



Economic Study on Publications on all Physical Means of Support and Electronic Publications in the context of VAT

Annex C: Surveys

TAXUD/2012/DE/339





Director of the study: Pau Salsas (Europe Economics)

Contributors: Xavier Le Den and Stefano Ficco (managing team), Helene Bundgaard Rohde, Sida Yin, Denisse Halm, Teresa McGarry.

This document has been prepared for the European Commission by the consortium Ramboll, The Evaluation Partnership and Europe Economics. It reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.



Table of Contents

Table of Contents	3
1. Consumer Survey	5
1. Questionnaire to book trade associations	24
2. Questionnaire to newspapers trade associations.....	32
3. Questionnaire to periodical magazines trade associations	40
4. Summary of academic articles.....	48
1.1 Argentesi, E. and Filistrucchi, L. (2005) "Estimating market power in a two-sided market: the case of newspapers", <i>European University Institute Working Paper ECO 2005/7</i>	48
1.2 Argentesi, E. and Ivaldi, M. (2005) "Market Definition in Printed Media Industry: Theory and Practice"	49
1.3 Blair, R. D. and Romano, R. E. (2001), "Pricing Decisions of the Newspaper Monopolist", <i>Southern Economic Journal</i>	50
1.4 Bain & Company (2011) "Publishing in the Digital Era", <i>Forum d'Avignon</i> ...	50
1.5 Canoy, M. et al. (2005) "The Economics of Books" Cesifo Working Paper No. 1414, February 2005	51
1.6 CERNA (2011) "Pricing (and Selling) Copyrighted Goods on a Digital Support: The Case of Magazine Press", Working Paper, Chaire ParisTech d'Economie des Médias et des Marques, June 2011	52
1.7 Ciraci, D. (2010) "Struttura, tendenze e innovazione tecnologica nel settore librario italiano." (Market Structure, Trends and Technological Innovation in the Italian Book Publishing Industry), <i>L'Industria, Nuova Serie</i> , Vol. 31, Iss. 3, p. 459-83. 53	
1.8 Deleersnyder, B. et al. (2001) "How Cannibalistic is the Internet Channel?"	54
1.9 Depken II, C. A. and Wilson, D. P. (2004) "Is Advertising a Good or a Bad? Evidence from U.S. Magazine Subscriptions"	54
1.10 Detrouzos, J. N. and Trautman, W. B. (1990) "Economics Effects of Media Concentrations: Estimates from a Model of the Newspaper Firm", <i>The Journal of Industrial Economics</i> , Vol. XXXIX, No. 1, September 1990	56
1.11 Filistrucchi, L. (2005) "The impact of internet on the market for daily newspapers in Italy", European University Institute, September 2005	57
1.12 Filistrucchi, L. et al. (2010) "Merger Simulation in a Two-Sided Market: The Case of the Dutch Daily Newspapers"	58



- 1.13 Gaffeo, E., Scorcu, A. E. and Vici, L. (2008) "Demand Distribution Dynamics in Creative Industries: the Market for Books in Italy" 59
- 1.14 Gentzkow, M. (2007) "Valuing New Goods in a Model with Complementarity: Online Newspapers", *American Economic Review*, June 2007, Vol. 97, Iss. 3. 60
- 1.15 Hjorth-Andersen, C. (2000) "A Model of the Danish Book Market?", *Journal of Cultural Economics*, Vol. 24, p. 27-43. 62
- 1.16 Hua, G. et al. (2011) "Electronic Books: To 'E' or Not to 'E'? A Strategic Analysis of Distribution Channel Choices of Publishers", *International Journal of Production Economics*, Vol. 129, Iss. 2, p.338-46. February 2011..... 63
- 1.17 Kadiyali, V. and Simon, D. H. (2006) "The Effect of a Magazine's Digital Content on its Print Circulation: Cannibalization or Complementarity?", *Information Economics and Policy*. 64
- 1.18 Kaiser, U. (2001), "The Effects of Website Provision on the Demand for German Women's Magazines", Discussion Paper No. 01-69..... 65
- 1.19 Kaiser, U. (2006) "Magazines and their Companion Websites: Competing Outlet Channels?" *Review of Marketing Science*, Vol. 4, Art. 3 67
- 1.20 Kaiser, U. and Kongsted, H. C. (2007) "Do Magazines' 'Companion Websites' Cannibalize the Demand for the Print Version?", Centre for Industrial Economics Discussion Papers. 68
- 1.21 Kon, Martin et al. (undated) "A New Digital Future for Publishers?" Oliver Wyman 69
- 1.22 Palma Martos, M. L. et al. (2009) "El mercado del libro en España 1989-2006. Un análisis económico" (The Spanish Book Market from 1989-2006. An Economic Analysis) *Estudios de Economía Aplicada*, Vol. 27, Iss. 1, p.223-250 70
- 1.23 Pauwels, K. and Dans, E. (2000) "Internet Marketing the News: Leveraging Brand Equity from Market Place to Market Space", 29 December 2000 71
- 1.24 PricewaterhouseCoopers (2009) "Turning the page: the future of eBooks" *Technology, Media & Telecommunications* 72
- 1.25 Reekie, D. W. (1976) "The price elasticity of demand for evening newspapers", *Applied Economics*, Vol. 8, p. 69-79..... 73
- 1.26 Ringstad, V. and Løyland, K. (2006) "The demand for books estimated by means of consumer survey data" 73
- 1.27 Sorensen, Alan T. (2007) "Bestseller Lists and Product Variety", *The Journal Of Industrial Economics 0022-1821*, Volume L, No. 4, December 2007 75
- 1.28 Villarolla, A. et al. (2010) "La demanda de libros y publicaciones periódicas en España" (The Demand for Books and Periodicals in Spain), *Estudios de Economía Aplicada*, Vol. 28, Iss. 1, p.1-22..... 76



1. Consumer Survey

This is a sample survey for the Questionnaire sent to 50 per cent of the sampling population.

For the other 50 per cent the survey questions for Screens VII, VIII, IX and X concerns the case where there is a price decrease rather than a price increase.

Screen I: Introduction Text:

Thank you very much for agreeing to complete this online survey. The purpose of the survey is to learn about your consumption behaviour when buying electronic and printed materials (books, newspapers, tablets, etc...), and the impact price changes have on your spending decisions.

The survey is being conducted by Europe Economics on behalf of the European Commission and should not take more than 10 minutes to complete. We will treat your answers as confidential.

Thank you in advance for your participation.

Screen II: Question 1 Gender

Are you...

<input type="checkbox"/>	Male
<input type="checkbox"/>	Female

Screen III: Question 2 Age

Please write your birthdate:

Please select the most appropriate response.

Day/Month/Year

<input type="text"/>	/	<input type="text"/>	/	<input type="text"/>
----------------------	---	----------------------	---	----------------------



Screen IV: Question 3 Location

Which region do you live in?

