The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Commuting and Content Driving E-Book Growth

By Alexander Winning

March 11, 2012



E-books jostling for space with more traditional printed fare in the hands of passengers on the Moscow metro. **Vladimir Filonov**

The country's burgeoning e-book market is seeing dramatic growth rates, with an ever-increasing number of titles available in electronic format and e-readers continuing to fall sharply in price.

And while fantasy, detective novels and other fictional works make up the traditional cohort of best-selling genres, they have occasionally been overtaken on the list of most-read e-books in recent months by business and political prose.

Last year's sales were dominated by titles dedicated to Steve Jobs and Apple, according to LitRes, the market leader in Russian e-book sales, whereas Konstantin Voronkov's "Alexei Navalny: the Threat of the Crooks and Thieves" topped the charts in the buildup to the March presidential election.

But despite Russians' increasing affinity for reading on screens, market players caution that it will be a long time before e-books replace printed titles.

The size of the Russian e-book market is currently $2.2 million, with e-books accounting for less than 1 percent of total book sales, according to a December 2011 report by RBK Research, although these figures are expected to rise as the considerable growth potential of the domestic online retail industry is realized.

Prices for e-books on LitRes' site range from 10 rubles (30 cents) for Lev Tolstoy's novel "Childhood" to 250 rubles for the Russian translation of Walter Isaacson's "Steve Jobs."

In the market research company's best-case scenario, e-books' share of the Russian book market could hit 30 percent by 2015.

For comparison, e-books now account for approximately 8 percent of the U.S. book market and 2 percent of the British market, the report said.

RBK's bold predictions are bolstered by Russia's ever-increasing number of Internet users — in November last year the country became the No. 1 Internet market in Europe, with more than 50 million users.

And after the international financial crisis led to shrinking print runs — which dipped roughly 15 percent between 2008 and 2010, according to Federal Press and Mass Media Agency data — online companies selling electronic content have started to prosper.

One success story has been Ozon.ru, the online retailer dubbed Russia's Amazon that now sells e-books alongside its range of printed books, films, music and domestic appliances.

The company has more than 5.6 million registered users and posted total first-half revenue of 2.4 billion rubles ($82 million) in 2011, a 36 percent increase over the same period last year, Ozon.ru said in a statement.

E-books and e-readers are seen as a key growth market for Ozon.ru, said Mikhail Osin, director of the retailer's digital sales department, who anticipates steady growth in sales in the coming years.

"Sales of e-books are rising at a fast rate, and this trend will continue in the future," he said.

The company saw a 40 percent increase in e-book sales over 2011, while e-reader purchases rose 250 percent over the same period.

Although e-books don't present a real threat to printed book sales yet, "new technologies are occupying a segment of the market, which of course is a concern to publishers, making them adapt their business model and even switch to the production of electronic books," Osin added.

Ozon.ru's optimism is shared by dedicated e-book and e-reader sellers, including LitRes, which owns the rights to almost 70 percent of Russian electronic titles.

After three years of "stormy" growth following its creation in 2007, the company sold about

750,000 e-books in 2011. Based on sales in January 2012, LitRes hopes e-book purchases from its website will top 1.2 million this year and believes that Russia's e-book market will double in size in the next 12 months.

LitRes general director Sergei Anuryev sees price as a key factor for growing consumption.

"While the average price of paper titles has roughly doubled over the last three years, e-books on average cost a third of the price. At times, they are even five times cheaper," he said.

Another factor is the long daily commute many Russians face to reach their workplaces, he said. His comments are borne out by any trip on the Moscow metro, where passengers of all ages can be seen clutching e-readers and flicking through electronic titles.

Russians' love of reading and tumbling prices for e-readers, which have dropped about 30 percent a year over the last two years, provide a further impetus for growth, said Yevgeny Militsa, director of PocketBook Russia, an e-reader retailer that puts its market share in the country at 40 percent.

PocketBook sold roughly 400,000 devices in 2011 and, after almost doubling 2010 sales last year, estimates that the market will grow another 50 percent in 2012.

"Just one year ago, 80 percent of e-readers were sold on the Internet. It was a small market and a niche product," but now e-readers are readily available in stores across the country and are within reach of most Russian consumers, Militsa said.

PocketBook's cheapest reader costs about 3,400 rubles ($120), with its most expensive multimedia device priced at 15,000 rubles.

But despite some market players' optimistic growth predictions, many also acknowledge that endemic piracy clouds accurate market forecasts and siphons off huge revenue.

"Right now, the availability of free content drives the market," PocketBook's Militsa said, adding that his company has rolled out software to block illegally downloaded e-books and protect intellectual property rights.

In addition, LitRes' Anuryev said, the lack of a broad enough selection of books legally available for download forces readers to turn to pirate sites.

Since regulating piracy is nearly impossible — as the servers hosting illegal content are often spread over a diverse area, beyond the jurisdiction of the target country — LitRes has adopted an alternative approach to tackling the problem.

The company opens a dialogue with pirate sites in the hope of convincing them to place links on their web pages to LitRes content, Anuryev said.

In one successful case, LitRes developed an understanding with Epubbooks.ru, a pirate site claiming to host free e-books for "familiarization purposes only." Now, when a visitor to the Epubbooks site clicks on a title for which LitRes owns the rights, they are redirected to Litres.ru.

Such schemes are a testament to the lengths e-book sellers will go to promote their products, but pirated books still dwarf their licensed equivalents on the Russian Internet.

The pirate market is currently as much as five times the size of the legal market for e-books, according to some estimates.

And there is still a battle to be waged to convert those who prefer to read paper copies.

Alexander Bobrowski, LitRes' business development director, said the company's biggest challenge will be to persuade Russian consumers to make the switch to reading in an electronic format.

"For many Russians, the value of a book still lies in its tangibility. For this reason paper still prevails," he said.

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