wide range of titles from various publishers
- Booksellers are recognized as a trusted party
- Booksellers add value in their selection and promotion of e-books
- Booksellers support communities and local reading
- Booksellers introduce many to reading and encourage the habit
- The high-street channel is significant and should be supported by publishers in the digital content age

'Books-on-tape,' or recorded books, are already available for use with items such as iPods and other MP3 players, and currently outsell e-books. Booksellers looking to expand into this growing sector should:

- Be prepared to sell in every format available to consumers
- Keep abreast of MP3, iPod and other technological developments
- Set up systems to learn and track individualized customer information – what clients buy, what they wanted to buy but did not succeed, etc. – in order to create loyalty schemes
- Develop/offer podcasts or blogs for local authors
- Develop affiliate programs to expand customers' range and facilitate digital content
- Consider offering in-store Wi-Fi cafés to promote Internet-based business and other digital content
- Operate in-store kiosks to sell downloads and promote digital content
- Consider print-on-demand services

It should be noted that these suggestions are more applicable to smaller booksellers; large retail chains are usually the driving force behind technological change in the bookselling sector and in many cases have already implemented the aforementioned strategies.

### **Market Demand:**

In general, there are eight types of booksellers in the UK:

- **Retail chains:** Major retailers include WH Smith, Waterstone's and Blackwell, which sell both new and remaindered books.
- **Independent booksellers:** There are approximately 3,000 such locales in the UK. Independent sellers are the most at-risk segment of the market, given the tight profit margins necessary to compete. Because of the ongoing price-cutting policy of many supermarket retailers, Internet companies, and large retail chains, some independent booksellers have switched from the general consumer market to more specialized subjects.
- **Supermarkets:** Leading UK supermarkets devote shelf space for book sales with a primary focus on popular fiction, cookery, health, biography/celebrity, and children's books. Products tend to be sold at

discount prices. Tesco leads in terms of sales, followed by ASDA, Sainsbury's, Morrisons, and Waitrose. With the exception of Tesco and ASDA, the range of books offered in supermarkets tends to be limited. However, supermarkets draw upon a captive consumer audience, avoiding a separate visit to local high-street booksellers.

- Book clubs: The market share of book clubs has fallen, due to discounting and the demise of the Net Book Agreement (see below). However, they still remain an attractive option to certain consumers, as they cover a wide range of subjects and alert customers to previously unknown titles that may not be discounted elsewhere.
- Second-hand bookshops: While previously very common throughout the UK, numbers have declined, due to a fall in both demand and profits. Only specific academic titles continue to prove popular for second-hand books, primarily among the student-age customer base.
- Antiquarian and rare booksellers: Sales are generated mainly via mail-order and Internet and are more dependent upon customer loyalty. This segment also generates sales at various trade shows, e.g. the Antiquarian Booksellers Association annual exhibition.
- School and library suppliers: These tend to be book distributors, rather than booksellers. The school textbook market was valued at over \$500 million in 2006, with the majority of schools using a tendering process to purchase books
- Other retail outlets: This including tobacconists, newsagents, petrol stations, hotel bookshops, and shops attached to museums, galleries, and tourist information centers.

Between 2003 and 2006, the total number bookselling outlets dropped nearly 17%, from 6,765 in 2003 to 5,620 in 2006; this decline was most pronounced among independent and second-hand bookshops (source: UK National Statistics).

Until autumn 1995, bookselling in the UK operated within the framework of the Net Book Agreement (NBA). The NBA was a voluntary but legally binding agreement that gave publishers the right to set the recommended retail price (RRP) for their books, as well as to enforce these prices. Prior to autumn 1995, all publishers released a quantity of books, known as "*remaindered items*," onto the market, twice a year. These remaindered books, having sold poorly at the RRP, would be distributed to booksellers at a much lower price. All other books were sold strictly at the RRP. Book clubs were the only exception to the RRP rule. Six months after a title's publication date, book clubs had the option of buying books at a larger discount than high-street booksellers, thus offering consumers more competitively priced items. However, book club members generally were required to commit to a minimum number of purchases.

The growth of the large retail chains in the late 1980's and 1990's signaled the decline of the NBA. After initial resistance from publishers, the NBA was effectively terminated in October 1995. This led to two immediate results:

1) Discounting was adopted in high-street bookstores, continuing to the present day. As such, books are discounted almost immediately after they are published. The "3-for-2" book offers, first promoted by Waterstone's has now been copied by nearly every other bookshop, especially WH Smith, which offers this promotion on a year-round basis. Although the actual number of discounted books in high-street chains is small (5%), this figure is important, as the discounted books tend to be the most popular.

2) The entry of supermarkets into the bookselling market. As previously mentioned, supermarkets now offer large discounts on a selection of popular books, at prices with which most independent bookshops cannot compete.