- East Midlands
- East of England
- Greater London
- North East England
- North West England
- South East England
- South West England
- West Midlands
- Yorkshire and Humber
- Wales
- Scotland
- Northern Ireland
- Abroad
- Don't know



Screen V: Question 4 Reading Devices

We would like to know whether you have access to any technical devices used to download or read electronic books, periodicals or newspapers.

Please indicate whether you own or have access to the following reading devices:

	Yes	No
Kindle or other brand (such as Kindle Fire, Kindle Paperweight, Nook, Kobo)	<input type="checkbox"/>	<input type="checkbox"/>
Phones (including iPhone, iPod touch, Android phone)	<input type="checkbox"/>	<input type="checkbox"/>
Tablets (for example iPad, android tablet, Windows 8)	<input type="checkbox"/>	<input type="checkbox"/>
Computer (PC, Mac or equivalent)	<input type="checkbox"/>	<input type="checkbox"/>

Screen VI: Introduction Text to Price Elasticity Questions - Books

The following questions concern your **potential consumption** of printed books, e-books and electronic readers.

We are interested in knowing which types of books, e-books and electronic readers you would buy, given a set of representative prices.

We will then provide a different set of prices to understand how sensitive your consumption is to price changes.

**Screen VII: Question 5 Price Elasticity – Books (Given Price)**

In the following table there are three examples of printed and electronic books, each with different associated attributes. There are also two examples of electronic readers (mobile electronic devices designed primarily for the purpose of reading digital e-books and digital periodicals).

Please indicate how you would react when buying the following items given the price associated with each of them.

	Would definitely buy	Would maybe buy	Would definitely not buy
A novel Printed in paperback (best seller, 500 pages) £5.75	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A novel Electronic/digital e-book (best seller, 500 pages) £3.25	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Children's book Printed in paperback (best seller, 35 pages) £3.59	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Children's book Electronic/digital e-book (best seller, 35 pages) £2.27	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Non-fiction/Reference/Cooking book Printed in hardback (best seller, 300 pages) £11.96	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Non-fiction/Reference/Cooking book Electronic/digital e-book (best seller, 300 pages) £7.18	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
An electronic reader Wi-Fi, 6" E Ink Display, less than 170g £69.0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
An electronic reader Wi-Fi, Paperwhite Display, Higher Resolution, Higher Contrast, Built-in Light £109.0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Screen VIII: Question 6 Price Elasticity – Printed Books (10% change)**

You have previously indicated your purchasing decisions for a stated set of prices.

Now please think how your decision might change if the **prices of printed books** were **10% higher**, as shown in the table below.

	Would definitely buy	Would maybe buy	Would definitely not buy
A novel Printed in paperback (best seller, 500 pages) ↑10%£6.33	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A novel Electronic/digital e-book (best seller, 500 pages) £3.25	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Children's book Printed in paperback (best seller, 35 pages) ↑10%£3.95	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Children's book Electronic/digital e-book (best seller, 35 pages) £2.27	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Non-fiction/Reference/Cooking book Printed in hardback (best seller, 300 pages) ↑10%£13.16	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Non-fiction/Reference/Cooking book Electronic/digital e-book (best seller, 300 pages) £7.18	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
An electronic reader Wi-Fi, 6" E Ink Display, less than 170g £69.0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
An electronic reader Wi-Fi, Paperwhite Display, Higher Resolution, Higher Contrast, Built-in Light £109.0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Screen IX: Question 7 Price Elasticity – Printed Books (20% change)**

How would your answer to the previous question change if the **prices of printed books** were **20% higher**, as follows?

	Would definitely buy	Would maybe buy	Would definitely not buy
A novel Printed in paperback (best seller, 500 pages) ↑20%£6.90	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A novel Electronic/digital e-book (best seller, 500 pages) £3.25	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Children's book Printed in paperback (best seller, 35 pages) ↑20%£4.31	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Children's book Electronic/digital e-book (best seller, 35 pages) £2.27	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Non-fiction/ Reference/Cooking book Printed in hardback (best seller, 300 pages) ↑20%£14.35	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Non-fiction/Reference/Cooking book Electronic/digital e-book (best seller, 300 pages) £7.18	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
An electronic reader Wi-Fi, 6" E Ink Display, less than 170g £69.0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
An electronic reader Wi-Fi, Paperwhite Display, Higher Resolution, Higher Contrast, Built-in Light £109.0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



??Screen X: Introduction Text to Price Elasticity – Publications (Newspaper and Magazines)

The following questions concern your **potential consumption** of publications (newspapers and magazines) and electronic readers.

We are interested in knowing which types of publications and electronic readers you would buy, given a set of representative prices.

We will then provide a different set of prices to understand how sensitive your consumption is to price changes.

When you have answered the next questions we only have a few more questions before you are done with the survey.

**Screen XI: Question 8 Price Elasticity – Publications (Given Price)**

??In the following table there are four examples of printed and digital publications, each with different associated attributes.

Please indicate how you would react when buying the following items given the price associated with each of them.

	Would definitely buy	Would maybe buy	Would definitely not buy
A printed newspaper Daily publication (tabloid, several sections including news and sport) £1.00	??	??	??
A digital newspaper Daily publication (tabloid, several sections including news and sport) £0.46	??	??	??
A printed magazine (general interest) Monthly publication (glossy, 120 pages) £3.26	??	??	??
A digital magazine (general interest) Monthly publication (120 pages) £2.77	??	??	??
A printed magazine (sports and hobbies) Monthly publication (glossy, 80 pages) £3.23	??	??	??
A digital magazine (sports and hobbies) Monthly publication (80 pages) £2.74	??	??	??
Other printed publication Monthly publication (glossy, 120 pages) £3.33	??	??	??
Other digital publication Monthly publication (120 pages) £2.83	??	??	??
An electronic reader Wi-Fi, 6" E Ink Display, less than 170g £69.0	??	??	??
An electronic reader Wi-Fi, Paperwhite Display, Higher Resolution, Higher Contrast, Built-in Light £109.0	??	??	??

**??Screen XII: Question 9 Price Elasticity – Printed Publications (10% change)**

You have previously indicated the publications that you would purchase for a set of representative prices.

Now please think how your decisions might change if the **prices of printed publications** were **10% higher**, as follows.

	Would definitely buy	Would maybe buy	Would definitely not buy
A printed newspaper Daily publication (tabloid, several sections including news and sport) ↑10%£1.10	??	??	??
A digital newspaper Daily publication (tabloid, several sections including news and sport) £0.46	??	??	??
A printed magazine (general interest) Monthly publication (glossy, 120 pages) ↑10%£3.59	??	??	??
A digital magazine (general interest) Monthly publication (120 pages) £2.77	??	??	??
A printed magazine (sports and hobbies) Monthly publication (glossy, 80 pages) ↑10%£3.55	??	??	??
A digital magazine (sports and hobbies) Monthly publication (80 pages) £2.74	??	??	??
Other printed publication Monthly publication (glossy, 120 pages) ↑10%£3.66	??	??	??
Other digital publication Monthly publication (120 pages) £2.83	??	??	??
An electronic reader Wi-Fi, 6" E Ink Display, less than 170g £69.0	??	??	??
An electronic reader Wi-Fi, Paperwhite Display, Higher Resolution, Higher Contrast, Built-in Light	??	??	??



