



The Children's Digital Book Market

The future looks bright



Introduction

The children's eBook market has been called everything from a new frontier to the Wild West, an opportunity for growth and innovation or the harbinger of the death of literacy and family values.

More than anything it is simply new, an unknown and untested world, and is currently facing the resistance experienced by any new technology or application from television to the computer to the internet.

What is giving this already heated debate an extra edge is the fact that this change in technology is happening in our most sacred of places: within our families, our homes and our schools.

Two competing and seemingly paradoxical things are happening – on one hand the children's market is driven in large measure by nostalgia, where we want to pass on not only our beloved favourite books but also the way we experienced them. We want to pass on the love of reading. On the other is the introduction of all kinds of things we think a book is not – animation, games within stories, yet to be imagined features. Despite traditions, kids' books are on the cutting edge of eBook innovation. It is an arena where the very definition of 'book' is being stretched, and where concepts of what an eBook is and could be are being developed.

What remains the same in this bold new frontier is the love of sharing a story, something the shift from words on paper to words on a device won't threaten. That reading is part of the magic of childhood will never change.

Children's & YA books

What we've seen so far...

“There’s something very personal about a book something that’s connected and emotional, something I grew up with and that I want them to grow up with.”

In November, 2011, the New York Times issued disheartening news for anyone betting on eBooks for kids. ⁽¹⁾

The scoop? The Times reported that while the adult book world is turning digital at an increasing rate, even the most avid eReading parents didn't like the idea of eBooks for their kids. More remarkably, even those parents who not only read eBooks but worked in the digital field still seemed to resist the idea of eBooks when it came to their children's reading, and further proof that sales of eBooks for children under the age of 8 had barely budged.

The resistance? Mostly it centred on amorphous feelings about the intrinsic benefits of one form over the other: “It's intimacy....it's the wonderment of her reaching for a page

with me,” said one mom of reading books with her 2 ½ year old daughter. A father said “there's something very personal about a booksomething that's connected and emotional, something I grew up with and that I want them to grow up with.”

Those warm and nostalgic feelings about print books are indeed powerful drivers of the kids' book market.

However, more recent data indicates the Times story might simply have been reflecting attitudes typical of the early days of a technological shift. Trends observed more recently show the adoption of kids' eBooks is taking off faster than most would have predicted.

Just how bright is the future?

Attitudes toward E & P

The view that somehow a print book is “better” in terms of helping children learn to read – which seems to be at the root of resistance to eBooks – is a matter of opinion not borne out in research. There has been no substantive study proving whether reading to children with eBooks is better or worse than print in terms of development or educational value, according to a spokesperson for the Children's Book Council, a New York based industry association for children's book publishers⁽²⁾, and some new research being conducted in education shows signs that eBooks might even have an edge when it comes to encouraging reluctant readers to take on the challenge of a book.

While a 2012 parent co-reading survey conducted by the US-based Joan Ganz Cooney Center, a non-profit dedicated to studying how digital media might help children learn, found that nearly three-quarters of iPad owners who read eBooks with their children still prefer reading print books with them; there were important micro-trends that may point to strong future growth. ⁽³⁾

For example, while their parents might prefer print, only about half of the children did, and 40% said they like eBooks and print equally. As well, publishers and retailers should take note that despite a print preference, 73% of the respondents still read books to their children on a device. Further, the Center noted that those parents tended to feel the features in eBooks such as read-along can actually help children learn to read on their own.

In fact, the Center found that children ranging in age from three to six reading both print and basic eBooks preferred the eBook, and comprehension was the same for both formats. ⁽⁴⁾

Part of the reason to resist reading on the iPad? Parents reported a concern that once their kids got their hands on it, “their children would want to use their e-Reader all the time.” ⁽⁵⁾ They'd like it too much, in other words.

Print-first attitudes are softening

Over the course of the past couple of years, as parents have become more comfortable with eReading themselves, it appears they are becoming more comfortable with the idea of eBooks for their children.