Though the demise of the Net Book Agreement resulted in an overall increase of the volume of books sold, narrower profit margins for booksellers have emerged due to price-cutting tactics. Authors' royalties have similarly been affected. Moreover, publishers have become more selective in deciding what they publish, and booksellers have become more selective about the shelf space dedicated to new titles.

## Market Data and Segments

As previously mentioned, the UK book market is comprised of three segments:

- Consumer books
- Academic and professional books
- Schoolbooks (including English Language Teaching [ELT] books)

UK publishers also define the market in terms of “trade” (consumer) and “non-trade” (non-consumer) books. The former are sold through high street booksellers, whereas the latter are sold via specialist bookstores, i.e. university bookshops or directly from the publisher, and are therefore less widely available. Table 3 is a breakdown of the UK book market by sector and value.

### *Consumer Books*

Consumer books remain the dominant segment, as mass-market paperbacks account for 60% of UK book sales. This sector produces the most popular titles frequently reviewed and featured in the media. Traditionally, such books were first published as hardcover editions and later in paperback format, but today books are often published simultaneously in both formats. Retail chains currently sell around 50% of all consumer books, followed by independent bookshops (16%), book clubs (16%), supermarkets (8%), and the Internet (7%).

### *Academic and Professional Books*

This segment includes academic and professional titles pertaining to science, technology, medicine, law, management, engineering, computing, and others. Stocks of these titles may be found in university bookshops, although specialist titles continue to be sold through independent bookshops and second-hand retail outlets.

### *Schoolbooks*

The schoolbook segment covers textbooks, including those books written to improve literacy levels and English language skills. They are typically aimed at the primary school teachers, parents, and children.

**Table 3: Total UK Retail Book Market by Sector by Value at Current Prices (\$M) 2002-2006**

| <b>Sector</b>             | <b>2002</b>  | <b>2003</b>  | <b>2004</b>  | <b>2005</b>  | <b>2006</b>  |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Consumer                  | 4,774        | 5,060        | 5,211        | 5,418        | 5,597        |
| Academic and Professional | 1,891        | 1,948        | 1,998        | 2,049        | 2,130        |
| School                    | 254          | 475          | 487          | 491          | 493          |
| <b>Total</b>              | <b>7,189</b> | <b>7,483</b> | <b>7,697</b> | <b>7,958</b> | <b>8,220</b> |
| Annual Change (%)         | -            | 3.9          | 2.8          | 3.3          | 3.2          |

*Source: Key Note*

*\* Figures based on 21-Feb-2008 exchange rate of £1 = \$ 1.94 per the Bank of England Trade Statistics*

According to the UK Department for Business, Enterprise and Regulatory Reform (BERR), the value of books imported into the UK in 2006 totaled \$834 million, with 49% originating in the United States. This figure represents a 12% increase over the previous year. While BERR 2007 figures are not yet available, BERR statistics are consistent with U.S. trade statistics, indicated in Table 4.

**Table 4: Value of U.S. Book Imports into the UK (\$M)**

|                        | 2005  | 2006  | 2007  |
|------------------------|-------|-------|-------|
| U.S. Exports to the UK | 359.3 | 408.2 | 394.6 |
| Annual Change (%)      | -     | 12.0  | -3.4  |

Source: U.S. International Trade Commission

### *Bookstore Chains*

Modern bookstore chains Waterstone's and Dillons were launched in the early 80s and quickly spread throughout the UK. Their styles were in complete contrast with the "traditional" perceptions of UK bookshops; they incorporated modern book purchasing systems and bright, well-designed environments conducive to shopping. Due to over-expansion, Dillons declared bankruptcy in the early 1990's, and was acquired by HMV PLC, the parent company of Waterstone's; all Dillons stores were later re-branded as Waterstone's.

"Books Etc" launched at the same time, beginning as a London-based bookstore. It soon expanded to towns and cities throughout the southern half of the UK. The chain was eventually acquired by the American bookseller Borders and re-branded as its UK subsidiary, Borders (UK).

Another chain, Ottakar's, opened in the late 1990's, establishing locations mainly in smaller towns that did not already have a Waterstone's or Dillons presence. In 2006, Ottakar's was acquired by HMV plc and all Ottakar shops were re-branded under the Waterstone's name.

Blackwell is a chain of bookstores primarily serving the academic market. As such, most stores are located on university campuses, helping the chain to avoid many of the market pressures faced by high-street chains.

With regards to the number of retail outlets, WH Smith is the clear market leader, with 672 stores. 543 are high-street shops; the remainder are located in airports and railway stations; Waterstone's follows with 340 branches and Borders UK with 68 shops (some branded as Books or Borders Express). Blackwell's has 56 shops, nearly all located on university campuses. British Bookshops & Stationers (formerly known as Sussex Stationers) has 52 shops located in southeast England.