£109.0



Screen XIII: Question 10 Price Elasticity – Printed Publications (20% change)

??How would your answer to the previous question change if the **prices of printed publications** were **20% higher**, as follows?

	Would definitely buy	Would maybe buy	Would definitely not buy
A printed newspaper Daily publication (tabloid, several sections including news and sport) ↑20%£1.20	??	??	??
A digital newspaper Daily publication (tabloid, several sections including news and sport) £0.46	??	??	??
A printed magazine (general interest) Monthly publication (glossy, 120 pages) ↑20%£3.91	??	??	??
A digital magazine (general interest) Monthly publication (120 pages) £2.77	??	??	??
A printed magazine (sports and hobbies) Monthly publication (glossy, 80 pages) ↑20%£3.88	??	??	??
A digital magazine (sports and hobbies) Monthly publication (80 pages) £2.74	??	??	??
Other printed publication Monthly publication (glossy, 120 pages) ↑20%£4.00	??	??	??
Other digital publication Monthly publication (120 pages) £2.83	??	??	??
An electronic reader Wi-Fi, 6" E Ink Display, less than 170g £69.0	??	??	??
An electronic reader Wi-Fi, Paperwhite Display, Higher Resolution, Higher Contrast, Built-in Light	??	??	??



£109.0



Screen XIV: Question 11 Price Elasticity – Printed versus Electronic

??What do you think the price of online/electronic publications should be compared to the price of the paper version of the same item?

For the following items please state if the price of the **online/electronic version** should be lower or higher in price **compared to a printed version**.

	A digital book (online/electronic)	A newspaper (online/electronic)	A magazine (online/electronic)
The price should be 50% lower or more	??	??	??
The price should be 30% lower	??	??	??
The price should be 20% lower	??	??	??
The price should be 10% lower	??	??	??
The price should be the same	??	??	??
The price should be 10% higher	??	??	??
The price should be 20% higher	??	??	??
The price should be 30% higher	??	??	??
The price should be 50% higher or more	??	??	??
Do not know	??	??	??



Screen XV: Question 12 Comparative Advantage of Printed Material

??In your opinion what are the advantages of printed material over electronic material?

Please select all that apply.

?? I can collect items
?? I can dip into the printed material at any page
?? I can resell items
?? It is easier for me to understand and concentrate when reading printed material
?? I can share items with/ loan items to others
?? I do not need to charge a device to read it
?? I find it easier to read printed material than reading on a screen
?? I prefer the physical experience of holding a book/newspaper/magazine
?? Other
?? None of the above

??Screen XVI: Question 13 Comparative Advantage of Electronic Version

In your opinion what are the advantages of electronic material over printed material?

Please select all that apply.

?? I have a library at my fingertips
?? Electronic materials require less storage space
?? I can get immediate delivery
?? I can resize fonts for easy reading
?? I can support the environment (no waste)
?? Electronic materials are portable/less bulky
?? I can purchase a book/newspaper/magazine at any time (24/7)
?? I can save money
?? Other



?? None of the above



Screen XVII: Question 14 Book Content's Impact on the Preferred Format Chosen by Consumers

??In your opinion, are there certain types of books that are better suited to being in either electronic or printed format, or are they equally suited to both formats?

	Electronic	Printed	Both formats
Comics/Manga	??	??	??
A classic novel (fiction)	??	??	??
Scientific, technical or professional books (law, dictionaries, computing)	??	??	??
Newspapers	??	??	??
Scholarly journals	??	??	??
Other books (home, travel, cooking)	??	??	??
A recent novel (fiction)	??	??	??
Magazines	??	??	??
Children's books	??	??	??
Young reader short novel	??	??	??
Essay/non-fiction books (politics, philosophy, history, etc)	??	??	??

??Screen XVIII: Question 15 Occasions' Impact on the Preferred Format Chosen by Consumers

Are there certain occasions where you prefer either an electronic or printed format, or are these occasions equally suited to both formats?

	Electronic	Printed	Both formats
For a travel/tour guide	??	??	??
For my studies or work	??	??	??
Being part of a book club	??	??	??
For holiday reading	??	??	??
For reading with children	??	??	??
Where images/illustrations are being viewed (art guide)	??	??	??
For reference publications (cookery book or car maintenance)	??	??	??



For presents or gifts	??	??	??
-----------------------	----	----	----



Screen XIX: Introduction Text to Consumer's Background Questions

Finally, we would like to ask some questions about you.

Screen XX: Question 16 Working Status

Which one of the following best describes your working status?

- Work full time
- Work part time
- Temporarily unemployed
- Retired
- Student
- Full time homemaker
- Other
- Do not wish to state

Screen XXI: Question 17 Job Title

Which one of the following best matches your job title?
Please select the most appropriate response.

Screen XXII: Question 18 Educational Level

What is your highest level of educational attainment?
Please select the most appropriate response.

Screen XXIII: Question 19 Household Income

What is your gross household income before tax and other deductions?

Please include all of your household earnings, any pension, working or living allowances, stage benefits, interests from savings/shares and any other income.

Please select the most appropriate response.



??Screen XXIV: Question 20 Household Composition

What is the composition of your household:

Number of adults (persons aged over 18 years of age) including yourself ??

Number of children (up to 7 years of age) ??

Number of children (7-13 years of age) ??

Number of children (14-18 years of age) ??



1. Questionnaire to book trade associations

Europe Economics (www.europe-economics.com) and Ramboll (<http://www.ramboll-management.com/>) are conducting a study on behalf of the European Commission (DG Taxation and Customs Union) related to the potential revision of VAT rates that apply to published materials (books, periodicals, newspapers) provided in physical formats (e.g. printed copies, cassettes, diskettes, CDs, DVDs, CD-ROMs, USB sticks, etc.) or electronic formats (e.g. downloadable content which is viewable on PC, tablets, electronic reading devices, etc.). A support letter from the European Commission is attached at the end of this file.

In the framework of this study we have been requested to gather quantitative and qualitative data that would help us gain a better understanding of the market for books and e-books in Europe. We believe that you might have access to some of this information and we would very much appreciate your help.

We will be asking you for data on the European market and the supply chain of the publishing sector (publishing and distribution). Finally, we will ask you to direct us to references that could be relevant for this study.

We thank you in advance for your cooperation, and we would appreciate if you could **answer this questionnaire by the 29 March**.

Overview

Q1. Please describe briefly

- a. What types of stakeholders do you represent (e.g. small or big market players, etc.):
- b. What share of the European market does your organisation cover. :

Data related to the European market

Q2. What is the total number and the total value of books (printed books, e-books, and books sold cross-border) sold in Europe in the last year — or last year for which data is available — and how do you see these changing in 5 years from now? (Please fill in the table below).

