

Research project on book markets

Chair for Industrial Organization, Regulation, and Antitrust - VWL I

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- **The Project**

- Started in April, 2017, academic research project
- Primary goal: **Empirical** and theoretical analysis of the economic effects of fixed book prices on book market
 - Efficiencies
 - Price effects
 - ...

- Primary pillar of our project: huge database

⇒ econometric analyses

- Project now covers various related topics (e.g, role of e-Commerce, innovation in the book market, rebates along the value chain, etc.)
- In the following two days: Discuss recent development in the book market
- Cooperation: Invitation to discuss new ideas and do joint research!
- After workshop: next goal is to apply for funding with the German Science Foundation

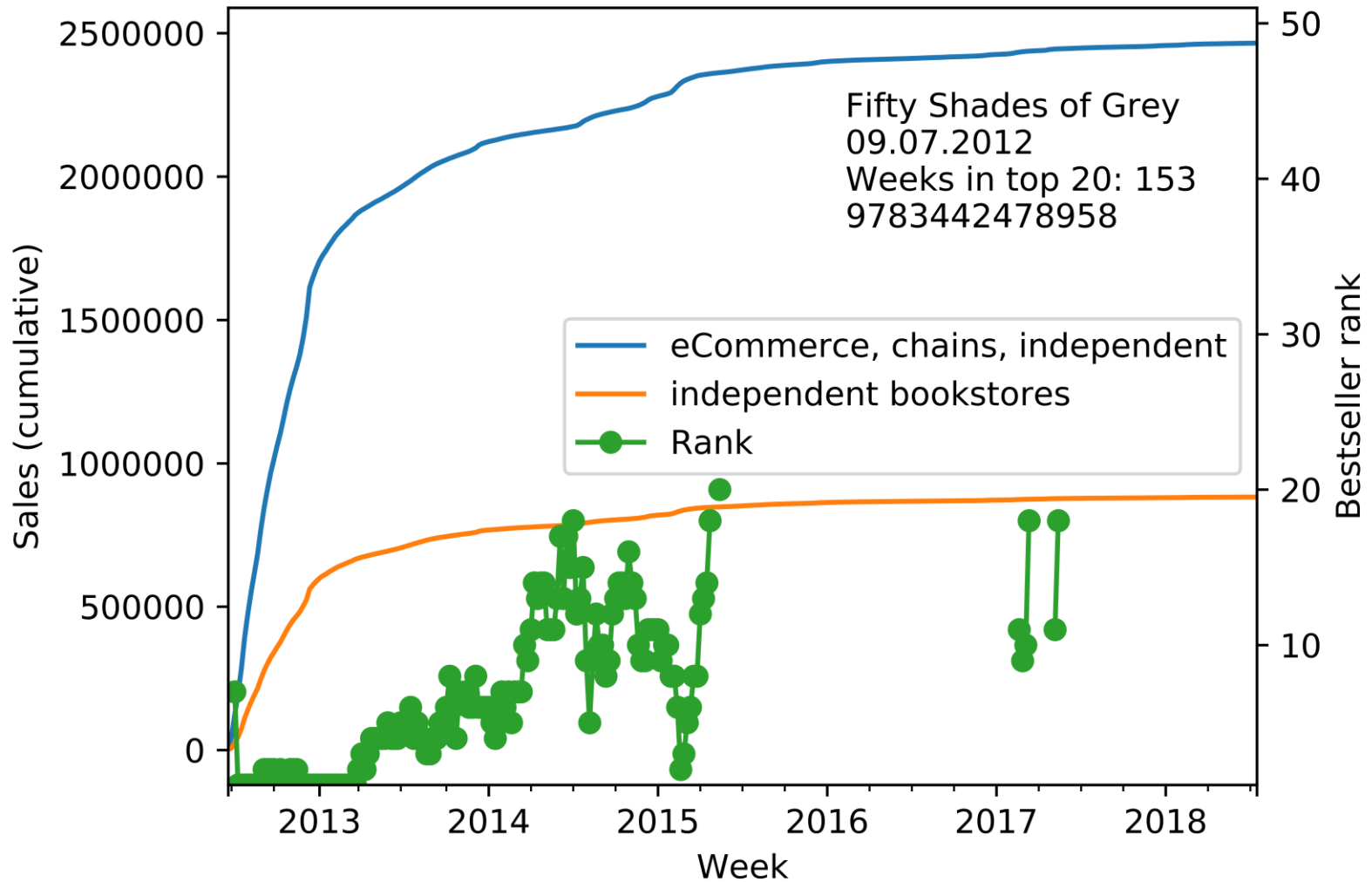
- **Four short presentations**
 1. Overview: work streams
 2. Overview: our data set
 3. Explorative analysis: Innovation in the book market (promotion of lesser known authors and titles; title variety and demand)
 4. Preliminary results: effect of fixed book prices