### **Best Prospects**

A recent survey conducted by the [Arts Council](#) and [The Bookseller](#) concluded that UK publishing does not adequately reflect the country's diverse population; furthermore the industry underestimates the importance of ethnic minority readers. U.S. exporters should be aware of the high readership levels among the UK's ethnic population and consider this factor when selecting subjects for publication. In response to this survey, there has been a recent growth in the number of bookshops catering to ethnic minority groups.

Popular television programs, such as the Richard & Judy Show, are also helping to expand the book market. Since its launch in 2004, the R&J Book Club has sold over four million books by means of seasonal promotions. By taking advantage of the trend toward television-sponsored book clubs, American firms may find mass-market exposure with more ease.

## Key Suppliers

Booksellers purchase titles either directly from the publisher or through book distributors. There are four major distributors in the UK:

- Bertrams Group Ltd
- Gardners Books Ltd
- Macmilland Distribution Ltd
- THE

In addition, some of the smaller distributors include:

|                               |                                   |
|-------------------------------|-----------------------------------|
| Eason & Son, based in Belfast | Bertram Library Services          |
| STL (Christian Books)         | Holt Jackson Book Company Limited |
| Bookspeed                     | H&H Spalding (Books)              |
| Askews Library Services       | Madeleine Lindley Limited         |
| Books for Students            | JS Peters & Sons Limited          |
| Blackwell UK Ltd              | GA Turner & Company Limited       |

## Market Issues and Obstacles

### *Copyright*

UK-specific copyright law as well as international copyright law may be applicable. Copyright in the UK is established for a work as soon as it is “fixed” on paper, film, as an electronic record on the Internet, or by various other methods. According to the UK Patent Office, there is no official register for a copyright; it is an unregistered right requiring no formal action. A copyright is effective as soon as a work is created and continues to survive for 70 years after the end of the calendar year in which an author dies. The UK Patent Office is the official source for all applicable policies and legislation for patents, designs, copyrights, and trademarks. Relevant and information can be obtained on their website, [www.patent.gov.uk](http://www.patent.gov.uk).

### *Book Rights*

UK book rights fall into two categories: rights sold in book form in the English language are denoted as “volume rights”, and rights in which the text is exploited in a different form and/or language are known as “subsidiary rights”. Volume rights include book club sales, while subsidiary rights include serialization/extraction, U.S. publication, and translation rights.

Book rights, in lieu of the sale of the published book itself, are a recent development in the trade. As this is an extremely new topic for the industry, information is sparse. A variety of websites address this issue:

[www.publishersmarketplace.com/rights](http://www.publishersmarketplace.com/rights)

[www.pma-online.org/pmafair](http://www.pma-online.org/pmafair)

[www.ivanhoffman.com/foreign](http://www.ivanhoffman.com/foreign)

### Value Added Tax (VAT)

VAT is a tax on consumer expenditure, and is collected on business transactions, imports, and acquisitions. The supply of any goods and services subject to VAT are called taxable supplies. If the value of taxable supplies is over a specific limit, one needs to register for VAT. If the supplies are wholly or mainly zero rated and exempt from tax, there is an exemption from VAT registration. There are three VAT rates that may be applied: a standard rate, currently 17.5%; a reduced rate, currently 5%; and a zero rate.

The publishing industry has argued strongly and successfully against any VAT on books, describing it as a “tax on knowledge.” Thus, most books are not subject to the VAT. HM Customs and Excise notice 701/10, “Zero-rating of Books,” explains the nature of and the circumstances of zero-rated books. For further information, see: [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

### Trade Events

London Remainder & Promotional Book Trade Fair: September 14-15, 2008  
The Business Design Centre, London UK [www.ciana.co.uk](http://www.ciana.co.uk)

London Book Fair 2008: April 20-22, 2009  
The world’s largest spring publishing event  
Earls Court, London UK <http://www.londonbookfair.co.uk>

### Resources and Key Contacts

The Booksellers Association  
[www.booksellers.org.uk](http://www.booksellers.org.uk)

The Publishers Association  
[www.publishers.org.uk](http://www.publishers.org.uk)

The Independent Publishers’ Guild  
[www.ipg.uk.com](http://www.ipg.uk.com)

Antiquarian Booksellers Association  
[www.aba.org.uk](http://www.aba.org.uk)

### For More Information

Please contact the U.S. Commercial Service in London, UK via e-mail at: [Stewart.Gough@mail.doc.gov](mailto:Stewart.Gough@mail.doc.gov); phone: (44-20) 7894 0446; Fax: (44-20) 7894-0020 or visit our website: [www.buyusa.gov/uk](http://www.buyusa.gov/uk).

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