	Number of copies sold	Total value	Year	Expected sales 2018	
				Number of copies	Total value
Printed books	[Total copies]	[Total €]	[Year]	[Total copies]	[Total €]
e-books	[Total copies]	[Total €]	[Year]	[Total copies]	[Total €]
Books sold cross-border	[Total copies]	[Total €]	[Year]	[Total copies]	[Total €]



Q3. Please provide the total number and total value of printed books, for different book categories, sold in Europe in the last year — or last year for which data is available.

Printed books	Number of copies sold	Year	Total value	Year
Educational (school)	[Total copies]	[Year]	[Total €]	[Year]
Academic/Professional	[Total copies]	[Year]	[Total €]	[Year]
Consumer (trade)	[Total copies]	[Year]	[Total €]	[Year]
Children	[Total copies]	[Year]	[Total €]	[Year]
Other categories				
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
Total printed books	[Total copies]	[Year]	[Total €]	[Year]

Data on the supply chain

Q4. Indicate the share (% of total price) each step of the supply chain has on the final book prices. Please use your best estimate to fill in the table below.

	% of final price	
	Printed books	E-books
Content creators (copyright royalties)	[0%]	[0%]
Printers / digital writers	[0%]	[0%]
Wholesalers	[0%]	[0%]
Distributors	[0%]	[0%]
Retailers	[0%]	[0%]
	100%	100%



Q5. Please indicate the extent to which you see that the following business models are being applied by the companies in the book publishing industry in Europe. Please tick the most appropriate answer for each business model.

	Hardly used	Used to some extent	Widely used
Vertically separated model: the supply chain is vertically separated into steps (Content creation/ Aggregation / Printing-digital editing / Wholesaling / Distribution / Retailing – online or offline) each one being under the responsibility of a separate firm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integrated model: the supply chain is vertically separated into steps (Publishing / Printing-digital editing / Wholesaling / Distribution / Retailing) however one firm is responsible for the majority or all of the steps.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The internet retail model: Publishing and printing are under the responsibility of publishers, but wholesaling, distribution, and retailing are carried out by specialised on-line sellers (e.g. Amazon.com, saxo.com, libreka.de)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The internet retail model – integrated: The publishers handle publishing and printing as usual and are also responsible for wholesaling, distribution, and/or retailing through an online platform set up by the publisher alone or in corporation with others (e.g. edigita.it, libranda.com, ibs.it)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The digital-age model: Content creators are also publishers and all other activities (from digital editing to retailing) are carried out by specialised on-line sellers (e.g. Amazon.com)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aggregator model: All supply chain activities but contents are provided by an aggregator (e.g. Amazon, Zebook.com)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify):			



Q6. Publishers are starting to move into the market for e-books. Please indicate the extent to which you see that the following business models are being applied by the companies in the book publishing industry in Europe. Please tick the model that better describes the behaviour of European publishers who are moving into the e-book market.

Integrated approach – e.g. via online platform: Publishers set up an online platform for wholesaling, distribution, and/or retailing of e-books alone or in corporation with others (e.g. edigita.it, librandia.com, ibs.it)

Outsourced approach - agreement with aggregator or retailer: Publishers enter into agreement with online aggregators or retailers who are responsible for distribution, and/or retailing of e-books (e.g. Amazon.com, iBooks, Google ebooks)

Other (please specify):

Data on publishing

Q7. Indicate the market shares (number of copies sold) for the top four publishers in Europe in the last year — or last year for which data is available (Please fill in the table below).

	Name of publisher	% of copies sold		Year
		Printed books	E-books	
Publisher 1	[Name]	[0%]	[0%]	[Year]
Publisher 2	[Name]	[0%]	[0%]	[Year]
Publisher 3	[Name]	[0%]	[0%]	[Year]
Publisher 4	[Name]	[0%]	[0%]	[Year]
Other publishers	[No names required]	[0%]	[0%]	[Year]
		100%	100%	

**Data on distribution**

Q8. Indicate the revenue share sold through the following distribution channels in Europe – or last year for which data is available (Please fill in the table below).

	% of copies sold		Year
	Printed books	E-books	
Direct (e.g. postal delivery/download directly from the publisher)	[0%]	[0%]	[Year]
Internet retailers (e.g. Amazon)	[0%]	[0%]	[Year]
Bookstores / bookstore chains	[0%]	[0%]	[Year]
Other physical retailer (e.g., shopping malls, supermarkets, gas stations, etc.)	[0%]	[0%]	[Year]
Institutional bodies (e.g. libraries, universities, schools, etc.)	[0%]	[0%]	[Year]
Other [Please state]	[0%]	[0%]	[Year]
	100%	100%	



Q9. Please indicate the degree of competition between players operating in each of the following distribution channels (please tick the appropriate boxes).

	Very competitive (many players with similar market shares)	Moderately competitive (More than two players with similar market shares and other smaller ones)	Duopoly (two leading player with significantly higher market shares than all the others)	Very Little competition (one leading player with a significantly higher market share than all the others)
Internet retailers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bookstores / bookstore chains	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other physical retailer (shopping malls, supermarkets, gas stations, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional bodies (libraries, universities, schools, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other [Please state]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q10. As you see it, are there any barriers or drivers for the business in the publishing or retail of books that might affect industry and market development in Europe? Examples could include state aid, regulation, fixed unit prices etc:

Other references

Q11. Finally we would like to know if you have conducted or are aware of any study on the impact that changes of VAT rates have in the publishing industry, studies investigating the pass-through rates (e.g. the extent to which a potential increase in publishers' production costs is reflected into the final retail price); or studies on own-price elasticity of demand for books (e.g. how sensitive the demand for books is to an increase in the retail price), or cross price elasticity between printed material and digital material (e.g. the extent to which a potential increase in the price of printed book leads to a higher demand for e-books).

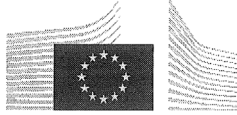
- Studies on impact of VAT changes in the publishing sector:



- Studies investigating the pass-through rates in the publishing sector:

- Studies estimating own and cross-price elasticities:

THANK YOU FOR YOUR TIME AND COOPERATION



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
Indirect Taxation and Tax administration
VAT and other turnover taxes

Brussels, 20.02.2013
CM/mve taxud.c.1(2013)255263

Subject: Economic study on publications on all physical means of support and electronic publications

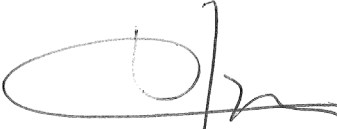
Dear Madam, Dear Sir,

In the framework of the above mentioned study, **Europe Economics** (www.europe-economics.com), which is an independent economic consultancy, has been appointed by the **European Commission** (Directorate-General Taxation and Customs Union) to conduct a study related to the potential revision of VAT rates that apply to published materials (books, periodicals, newspapers) provided in physical formats (e.g. printed copies, cassettes, diskettes, CDs, DVDs, CD-ROMs, USB sticks, etc.) or electronic formats (e.g. downloadable content which is viewable on PC, tablets, electronic reading devices, etc.).