In a 2012 survey conducted by Bowker Market Research in the US, the number of eReading parents (using any device, not just iPads) increased to 43% versus just 26% the year before. While parents still reported a strong preference for print books for their children, those numbers are softening slightly; 24% of parents polled with children aged 0-6 reported they either had no preference between eBooks over print or preferred eBooks, up from 22% the year before; 34% of parents of older children (ages 7-12) reported no print preference versus 29% in 2011.⁽⁶⁾

Meanwhile the 2012 edition of the biannual Scholastic Kids and Family Reading Report indicates that the number of children who have read an eBook has almost doubled since 2010 (25% vs 46%), and 72% of the parents polled said they were at least a little interested in having kids read eBooks.⁽⁷⁾ There was further good news: Of the children who have read an eBook, one in five said they were reading more books, especially boys who tend to be less frequent readers than girls. That nascent trend, where some of those children who have read an eBook say they're reading more, is reflected in studies that show most adults who read eBooks say the same, adding that their breadth of reading increases, too.

The average reader of eBooks says he or she has read 24 books (the mean number) in the past 12 months compared with an average of 15 books by a non-eBook consumer according to a survey of Americans ages 16 and older conducted by the Pew Research Center, which studies the internet and American life.⁽⁸⁾ Further, those who read e-content say they now spend more time reading. A new generation of eBook readers could mean very good things for the publishing industry.

Interestingly, the Young Adult group is actually dialing back on eBook use. The Bowker study found that in a survey last fall, 66% of this most tech savvy, plugged in and social media-enabled generation prefers good old-fashioned print books, up from 61% in spring 2012, returning to levels seen in fall 2011.⁽⁹⁾

At least part of the reason for this “snap back” is the cost of digital devices, though 41% said they simply like print books better. Further explanation might lie in the very social nature of this group. They like to share, and so far, you can't easily lend your friend an eBook.

A Pew Research Center study seems to back that up. It found that high school-aged readers were more likely to have borrowed the last book they read from the library.⁽¹⁰⁾

That said, the success of titles like *The Hunger Games*, *Harry Potter*, the *Twilight* series and others have proven that adoption of eBooks for YA can allow for bestselling titles to dominate and make their way into a variety of demographics.

Some of the success in the YA numbers are made up by the fact that eBooks allow adults the “guilty pleasure” of reading teen fantasy novels, and that eBook readers report that they read more books, in more categories. Bowker found that 35% of YA purchases are made by people age 65+; and 78% of those age 45-54 bought YA books for themselves, not as a gift for their teens.⁽¹¹⁾

As for younger children, no matter how reluctant parents may be, there is a gateway for eBooks. If print books are the sentimental favourite, eBooks have a powerful role to play in their convenience and the fact that reports indicate a strong preference for eBooks while travelling or commuting.

The Joan Ganz Cooney Center found that when travelling, more parents prefer reading eBooks with their children (40% vs about 25%) and admit they at least occasionally give their children an eBook to read on their own when they're otherwise occupied.⁽¹²⁾ It's a start.

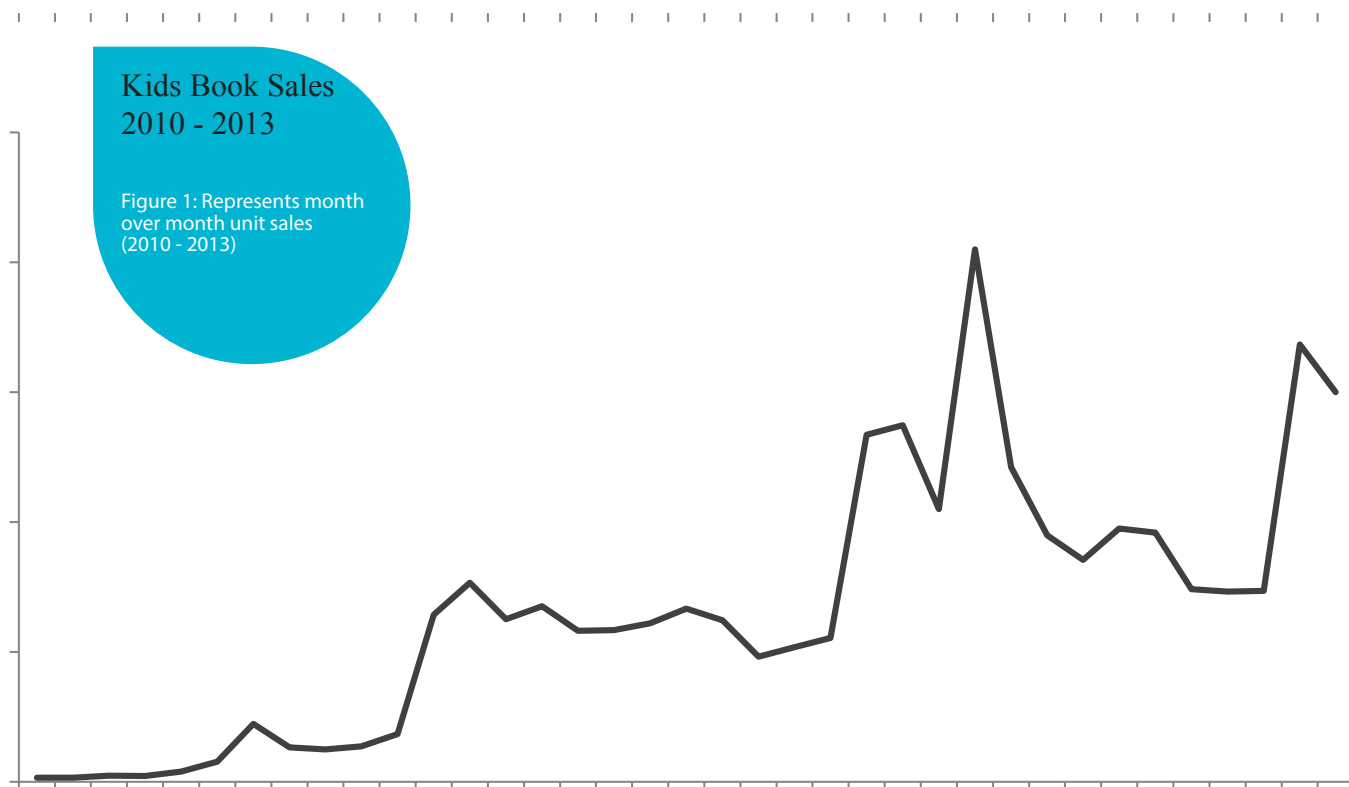
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PEW RESEARCH CENTER STUDY SURVEY OF AMERICANS AGED 16 AND OLDER