Overview: work streams

- **Work stream 1: The Substitutability between Brick-and-Mortar Stores and e-Commerce - The Case of Books**
 - Empirically analyze the degree of substitutability between bookstores and e-Commerce
 - Separate presentation today
- **Work stream 2: Innovation in the book industry**
 - Analyze the role of bookstores in promoting innovation in the book market → discovery of new authors, trends, idea, etc.
 - See Poster and short presentation (soon)
- **Work stream 3: The impact of a fixed book price system on the book market**
 - How do „market parameters“ (e.g., prices, sales, rebates, etc.) differ between countries with and without fixed book prices?
 - See Poster and short presentation (a little bit later)

Overview: data set

- **Sales data**
 - Germany (Media Control)
 - 9,000 retail outlets (~90% of the market)
 - Sales of top-50,000 for 2011-2018 (weekly, federal state level)
 - Similar data for Austria and Switzerland
 - Netherlands (GfK)
 - Sales data by ISBN for 2009-2018
 - E-Book sales for 2011-2018
 - UK, etc. (Nielsen)
 - Similar data as for Germany
 - Coverage differs between countries
- **Bestseller lists**
 - Germany: SPIEGEL
 - UK: Sunday Times
 - ...



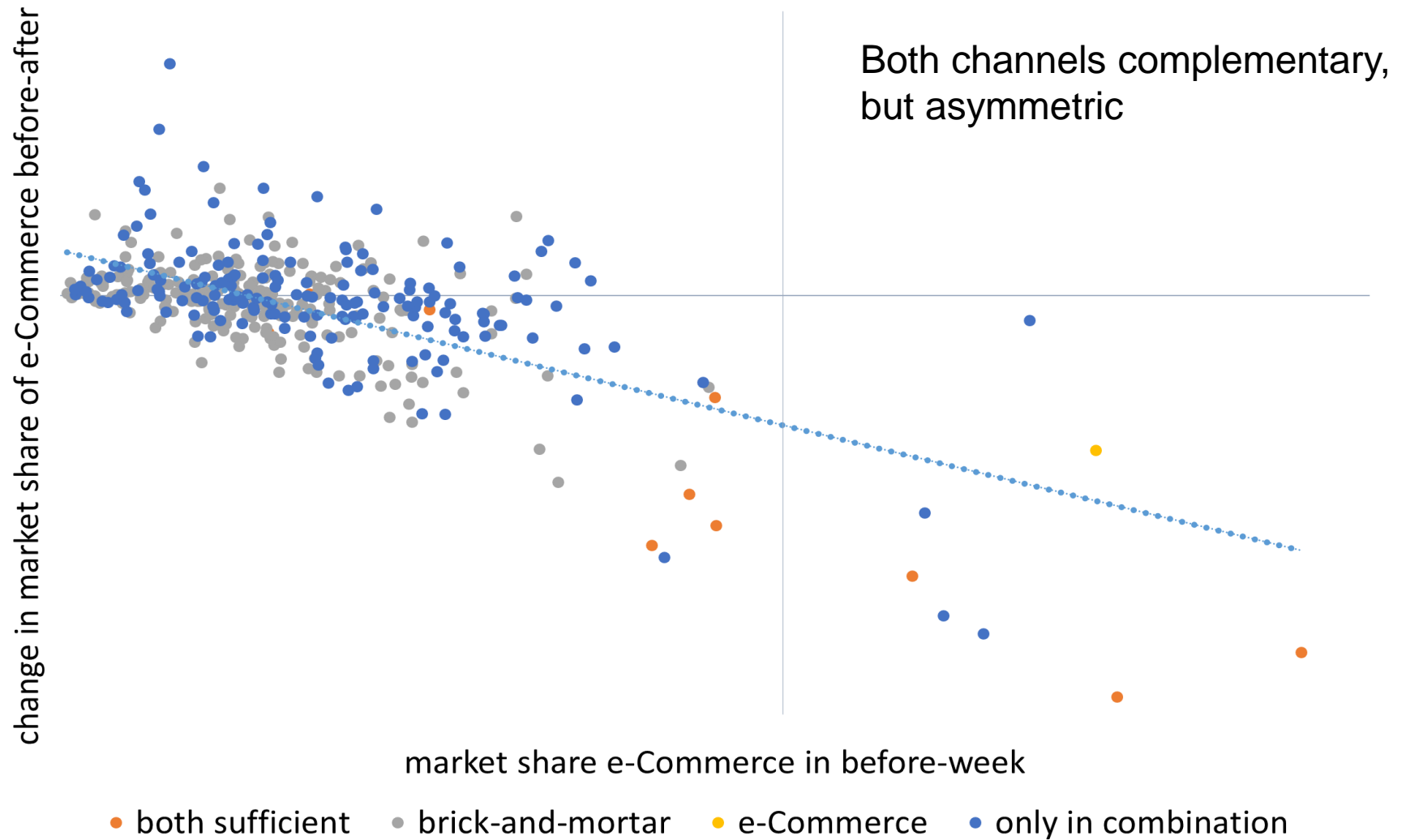
- **Survey data**
 - Germany (GfK)
 - Consumer panel data for ~20,000 individuals
 - Information on e-Book sales 2014-2018
 - UK (Nielsen)
 - Monthly survey of 3,000 book buyer aged 13-84
 - Information on e-Book sales
- **Location data**
 - Germany
 - Membership data of German Publishers and Booksellers Association
 - Complementary information obtained from wholesale data
 - Size of buildings as proxy for shopping space
- **More: see poster!**