I would appreciate your support in conducting this study by providing to the mentioned consultant any quantitative data and other information that might be available to you.

We thank you sincerely for your kind cooperation.

Yours faithfully,



Donato RAPONI
Head of Unit



2. Questionnaire to newspapers trade associations

Europe Economics (www.europe-economics.com) and Ramboll (<http://www.ramboll-management.com/>) are conducting a study on behalf of the European Commission (DG Taxation and Customs Union) related to the potential revision of VAT rates that apply to published materials (books, periodicals, newspapers) provided in physical formats (e.g. printed copies, cassettes, diskettes, CDs, DVDs, CD-ROMs, USB sticks, etc.) or electronic formats (e.g. downloadable content which is viewable on PC, tablets, electronic reading devices, etc.). A support letter from the European Commission is attached at the end of this file.

In the framework of this study we have been requested to gather quantitative and qualitative data that would help us gain a better understanding of the market for newspapers and digital newspapers in Europe. We believe that you might have access to some of this information and we would very much appreciate your help.

We will be asking you for data on the European market and the supply chain of the publishing sector (publishing and distribution). Finally, we will ask you to direct us to references that could be relevant for this study.

We thank you in advance for your cooperation, and we would appreciate if you could **answer this questionnaire by the 29 March**.

NOTE: By digital newspapers we mean digital issues of the newspaper that can be read online or downloaded at a price/ subscription cost. This excludes the newspapers' webpages that can be usually accessed free of charge.

Overview

Q1. Please describe briefly

- a. What types of stakeholders do you represent (e.g. small or big market players, etc.):
- b. What share of the European market does your organisation cover. :

Data related to the European market

Q2. What is the total number and the total value of newspapers (printed newspapers, digital newspapers, and newspapers sold cross-border) sold in Europe in the last year — or last year for which data is available — and how do you see these changing in 5 years from now? (Please fill in the table below).

	Number of copies sold	Total value	Year	Expected sales 2018	
				Number of copies	Total value
Printed newspapers	[Total copies]	[Total €]	[Year]	[Total copies]	[Total €]
Digital newspapers	[Total copies]	[Total €]	[Year]	[Total copies]	[Total €]
Newspapers sold cross-	[Total copies]	[Total €]	[Year]	[Total copies]	[Total €]

**border**

Q3. Please provide the total number and total value of newspapers, for different newspapers categories, sold in Europe in the last year – or last year for which data is available.

Printed Newspapers	Number of copies sold	Year	Total value	Year
General news (national)	[Total copies]	[Year]	[Total €]	[Year]
Financial (national)	[Total copies]	[Year]	[Total €]	[Year]
Sport / gossip (national)	[Total copies]	[Year]	[Total €]	[Year]
Local news	[Total copies]	[Year]	[Total €]	[Year]
Foreign general news	[Total copies]	[Year]	[Total €]	[Year]
Other categories				
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
Total printed newspapers	[Total copies]	[Year]	[Total €]	[Year]

Data on the supply chain

Q4. Indicate the share (% of total price) each step of the supply chain has on the final prices. Please use your best estimate to fill in the table below.

	% of final price	
	Printed newspapers	Digital newspapers
Content creators (copyright royalties)	[0%]	[0%]
Printers / digital writers	[0%]	[0%]
Wholesalers	[0%]	[0%]
Distributors	[0%]	[0%]
Retailers	[0%]	[0%]
	100%	100%



Q5. Please indicate the extent to which you see that the following business models are being applied by the companies in the newspaper publishing industry in Europe. Please tick the most appropriate answer for each business model.

	Hardly used	Used to some extent	Widely used
Vertically separated model: the supply chain is vertically separated into steps (Content creation/ Aggregation / Printing-digital editing / Wholesaling / Distribution / Retailing – online or offline) each one being under the responsibility of a separate firm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integrated model: the supply chain is vertically separated into steps (Content creation/ Aggregation/ Printing-digital editing / Wholesaling / Distribution / Retailing) however one firm is responsible for the majority or all of the steps (e.g. in the online market: Financial Times, The Economist, The Guardian, Der Spiegel)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The internet retail model: Publishing and printing are under the responsibility of publishers, but wholesaling, distribution, and retailing are carried out by specialised on-line sellers (e.g. isubscribe.co.uk)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The internet retail model – integrated: The publishers handle publishing and printing as usual and are also responsible for wholesaling, distribution, and/or retailing through an online platform, website or archive set up by the publisher alone or in corporation with others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The digital-age model: A digital platform displays the news and the main contributors are professionals as well as non-professionals. Users are able to share and discuss the news (e.g. Huffington Post, Rue89, Mediapart, NU.nl)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aggregator model: News are aggregated and displayed at a single platform or application by aggregators (e.g. Google News, Yahoo News, Digg, Slate, NetVibes, Flipboard Pulse, Zite, Instapaper)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify):			



Q6. Publishers have for some time started to move into the market for digital newspapers. Please indicate the extent to which you see that the following business models are being applied by the companies in the newspaper publishing industry in Europe. Please tick the model that better describes the behaviour of European publishers who are moving into the online news market.

Integrated approach – e.g. via online platform: Publishers set up an online platform for wholesaling, distribution, and/or retailing of digital newspapers alone or in corporation with others (e.g. Financial Times, The Economist, The Guardian, Der Spiegel)

Outsourced approach - agreement with aggregator or retailer: Publishers enter into agreement with online aggregators or retailers who are responsible for distribution, and/or retailing of digital newspapers (e.g. isubscribe.co.uk)

Other (please specify):

Data on publishing

Q7. Indicate the market shares (number of copies sold) for the top four publishers in Europe in the last year – or last year for which data is available (Please fill in the table below).

	Name of publisher	% of copies sold		Year
		Printed Newspapers	Digital Newspapers	
Publisher 1	[Name]	[0%]	[0%]	[Year]
Publisher 2	[Name]	[0%]	[0%]	[Year]
Publisher 3	[Name]	[0%]	[0%]	[Year]
Publisher 4	[Name]	[0%]	[0%]	[Year]
Other publishers	[No names required]	[0%]	[0%]	[Year]
		100%	100%	

**Data on distribution**

Q8. Indicate the revenue share sold through the following distribution channels in the last year — or last year for which data is available (Please fill in the table below).

	% of copies sold		Year
	Printed Newspapers	Digital Newspapers	
Direct (e.g. postal delivery/download directly from the publisher)	[0%]	[0%]	[Year]
Internet retailers	[0%]	[0%]	[Year]
Small retailers (e.g. kiosks, newsagents, gas stations, etc.)	[0%]	[0%]	[Year]
Other physical retailer (e.g., shopping malls, supermarkets, etc.)	[0%]	[0%]	[Year]
Institutional and commercial bodies (e.g. libraries, universities, schools, offices etc.)	[0%]	[0%]	[Year]
Other [Please indicate]	[0%]	[0%]	[Year]
	100%	100%	



Q9. Please indicate the degree of competition between players operating in each of the following distribution channels (please tick the appropriate boxes).