Kids & Kobo

The future looks bright

The Association of American Publishers reported substantial growth in revenues for children's digital publishing for in 2012, a nearly 200% increase year over year in what has become a \$177-million business.⁽¹³⁾



Kobo's own sales in kids' books has grown ten times since 2010, and forecasts strong continued growth with the launch of the Kobo Arc tablet which allows for the display of rich, enhanced content. Further supporting growth and Kobo's commitment to the kids' market is the 2012 acquisition of the digital company Aquafadas. This provides Kobo with a platform that allows for the display of beautifully graphic content including children's picture and enhanced books, and offers a suite of tools to allow publishers to easily bring colour content to life.

Here's what's driving the growth in the children's category, which includes Young Adult reading:

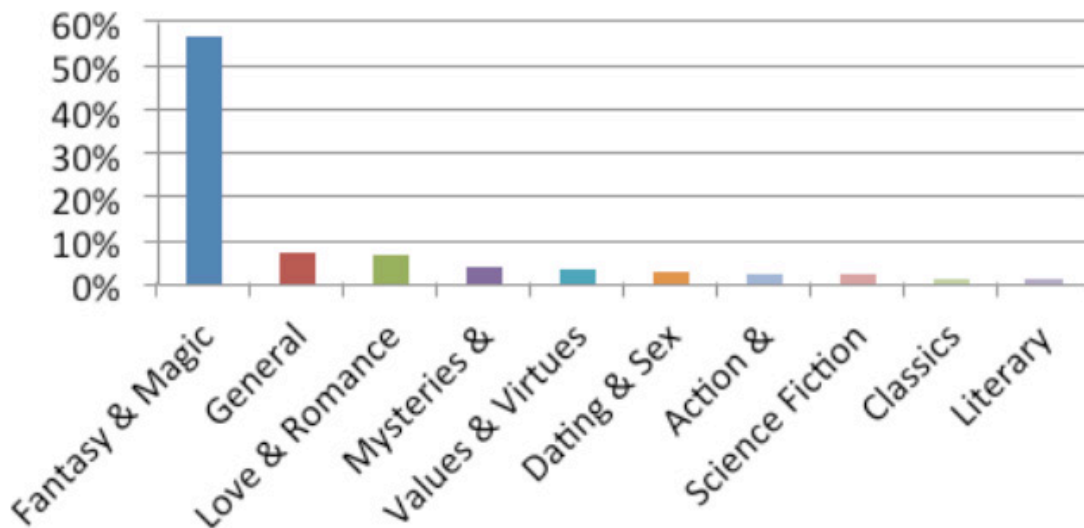
#1 FANTASY AND MAGIC

The category represents 56% of the top 500 bestselling titles (from 2010 to current); even when removing The Hunger Games titles, this category is still the dominant player in kids' books.