Innovation in the book industry

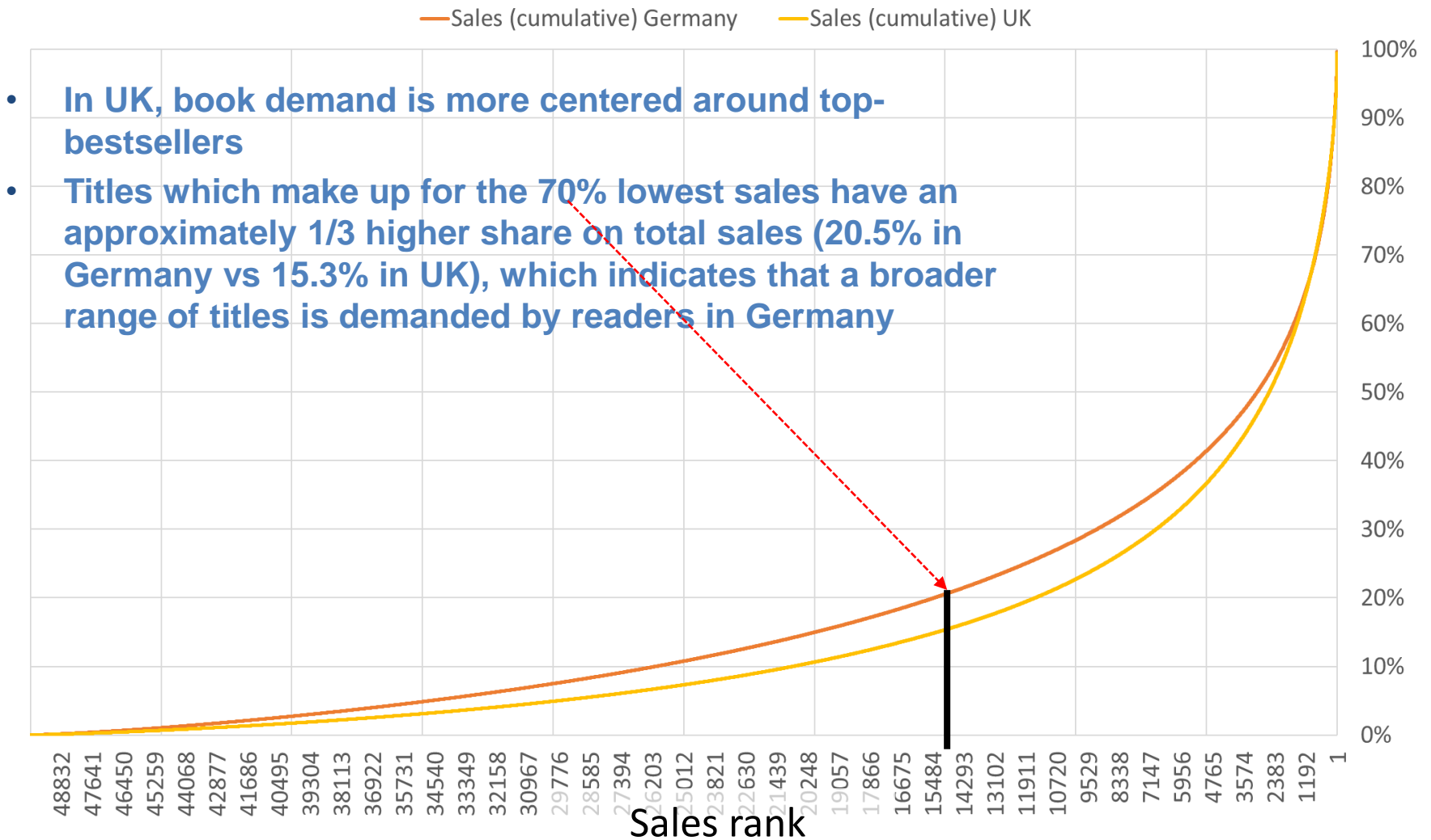
- **Data**
 - Top 50,000 titles in Germany from 2011-2018
 - Leading German bestseller lists (SPIEGEL Top 20)
- **Approach**
 - we compare sales patterns of the two retail channels in the week,
 - which determines whether a title first occurs in a bestseller list (**before-week**) and
 - the week after the title first occurred in a bestseller list (**after-week**).

- **Results: 2,064 Top-20-bestsellers in our sample**
 - Two groups of books
 - “blockbusters”: e.g., titles written by established authors, famous persons, etc.
 - Roughly 80% (1,644) enter the bestseller lists after at most 2 weeks following the publication (“blockbusters”)
 - “generated bestsellers”: e.g., titles written by unknown, talented authors or new trends
 - Remaining 20% (420) enter the bestseller lists after at least 2 weeks following the publication,

		Sales brick-and-mortar stores	
		Sales in channel alone are sufficient for Top-20	Sales in channel alone are not sufficient for Top-20
N=420			
Sales e-Commerce	Sales in channel alone are sufficient for Top-20	each channel suffices (11 titles)	e-Commerce titles (1 title)
	Sales in channel alone are not sufficient for Top-20	brick-and-mortar titles (237 titles)	only in combination (171)