	Very competitive (many players with similar market shares)	Moderately competitive (More than two players with similar market shares and other smaller ones)	Duopoly (two leading player with significantly higher market shares than all the others)	Very Little competition (one leading player with a significantly higher market share than all the others)
Internet retailers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Small retailers (e.g. kiosks, newsagents, gas stations, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other physical retailers (e.g., shopping malls, supermarkets, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional and commercial bodies (e.g. libraries, universities, schools, offices etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other [Please indicate]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q10. As you see it, are there any barriers or drivers for the business in the publishing or retail of newspapers that might affect industry and market development in Europe? Examples could include state aid, regulation, fixed unit prices etc:

Other references



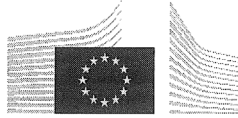
Q11. Finally we would like to know if you have conducted or are aware of any study on the impact that changes of VAT rates have in the publishing industry, studies investigating the pass-through rates (e.g. the extent to which a potential increase in publishers' production costs is reflected into the final retail price); or studies on own-price elasticity of demand for newspapers (e.g. how sensitive the demand for newspapers is to an increase in the retail price), or cross price elasticity between printed material and digital material (e.g. the extent to which a potential increase in the price of printed newspapers leads to a higher demand for digital newspapers).

- Studies on impact of VAT changes in the publishing sector:

- Studies investigating the pass-through rates in the publishing sector:

- Studies estimating own and cross-price elasticities:

THANK YOU FOR YOUR TIME AND COOPERATION



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
Indirect Taxation and Tax administration
VAT and other turnover taxes

Brussels, 20.02.2013
CM/mve taxud.c.1(2013)255263

Subject: Economic study on publications on all physical means of support and electronic publications

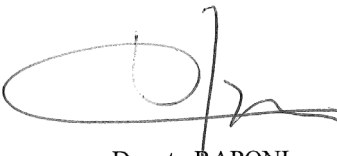
Dear Madam, Dear Sir,

In the framework of the above mentioned study, **Europe Economics** (www.europe-economics.com), which is an independent economic consultancy, has been appointed by the **European Commission** (Directorate-General Taxation and Customs Union) to conduct a study related to the potential revision of VAT rates that apply to published materials (books, periodicals, newspapers) provided in physical formats (e.g. printed copies, cassettes, diskettes, CDs, DVDs, CD-ROMs, USB sticks, etc.) or electronic formats (e.g. downloadable content which is viewable on PC, tablets, electronic reading devices, etc.).

I would appreciate your support in conducting this study by providing to the mentioned consultant any quantitative data and other information that might be available to you.

We thank you sincerely for your kind cooperation.

Yours faithfully,



Donato RAPONI
Head of Unit



3. Questionnaire to periodical magazines trade associations

Europe Economics (www.europe-economics.com) and Ramboll (<http://www.ramboll-management.com/>) are conducting a study on behalf of the European Commission (DG Taxation and Customs Union) related to the potential revision of VAT rates that apply to published materials (books, periodicals, newspapers) provided in physical formats (e.g. printed copies, cassettes, diskettes, CDs, DVDs, CD-ROMs, USB sticks, etc.) or electronic formats (e.g. downloadable content which is viewable on PC, tablets, electronic reading devices, etc.). A support letter from the European Commission is attached at the end of this file.

In the framework of this study we have been requested to gather quantitative and qualitative data that would help us gain a better understanding of the market for periodicals and digital periodicals in Europe. We believe that you might have access to some of this information and we would very much appreciate your help.

We will be asking you for data on the European market and the supply chain of the publishing sector (publishing and distribution). Finally, we will ask you to direct us to references that could be relevant for this study.

We thank you in advance for your cooperation, and we would appreciate if you could **answer this questionnaire by the 29 March**.

NOTE: By digital periodicals we mean digital issues of the magazine that can be read online or downloaded at a price/ subscription cost. This excludes the magazines' webpages that can be usually accessed free of charge.

Overview

Q1. Please describe briefly

- a. What types of stakeholders do you represent (e.g. small or big market players, etc.):
- b. What share of the European market does your organisation cover. :

Data related to the European market

Q2. What is the total number and the total value of periodicals (printed periodicals, digital periodicals, and periodicals sold cross-border) sold in Europe in the last year — or last year for which data is available — and how do you see these changing in 5 years from now? (Please fill in the table below).

	Number of copies sold	Total value	Year	Expected sales 2018	
				Number of copies	Total value
Printed periodicals	[Total copies]	[Total €]	[Year]	[Total copies]	[Total €]
Digital periodicals	[Total copies]	[Total €]	[Year]	[Total copies]	[Total €]
Periodicals sold cross-	[Total copies]	[Total €]	[Year]	[Total copies]	[Total €]

**border**

Q3. Please provide the total number and total value of periodicals, for different periodicals categories, sold in Europe in the last year — or last year for which data is available.

Printed periodicals	Number of copies sold	Year	Total value	Year
General interest	[Total copies]	[Year]	[Total €]	[Year]
Financial	[Total copies]	[Year]	[Total €]	[Year]
Sport / hobbies	[Total copies]	[Year]	[Total €]	[Year]
Women interest				
Foreign magazines	[Total copies]	[Year]	[Total €]	[Year]
Other categories				
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
[Please state]	[Total copies]	[Year]	[Total €]	[Year]
Total printed periodicals	[Total copies]	[Year]	[Total €]	[Year]

Data on the supply chain

Q4. Indicate the share (% of total price) each step of the supply chain has on the final prices. Please use your best estimate to fill in the table below.

	% of final price	
	Printed periodicals	Digital periodicals
Content creators (copyright royalties)	[0%]	[0%]
Printers / digital writers	[0%]	[0%]
Wholesalers	[0%]	[0%]
Distributors	[0%]	[0%]
Retailers	[0%]	[0%]
	100%	100%



Q5. Please indicate the extent to which you see that the following business models are being applied by the companies in the magazine publishing industry in Europe. Please tick the most appropriate answer for each business model.

	Hardly used	Used to some extent	Widely used
Vertically separated model: the supply chain is vertically separated into steps (Content creation/ Aggregation / Printing-digital editing / Wholesaling / Distribution / Retailing – online or offline) each one being under the responsibility of a separate firm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integrated model: the supply chain is vertically separated into steps (Content creation/ Aggregation / Printing-digital editing / Wholesaling / Distribution / Retailing) however one firm is responsible for the majority or all of the steps.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The internet retail model: Publishing and printing are under the responsibility of publishers, but wholesaling, distribution, and retailing are carried out by specialised on-line sellers (e.g. Amazon.com, Magazine Subscriptions.co.uk, isubscribe.co.uk)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The internet retail model – integrated: The publishers handle publishing and printing as usual and are also responsible for wholesaling, distribution, and/or retailing through an online platform, website or archive set up by the publisher alone or in corporation with others (e.g. Egmont Magasiner, Bonnier, Magazinesdirect.com by IPC Media)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aggregator model: Periodicals are aggregated and displayed at a single platform or application by aggregators (e.g Slate, Pulse, Zite)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other (please specify):



Q6. Publishers are starting to move into the market for digital periodicals. Please indicate the extent to which you see that the following business models are being applied by the companies in the magazine publishing industry in Europe. Please tick the model that better describes the behaviour of European publishers who are moving into the online magazine market.

