

## PRESS RELEASE

---

---

### **No one-size-fits-all pricing strategy for eBooks, survey reveals**

#### **A new survey of 250 early eBook adopters in the US and Europe reveals a bright future for eBooks — and highlights the importance of pricing, accessibility, and special features**

Cambridge, MA, August 18, 2011 – Readers can't get enough of eBooks: Nearly 90 percent of readers worldwide intend to read more eBooks in the future, reports a new survey from global strategy and marketing firm Simon-Kucher & Partners. In the US and the UK, the number of eBook readers already significantly exceeds the number of pure print readers. This is a clear sign that the eBook market is just starting to develop and offers substantial growth potential to the entire book industry. The findings, from a survey of 250 early eBook adopters in the US, UK and Germany, shed light on the current and future reading and buying habits of eBook consumers in this growing market. The main outcome is that there is no easy formula for the price of eBooks. Publishers must decide book-by-book.

Survey respondents envisage spending less on eBooks than on their printed counterparts. With eBooks commanding 38 to 67 percent of the price of traditional books, publishers are scratching their heads to find their pricing sweet spots. "Right now, publishers are leaving money on the table," says Annette Ehrhardt, study author and senior director at Simon-Kucher & Partners. "Managers must overcome uncertainty and aggressively meet pricing challenges head-on." Although electronic and production costs are lower, it doesn't mean eBooks deliver any less value than printed versions. In the US, the eBook market has grown from a 2.3 million dollar (USD) industry in 2005 to a 119.7 million dollar industry in 2010. It's time for publishers to do away with trial-and-error pricing.

#### **Pricing isn't as easy as it seems**

EBooks are a burgeoning market in the US and the UK, and without much precedent (and typically, much research), publishers must make quick and often subjective pricing decisions: How low is too low? How much is too much? How do they assign value to a product with minimal production costs – without pricing themselves out of the market? Currently, the

typical list price of an eBook is anywhere from 38 to 67 percent of the same book in print. Yet consumers will spend between 64 to 70 percent of the printed version's list price on a basic eBook. eBooks typically sell for less than 15 USD, yet their pricing remains a mystery even to the consumer. Buyers report a range from "too cheap" to "too expensive" that spans 10 USD. The results are quite similar across the countries, even though print prices can differ considerably. Jonathan Baillie, senior director and media expert at Simon-Kucher comments, "It's not about the absolute price level, but the ratio between print and digital".

Depending on the title (bestsellers are generally more valuable than older titles), publishers enjoy a varied degree of flexibility when pricing eBooks. Subtracting a certain percentage from the price of the paperback to determine an eBook's price isn't necessarily a smart pricing strategy. "A simple formula of 'paperback price – X percent = price' is not a publishers' recipe for success," says Baillie.

### **The boom continues**

Fiction, non-fiction and travel guides are seen as best genres for eBooks. Over 90 percent of US eBooks are read for pleasure. In the US, reports the survey, consumers are more likely to use eReaders (like Amazon's Kindle and Barnes & Noble's Nook) for their on-the-go reading needs. When buying eBooks, 71 percent of readers look to Amazon (as opposed to iTunes) for their shopping needs. Europeans are more apt to read eBooks on smartphones and laptops and frequently use these devices to read eBooks for work or school.

The rise of eBooks isn't confined to the US; across both the US and Western Europe, survey respondents see eBooks as a replacement for printed books. Those who aren't currently eBook consumers plan to purchase and read them in the future. To boot, 80 to 90 percent of current eBook readers would like to read more often. Ehrhardt comments, "The extremely large fan base is a fortuitous sign for publishers trying to forecast the future."

### **Improving the eBook experience**

Around 45 to 60 percent of those surveyed expressed interest in buying a book if they could read the first chapter free of charge. If they could access the entire book for an hour, nearly

half of the American respondents would buy an eBook. Accessibility (to more than the jacket and a few online reviews from strangers) is a very powerful selling tool.

The message to publishers is clear: eBook pricing based on a simple formula of “paperback price – X percent = price” is unsuccessful. Actual eBook prices *should* vary by title and its relative newness to the market. What’s more, publishers must also differentiate between eBooks with and without special features, as this has a significant impact on what readers are willing to spend. “If you factor in the projected growth in eBook usage, it’s clear that pricing will play a critical role in the future profitability of the market,” says Ehrhardt. Publishers must act quickly to tailor their marketing and pricing strategies on a title-by-title basis in order to avoid repeating the music industry’s mistakes.

#### **Study details**

*The online survey reveals preferences, differences and similarities in how readers use eBooks and how much they are willing to pay for them. Approximately 250 early adopters from the US, UK and Germany with high levels of education and income were surveyed.*

*The management summary of the survey is available upon request.*

**Annette Ehrhardt** is a senior director at Simon-Kucher & Partners in Zurich and an expert in the media and telecommunication sectors. She is the joint leader of the firm’s European business in the media sector.

**Jonathan Baillie** is a senior director at Simon-Kucher & Partners in London and is an expert in the media sector.

#### **Simon-Kucher & Partners, Strategy & Marketing Consultants:**

*Simon-Kucher & Partners is a global consulting firm with 500 professionals in 23 offices worldwide (US offices in Boston, Miami, New York and San Francisco) focusing on Smart Profit Growth<sup>SM</sup>. Founded in 1985, the company has over 25 years of experience providing strategy and marketing consulting and is regarded as the world’s leading pricing advisor.*

---

**For further information please contact: Claudia Schulz (Public Relations Manager), Tel: +49 228 9843 372, Fax: +49 228 9843 380, E-Mail: [Claudia.Schulz@simon-kucher.com](mailto:Claudia.Schulz@simon-kucher.com)**

[www.simon-kucher.com](http://www.simon-kucher.com)

###