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MEDIA

The Plot Twist: E-Book Sales Slip, and Print Is Far From Dead

By **ALEXANDRA ALTER** SEPT. 22, 2015

Five years ago, the book world was seized by collective panic over the uncertain future of print.

As readers migrated to new digital devices, e-book sales soared, up 1,260 percent between 2008 and 2010, alarming booksellers that watched consumers use their stores to find titles they would later buy online. Print sales dwindled, bookstores struggled to stay open, and publishers and authors feared that cheaper e-books would cannibalize their business.

Then in 2011, the industry's fears were realized when Borders declared bankruptcy.

"E-books were this rocket ship going straight up," said Len Vlahos, a former executive director of the Book Industry Study Group, a nonprofit research group that tracks the publishing industry. "Just about everybody you talked to thought we were going the way of digital music."

But the digital apocalypse never arrived, or at least not on schedule. While analysts once predicted that e-books would overtake print by 2015, digital sales have instead slowed sharply.

Now, there are signs that some e-book adopters are returning to print, or becoming hybrid readers, who juggle devices and paper. E-book sales fell by 10 percent in the first five months of this year, according to the Association of American Publishers, which collects data from nearly 1,200 publishers. Digital books accounted last year for around 20 percent of the market, roughly the same as they did a few years ago.

E-books' declining popularity may signal that publishing, while not immune to technological upheaval, will weather the tidal wave of digital technology better than other forms of media, like music and television.

E-book subscription services, modeled on companies like Netflix and Pandora, have struggled to convert book lovers into digital binge readers, and some have shut down. Sales of dedicated e-reading devices have plunged as consumers migrated to tablets and smartphones. And according to some surveys, young readers who are digital natives still prefer reading on paper.

The surprising resilience of print has provided a lift to many booksellers. Independent bookstores, which were battered by the recession and competition from Amazon, are showing strong signs of resurgence. The American Booksellers Association counted 1,712 member stores in 2,227 locations in 2015, up from 1,410 in 1,660 locations five years ago.

“The fact that the digital side of the business has leveled off has worked to our advantage,” said Oren Teicher, chief executive of the American Booksellers Association. “It’s resulted in a far healthier independent bookstore market today than we have had in a long time.”

Publishers, seeking to capitalize on the shift, are pouring money into their print infrastructures and distribution. Hachette added 218,000 square feet to its Indiana warehouse late last year, and Simon & Schuster is expanding its New Jersey distribution facility by 200,000 square feet.

Penguin Random House has invested nearly \$100 million in expanding and updating its warehouses and speeding up distribution of its books. It added 365,000 square feet last year to its warehouse in Crawfordsville, Ind., more than doubling the

size of the warehouse.

“People talked about the demise of physical books as if it was only a matter of time, but even 50 to 100 years from now, print will be a big chunk of our business,” said Markus Dohle, the chief executive of Penguin Random House, which has nearly 250 imprints globally. Print books account for more than 70 percent of the company’s sales in the United States.

The company began offering independent booksellers in 2011 two-day guaranteed delivery from November to January, the peak book buying months.

Other big publishers, including HarperCollins, have followed suit. The faster deliveries have allowed bookstores to place smaller initial orders and restock as needed, which has reduced returns of unsold books by about 10 percent.

Penguin Random House has also developed a data-driven approach to managing print inventory for some of its largest customers, a strategy modeled on the way manufacturers like Procter & Gamble automatically restock soap and other household goods. The company now tracks more than 10 million sales records a day, and sifts through them in order to make recommendations for how many copies of a given title a vendor should order based on previous sales.

“It’s a very simple thing; only books that are on the shelves can be sold,” Mr. Dohle said.

At BookPeople, a bookstore founded in 1970 in Austin, Tex., sales are up nearly 11 percent this year over last, making 2015 the store’s most profitable year ever, said Steve Bercu, the co-owner. He credits the growth of his business, in part, to the stabilization of print and new practices in the publishing industry, such as Penguin Random House’s so-called rapid replenishment program to restock books quickly.

“The e-book terror has kind of subsided,” he said.

Other independent booksellers agree that they are witnessing a reverse migration to print.

“We’ve seen people coming back,” said Arsen Kashkashian, a book buyer at

Boulder Book Store in Boulder, Colo. “They were reading more on their Kindle and now they’re not, or they’re reading both ways.”

Digital books have been around for decades, ever since publishers began experimenting with CD-ROMs, but they did not catch on with consumers until 2008, shortly after Amazon released the Kindle.

The Kindle, which was joined by other devices like Kobo’s e-reader, the Nook from Barnes & Noble and the iPad, drew millions of book buyers to e-readers, which offered seamless, instant purchases. Publishers saw huge spikes in digital sales during and after the holidays, after people received e-readers as gifts.

But those double- and triple-digit growth rates plummeted as e-reading devices fell out of fashion with consumers, replaced by smartphones and tablets. Some 12 million e-readers were sold last year, a steep drop from the nearly 20 million sold in 2011, according to Forrester Research. The portion of people who read books primarily on e-readers fell to 32 percent in the first quarter of 2015, from 50 percent in 2012, a Nielsen survey showed.

Higher e-book prices may also be driving readers back to paper.

As publishers renegotiated new terms with Amazon in the past year and demanded the ability to set their own e-book prices, many have started charging more. With little difference in price between a \$13 e-book and a paperback, some consumers may be opting for the print version.

On Amazon, the paperback editions of some popular titles, like “The Goldfinch” by Donna Tartt and “All the Light We Cannot See” by Anthony Doerr, are several dollars cheaper than their digital counterparts. Paperback sales rose by 8.4 percent in the first five months of this year, the Association of American Publishers reported.

The tug of war between pixels and print almost certainly isn’t over. Industry analysts and publishing executives say it is too soon to declare the death of the digital publishing revolution. An appealing new device might come along. Already, a growing number of people are reading e-books on their cellphones. Amazon recently unveiled a new tablet for \$50, which could draw a new wave of customers to e-books

(the first-generation Kindle cost \$400).

It is also possible that a growing number of people are still buying and reading e-books, just not from traditional publishers. The declining e-book sales reported by publishers do not account for the millions of readers who have migrated to cheap and plentiful self-published e-books, which often cost less than a dollar.

At Amazon, digital book sales have maintained their upward trajectory, according to Russell Grandinetti, senior vice president of Kindle. Last year, Amazon, which controls some 65 percent of the e-book market, introduced an e-book subscription service that allows readers to pay a flat monthly fee of \$10 for unlimited digital reading. It offers more than a million titles, many of them from self-published authors.

Some publishing executives say the world is changing too quickly to declare that the digital tide is waning.

“Maybe it’s just a pause here,” said Carolyn Reidy, the president and chief executive of Simon & Schuster. “Will the next generation want to read books on their smartphones, and will we see another burst come?”

A version of this article appears in print on September 23, 2015, on page A1 of the New York edition with the headline: The Plot Twist: E-Book Sales Slip, and Print Is Far From Dead .