By-product model: Online versions of magazines are offered by the publishers as a by-product of the printed magazine. Through buying a print magazine, free access is provided to an online version

Integrated approach – e.g. via online platform: Publishers set up an online platform for wholesaling, distribution, and/or retailing of digital periodicals alone or in corporation with others

Outsourced approach - agreement with aggregator or retailer: Publishers enter into agreement with online aggregators or retailers who are responsible for distribution, and/or retailing of digital periodicals

Other (please specify):

Data on publishing

Q7. Indicate the market shares (number of copies sold) for the top four publishers in Europe in the last year – or last year for which data is available (Please fill in the table below).

	Name of publisher	% of copies sold		Year
		Printed periodicals	Digital periodicals	
Publisher 1	[Name]	[0%]	[0%]	[Year]
Publisher 2	[Name]	[0%]	[0%]	[Year]
Publisher 3	[Name]	[0%]	[0%]	[Year]
Publisher 4	[Name]	[0%]	[0%]	[Year]
Other publishers	[No names required]	[0%]	[0%]	[Year]
		100%	100%	

**Data on distribution**

Q8. Indicate the revenue share sold through the following distribution channels in the last year — or last year for which data is available (Please fill in the table below).

	% of copies sold		Year
	Printed periodicals	Digital periodicals	
Direct (e.g. postal delivery/download directly from the publisher)	[0%]	[0%]	[Year]
Internet retailers (e.g. Amazon)	[0%]	[0%]	[Year]
Small retailers (e.g. kiosks, newsagents, gas stations, etc.)	[0%]	[0%]	[Year]
Other physical retailer (e.g., shopping malls, supermarkets, etc.)	[0%]	[0%]	[Year]
Institutional and commercial bodies (e.g. libraries, universities, schools, offices etc.)	[0%]	[0%]	[Year]
Other [Please indicate]	[0%]	[0%]	[Year]
	100%	100%	



Q9. Please indicate the degree of competition between players operating in each of the following distribution channels (please tick the appropriate boxes).

	Very competitive (many players with similar market shares)	Moderately competitive (More than two players with similar market shares and other smaller ones)	Duopoly (two leading player with significantly higher market shares than all the others)	Very Little competition (one leading player with a significantly higher market share than all the others)
Internet retailers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Small retailers (e.g. kiosks, newsagents, gas stations, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other physical retailer (e.g., shopping malls, supermarkets, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional and commercial bodies (e.g. libraries, universities, schools, offices etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other [Please indicate]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q10. As you see it, are there any barriers or drivers for the business in the publishing or retail of periodicals that might affect industry and market development in Europe? Examples could include state aid, regulation, fixed unit prices etc:

Other references

Q11. Finally we would like to know if you have conducted or are aware of any study on the impact that changes of VAT rates have in the publishing industry, studies investigating the pass-through rates (e.g. the extent to which a potential increase in publishers' production costs is reflected into the final retail price); or studies on own-price elasticity of demand for periodicals (e.g. how sensitive the demand for periodicals is to an increase in the retail price), or cross price elasticity between printed material and digital material (e.g. the extent to which a potential increase in the price of printed periodicals leads to a higher demand for digital periodicals).

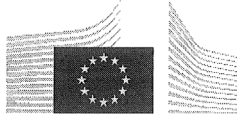


- Studies on impact of VAT changes in the publishing sector:

- Studies investigating the pass-through rates in the publishing sector:

- Studies estimating own and cross-price elasticities:

THANK YOU FOR YOUR TIME AND COOPERATION



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
Indirect Taxation and Tax administration
VAT and other turnover taxes

Brussels, 20.02.2013
CM/mve taxud.c.1(2013)255263

Subject: Economic study on publications on all physical means of support and electronic publications


Dear Madam, Dear Sir,

In the framework of the above mentioned study, **Europe Economics** (www.europe-economics.com), which is an independent economic consultancy, has been appointed by the **European Commission** (Directorate-General Taxation and Customs Union) to conduct a study related to the potential revision of VAT rates that apply to published materials (books, periodicals, newspapers) provided in physical formats (e.g. printed copies, cassettes, diskettes, CDs, DVDs, CD-ROMs, USB sticks, etc.) or electronic formats (e.g. downloadable content which is viewable on PC, tablets, electronic reading devices, etc.).

I would appreciate your support in conducting this study by providing to the mentioned consultant any quantitative data and other information that might be available to you.

We thank you sincerely for your kind cooperation.

Yours faithfully,



Donato RAPONI
Head of Unit



4. Summary of academic articles

Note: this section contains extracts taken directly from the sources quoted and is not meant to be published.

1.1 Argentesi, E. and Filistrucchi, L. (2005) "Estimating market power in a two-sided market: the case of newspapers", *European University Institute Working Paper ECO 2005/7*

Product Category	Newspapers
Product type	Daily Newspapers
Mean	Physical
Geography	Italy
Method	Time-series, logit
Estimates	Market power, Demand, Cross-elasticities
Relevance & comments	Medium, cross-price elasticities but no electronic dimension

Key Argument

The authors aim to determine whether price setting in the newspaper industry is a result of profit maximisation by the firms involved, or whether it is determined by coordinated practice.

Overview

The paper consists of a literature review on two-sided media markets. It also includes a descriptive section of the Italian daily newspaper industry. Analysis of the price elasticity of demand for evening newspapers in the UK.

Data and Methods

Demand is modelled for each side of the market using data collected from various data sources, including Accertamenti Diffusione Stampa (ADS), Federazione Italiana Editori Giornali (FIEG), Audipress. The data forms a panel including information on the four largest newspapers from 1976 to 2003.

Both demand for advertising and for readership are estimated by using a multinomial logit specification. For the supply side, two hypothetical mark-ups, one for competition and another for collusion, are derived.

Results and Conclusions

The own-price elasticity was estimated at -0.48, while cross-elasticities ranged from 0.008 for Corriere de la Sera to 0.002 for Il Giornale.



1.2 Argentesi, E. and Ivaldi, M. (2005) "Market Definition in Printed Media Industry: Theory and Practice"

Product Category	Printed Media
Product type	Magazines
Mean	Physical
Geography	France
Method	Nested logit
Estimates	Demand parameters for market definition in printed media, own- and cross-price elasticities for each magazine
Relevance & comments	Low – estimation of cross-elasticities between titles.

Key Argument

Failure to account for important market characteristics in any estimation exercise for demand in the printed media sectors would bias the results of cross-elasticities.