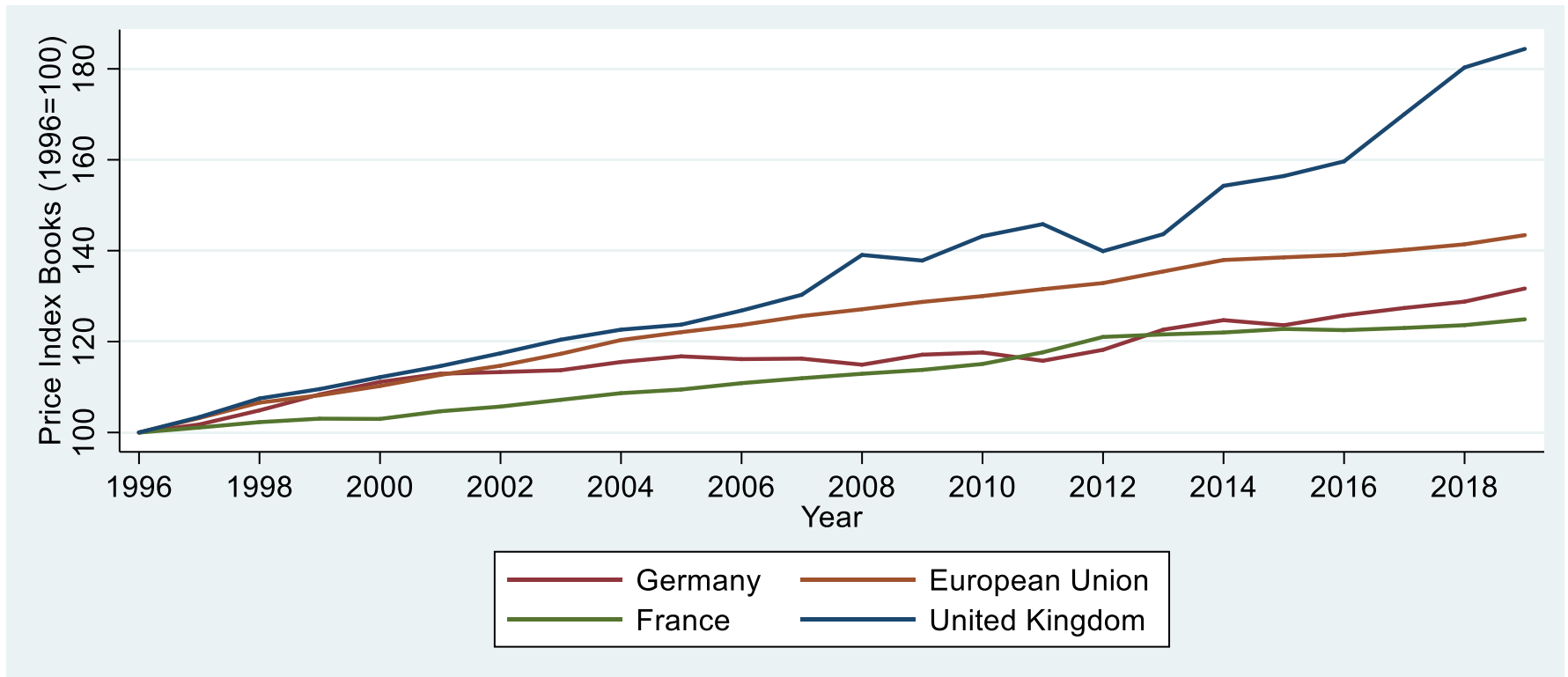


Title variety and book demand (Lorenz curves for Top-50,000 fiction titles in UK 2005-2018 and Germany 2011-2018)



The impact of a fixed book price system on the book market

Average book prices increased more strongly in UK than in Germany, France and Europe



Evolution of UK retail margins since end of Netbook Agreement (UK) in 1996

- Gross trade margins of retailers, % of recommended retail price:

Year	General	Acad/prof
1995	42	30
2004	55.8	35.7
2005	57.4	36.3
2006	58.2	36.4
2007	59.4	37.2
2008	60.4	38
2009	62.1	38.3

Year	General	Acad/prof
2010	61.4	39.1
2011	60.4	38.0
2012	62.5	41.7
2013	64.2	41.7
2014	64.3	38.5
2015	63.1	38.5
2016	65	39.8

Average rebates on Top-50,000 fiction titles in the UK 2005 - 2018

- UK: Rebates for top 7,000 titles on average approx. 50% higher (34.1% vs. 22.7%) than for the remaining titles.