What this means: The Hunger Games was a phenomenon that proved readers would read their most sacred YA novels in digital format. We now have an opportunity to continue serving these readers with more great content to be read digitally. This represents an opportunity – a void to be filled.

Category Share
of Market

Representation by genre



#2 BACKLIST IS FRONTLIST

Backlist – books more than a year old – represent 81% of total sales in the children's category.

Excluding The Hunger Games, sales of backlist titles represents a majority of total sales, or what might be considered the industry norm.

What this means: Investing in the promotion/visibility/discoverability of great backlist titles in order to showcase great titles to digital readers is time and money well spent.

#3 SERIES

166 authors are represented in the top 500 bestselling titles; 71 of those have more than one book on the list and 29 of those bestselling authors have 5 books or more in the Top 500.

Even correcting for the phenomenon of The Hunger Games, almost 60% of Kobo's unit sales volume in Kids is driven by authors with more than one title in the top 500.

What this means: Similar to printed books, a reader who is introduced to an engaging author or series will continue reading until they hit the end. Authors, publishers and retailers need to do everything they can to introduce the right series to the right reader to allow them to engage with stories that they can enjoy across a number of titles.

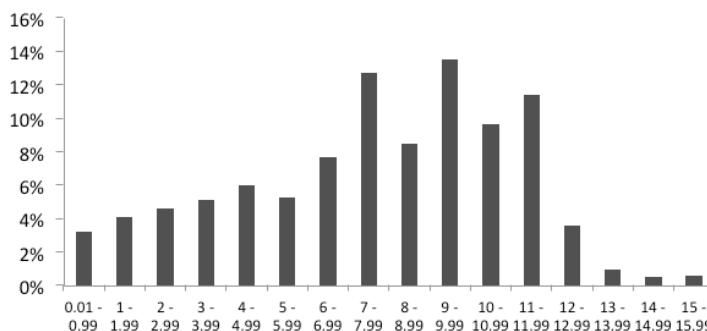
#4 PRICING

Sales in children's reflect the sweet spot in overall eBook pricing; 53% of Kobo's sales are books between \$4 and \$10; just 17% are of books below the \$4 mark.

Further supporting the customer's apparent preference for series, almost 10% of Top 500 sales dollars come from omnibus or collected editions which tend to command a \$26 price per unit.

Furthermore, when reviewing the Top 500 sales for Kids books, the trends showed the average front list title commands a \$1 price premium over the backlist counterparts.

What this means: The big deal here is that readers are willing to spend money on eBooks and obviously value a great story/author/series. Simply dropping the price of an eBook may be too blunt an instrument when it comes to driving sales – experiment with pricing models to determine the sweet spot. In analysis done in the adult book market, Kobo found that sales for some publishers actually went up when they raised the price of a title.



When left to their own devices

Kobo field research

In a role-reversing version of show & tell, Toronto teacher Nancy Rawlinson brought in her Kobo Mini to conduct an experiment with her grade three class.

Ms. Rawlinson showed the class her eReader and instigated a discussion about why a person would choose such a thing to read a book. The class liked the idea about an eReader's ability to hold a lot of books; they liked the touch screen; they liked that it didn't take up a lot of room and didn't use paper or trees. What they didn't like was the lack of colour. And they didn't think they'd like to give up reading books altogether.

But given the chance to test-drive her eReader, the class confirmed Rawlinson's gut feeling: "I thought if given the chance to use an eReader they'd be all over it."

Her gut feeling is supported by stats. As may be expected, kids themselves are ever keen on the shiny new object – Scholastic reports half of the children who have not read an eBook are interested in trying it, particularly younger children. Among the kids who have read an eBook, one in five swears he or she is reading more books for fun – especially boys. Couple that "fun" aspect with the fact that 49% of the parents in Scholastic's survey feel their children don't spend enough time reading

in their leisure hours, and that the percentage who say this is increasing across all age groups, (36% in 2010 to 49% in 2012), that fun factor may tip the balance for parents who simply want to see their kids reading, no matter what.

In using a Kobo Arc and a Kobo Glo in class in a later experiment, the children intuitively came up with one of the key features of children's eBooks – they thought it would be wonderful if the book could read to them. "For smaller kids that are learning to read the words can be lighted or read aloud," suggested Andjela, who added that a children's dictionary would be more helpful than the regular dictionary feature. Caroline, another child in the class, said she likes not knowing how many more pages there are to read in an eBook. This again touches on something researchers are noticing is helpful in encouraging reluctant readers – they're not daunted at the outset by a book's size.

Another precocious child identified a feature that has proven to be a favourite among older children and young adults, which is the fact no one can see what you're reading. She suggested a "kid Kobo" with "everything that children need to read, like scary stories (not too scary) so adults will think that they are reading a book about princesses or other good things."

Parents weigh in

To further understand how parents view print and eBooks and to learn what they value about the experience of each, we turned to Parent Tested, Parent Approved Media to do a survey for us. ⁽¹⁴⁾

PTPA Media represents a large parent-testing community and based on survey results offers a seal of approval recognized worldwide. In a survey of nearly 1,400 parents in Canada and the US, we learned that more than 60% buy eBooks for themselves, and 44% buy eBooks for their children. Significantly, more than 50% spend between \$10 and \$30 on books per month, per child.

The survey shows parents value eBooks for a number of disparate reasons – the primary reason being the convenience of being able to hold many books in one place on a portable device, something Ms Rawlinson’s class also appreciated. They also valued the fact that with eBooks, their children were reading instead of playing online games, and felt the overall reading experience was good. Underscoring the learning that kids like eBooks, another important thing about eBooks for parents is the fact “my kid(s) love them – anything to keep them reading”.

“eBooks are going to change the world”

Those are the words of educator Tina Benevides, who is conducting doctoral research into how tablets can be used to enhance teaching, and to help struggling readers.

She has seven test sites in elementary and middle schools across Ontario, Canada, and early indications are positive. Benevides found a 300% increase in writing among a class of 24 Grade 7 boys in an exercise where students were encouraged to contribute to a classroom blog to communicate about the e-books they were reading. While this raw statistic measures the number of words typed, it shows an encouraging increase in engagement with the written word and books. Benevides believes this innovative exercise will only continue to increase student motivation and engagement in literacy. It’s especially encouraging given that boys tend to be more reluctant to read than girls.

Meanwhile, in the period from October 2011 to May 2012, reading scores showed 62% of the students in one of her test classes went up one grade level, while only 32% of students in a language class taught by the same teacher but without tablets went up.

Current research looks even more promising. A Stanford Diagnostic Reading Test was given to 28 Grade 7 and 8 students in October and May of the 2011-12 academic year. These results showed five of the students’ reading ability went up a minimum of three grade levels; some went up five.

So, why are eBooks or tablets doing so well?

Benevides’ research shows that some of the simplest tools are the most effective.

First, digital books allow a child to tailor their experience in a tangible way. Benevides says the ability to change the font size is a significant success factor, as some reluctant kids feel more confident with bigger type. She said the fact kids can’t tell how thick a book is is also important – it’s not daunting to start anything. And the audio component is critical – being able to read along as something is narrated.

As well, eReaders allow teachers to tailor the class syllabus to suit the student. Benevides points out a reality in education today – in any given Grade 8 class for example, there are students performing well above their grade level, some who hit it perfectly, and some work below grade level. eReaders allow a teacher to differentiate, to give each child the text that they need rather than one that fits everyone.

Further, the children can read that novel without the scrutiny of their peers.

Benevides predicts the nostalgia for books will diminish as a barrier for the eBook market, especially as children see their parents reading on eReaders and teachers use them more effectively in class.

She suggests the biggest benefits may be felt by reluctant readers. “eReaders will level the playing field for children who struggle.”

Attributes and enhancements

Where to invest in eBook technology

EBooks can range from simple conversions of a print experience on to a screen, or include enhancements including animation, games, embedded video and more. Children's is likely the largest category where publishers and developers are experimenting with what the technology itself can actually do and are experimenting with the very nature of a "book".

However, such innovation comes at a cost, both monetary and in terms of literacy.

A Joan Ganz Cooney Center study on co-reading with children and iPads found that parents perceived great value in being able to click on a word to hear it sounded out, highlighting, and audio narration and tended to feel that the features in eBooks can help children learn to read on their own.⁽¹⁵⁾

A different study comparing print and eBooks tended to show those perceptions were reality – there was virtually no difference in comprehension between children who read a book versus a basic eBook. In fact, the number of story details recalled was slightly higher among those with the eBook.⁽¹⁶⁾


The trouble started with more animated, enhanced eBooks.

While engagement may have increased, comprehension and retention among both parents and children plummeted, and they remembered only about half as many story details. The Joan Ganz Cooney Center study also found that a majority of parents believe games and videos in eBooks do more to distract their child from reading, which implies they'd be less likely to purchase a book enhanced with these features.

The Center notes eBook designers are still figuring out how best to design books for literacy development, or at least so as not to get in its way. "Our perspective is that we have yet to see best practices emerge from eBook designers."

Despite the ability to add bells and whistles, both children and their parents seem to value simpler things. Scholastic found that the most popular attributes include built-in activities that build vocabulary or help a child read better; guided reading where words are highlighted during narration, the dictionary, and the highlighting or note-taking features.

It appears that at least for now, less is more.



“...the most popular attributes include built-in activities that build vocabulary or help a child read better.”

FROM THE KIDS & FAMILY READING REPORT™ 4TH EDITION, SCHOLASTIC INC.

Attitudes & apps

It's hard to talk about the transition of kids books to digital without mentioning apps so, here we go...

March 2012, the 25 billionth app was downloaded from Apple's App Store. There are currently more than 500,000 apps on the App Store and the term app was named 2010's 'Word of the Year' by the American Dialect Society.⁽¹⁷⁾

According to Rec Room, a Toronto-based consulting company that conducts market research into families, there is a "complex ambivalence" when it comes to digital options for kids. While parents might balk at the idea of downloading books for their children, they think nothing of downloading any old app they find and handing over the iPhone to their child. In fact, US and the UK parents download an average of 27.2 apps for their children each year, spending about \$100 in total according to the Financial Times of London.⁽¹⁸⁾

A 2011 Common Sense Media study found that among 0-8 year olds who have used a cellphone, iPod or iPad, just 5% or fewer used it to read books; instead it was the means for playing games, watching videos or using apps.⁽¹⁹⁾ The study also showed a significant jump in time spent with a screen, going from one hour and 36 minutes in 2005 to two hours and eight minutes in 2011, with time on tablets and computers making up a significant part of the difference.

What confuses matters somewhat is the fact that a number of games, especially those aimed at younger children, claim to be educational. A recent analysis of the top-selling paid apps in

the children's games category of Apple's App Store, conducted by the Joan Ganz Cooney Center, found that almost a third made some sort of educational claim. All targeted toddler and preschool aged children, and about 10% also targeted Elementary aged kids.

However, it's buyer beware – whatever the label, it might not be exactly what it says on the tin. A group of education researchers in the US noted that "learn to read apps (are) popping up seeming overnight" but there is "little to no information on whether developers had backgrounds in early literacy or whether the apps were vetted by reading experts or evaluated in any way."⁽²⁰⁾

When it comes to apps, publishers might consider their overall objective. Educational apps hold an appeal, and marketing the proof of the educational value might be an important differentiator when it comes to standing out in the app store.

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The following trends are emerging:

Fear not, the future is here

The children and Young Adult eBook categories are showing strong growth, and price point is currently relatively high. As well, the increases in the numbers of children and adults who are reading eBooks overall, and the increased number of books those adopters go on to read, point to the continued strength of this trend.

Backlist is frontlist

eBooks, as in print, are driven by trusted favourites.

Stick to the basics, at least for now

Tools such as the ability to highlight passages or read along were valued by parents, and Benevides' work seems to demonstrate this kind of basic reading help is a real advantage in terms of literacy even for older children.

While children love the bells and whistles, parents are more wary or believe games and video do more to distract from reading than enhance it. And they're the ones with the wallets.

However, enhancements that are integral to the story seem helpful. Integrating features seamlessly into the story is the frontier to explore.

If you build it, will they know to come?

Apps are a huge and growing market, and parents seem to gravitate to "educational" apps at least for younger children. Ensuring your credentials are stated and verified, or building apps around already trusted characters or series, could provide an edge within the app store.

Overall, if the eBook market for kids is considered the Wild West, it is one in the midst of being civilized. The resistance to providing a device to a child in place of a print book is diminishing, and eBooks have a distinct advantage for parents and kids when it comes to convenience, whether that be in the ease of purchasing a new book or keeping all books in one easy-to-carry place, or when a distraction while travelling is needed.

One of the most encouraging developments is the fact that eBooks seem to be helpful in turning non-readers or reluctant readers into avid ones. More booklovers in the world is a good thing for all of us, and opening up the world of books and stories to someone for whom that world was foreign and inaccessible is a tremendous opportunity and privilege.

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