Overview

The paper begins by looking at how the relevant market has been defined in antitrust cases involving the printed media markets. Also, it reviews empirical studies related to the estimation of demand in these markets.

The empirical model developed aims to estimate demand parameters, such as price elasticity, which are crucial in determining the degree of substitutability between titles. The model accounts for the two-sidedness of the market; vertical and horizontal product differentiation and the definition of total market size (outside good).

Data and Methods

The data panel covered the French magazines' market between 1996 and 2001. Information included subscriptions, circulation, sales, prices, subscription fees, among others. It was used to construct readers' demand using a nested logit model.

The two-sidedness of the market is accounted for by using advertising as an instrumental variable.

Results and Conclusions

The estimation yields own- and cross-price elasticities per magazine studied.

By means of the econometric analysis, the authors prove that failing to account for certain aspects of the market can lead to biased estimates for cross-elasticities.



1.3 Blair, R. D. and Romano, R. E. (2001), "Pricing Decisions of the Newspaper Monoplist", *Southern Economic Journal*.

Product Category	Newspapers
Product type	Daily Newspapers
Mean	Physical
Geography	United States
Method	Theoretical model
Estimates	
Relevance & comments	Low – pricing decision of two-sided daily newspaper market (print)

Key Argument

The paper models the two-sidedness of the daily newspaper market.

Overview

The paper looks at the firm's pricing decisions in choosing prices for its newspaper and advertising space. The authors depart from the assumption that daily newspapers of general interest operate as monopolists in *their* city. This is in line with observations in the United States.

Data and Methods

No empirical analysis, theoretical model only.

1.4 Bain & Company (2011) "Publishing in the Digital Era", *Forum d'Avignon*

Product Category	Books, Newspapers & Magazines
Product type	Online, electronic
Mean	Electronic
Geography	US, JP, DE, FR, UK, S Korea
Method	Survey
Estimates	
Relevance & comments	Low – descriptive, no details on analysis

Key Argument

Readership increases in readers who own an electronic reader.



Data and Methods

A survey covering 3,000 individuals was conducted in United States, Japan, Germany, France, United Kingdom and South Korea.

The paper presents penetration rates for tablet and e-readers and prices.

Results and Conclusions

The survey showed that individuals read more if they have a digital reader and that they are willing to pay for one. Also, readers of online press are only willing to pay for premium content.

1.5 Canoy, M. et al. (2005) "The Economics of Books" Cesifo Working Paper No. 1414, February 2005

Product Category	Books
Product type	Books
Mean	Physical
Geography	US
Method	Time lags and accidental omissions
Estimates	Bestseller list's Impact on Book Sales
Relevance:	None

Key Argument

The only role for government intervention in the book market is that of promoting reading as the market itself can find solutions to any problems specific to book trade.

Overview

This study draws from a wide range of literature and econometric tests to assess the arguments for government intervention in the culture book market. It first provides an overview about different book market structures and reading behaviours among countries. It examines the market failure identified in the book market by previous studies and zooms into the specific features of book market that self-correct these problems. The study also looks at the impacts of policies that governments have adopted to stimulate reading and to promote the diversity of publishing and distribution. Another aspect assessed is retail price maintenance and fixed price agreements in the book market. The authors point out that there is not enough evidence of the cultural effects of government intervention in the sector.

Data and Method

Cross-country comparisons of markets (number of titles, revenues, reading frequency, book production, etc) and practices in the book markets.

A review of previous studies into the price elasticity of books is provided on page 12.



Results

The book market performs reasonably well in terms of cultural value without market intervention. The few market failures in the book market are easily corrected by means of market mechanisms. Existing differences between countries in levels of reading, production and retail and wholesale distribution are difficult to explain due to lack of data.

The argument for fixed book price agreements is not supported by the authors who state that the common case against them is that the competitive equilibrium would yield lower prices and higher sales volume. Moreover, they stress that cross-subsidisation of debutantes will take place without such agreements.

1.6 CERNA (2011) "Pricing (and Selling) Copyrighted Goods on a Digital Support: The Case of Magazine Press", Working Paper, Chaire ParisTech d'Economie des Médias et des Marques, June 2011

Product Category	Magazines
Product type	Magazine, digital and print
Mean	Physical and electronic
Geography	
Method	Mathematical profit maximisation problem
Estimates	
Relevance & comments	Low - Brief discussion of complementarity between print and digital magazine editions

Key Argument

The digitalisation of the media industry, specifically the introduction of a digital dimension (reading tablets) for magazine publishing, is expected to introduce positive network externalities in the market if hardware producers, media publishers and distributors work cooperatively to develop a new "hybrid digital press model".

The authors argue that besides experiencing a substitution effect from the new digital editions, there will be a complementarity effect in the market as "due to the increased utility of the paper version for those who can afford to take the time to go to the kiosk and read their chosen paper magazine after having browsed on their digital press review."

Overview

The paper describes the magazine publishing market, reviewing its characteristics and drawing to the effect of digitalisation in the sector. The paper models pricing in the sector, addressing the standpoint of all market agents to determine for what price the editors and distributors of magazines would support the cost of rolling out digitally.

Data and Methods

The paper doesn't include any data analysis.



A mathematical profit-maximisation model is solved for each market participant, i.e. platform manufacturer, publishing brand, digital media distributor and consumers.

Results and Conclusions

Since the sector had been digitalised, the only limitation in the trade of magazines is the language in which they are written. Different strengths of media brands will ensure different levels of quality in the information published.

1.7 Ciraci, D. (2010) "Struttura, tendenze e innovazione tecnologica nel settore librario italiano." (Market Structure, Trends and Technological Innovation in the Italian Book Publishing Industry), *L'Industria, Nuova Serie, Vol. 31, Iss. 3, p. 459-83.*

Product Category	Books
Product type	Books
Mean	Physical
Geography	Italy
Method	
Estimates	
Relevance & comments	Low – description of characteristics of Italian market

Key Argument

The Italian book industry is characterised by a mature demand side and a concentrated supply side. In other words, the sale of a few titles means the retail market is starting to concentrate as well.

Overview

Italian book production is characterised by being concentrated which means that only a few printed titles become available. Moreover, demand for books is structurally weak constraining growth of the sector.

Data and Methods

No information, only abstract available.

Results and Conclusions

The development of alternative supply options such as print on demand, online books, e-books will help the supply side adapt to the readers' consumption habits.



1.8 Deleersnyder, B. et al. (2001) "How Cannibalistic is the Internet Channel?"

Product Category	Newspapers
Product type	Daily Newspapers
Mean	Physical and Internet channels
Geography	UK and Netherlands
Method	Time-series
Estimates	Growth rates for print distributions
Relevance & comments	Medium – proof of low substitution between print and companion website

Key Argument

The fears of cannibalisation by the internet in the newspaper industry are exaggerated.

Overview

The paper assesses the impact of a newspaper's introduction of an internet presence on its long-run performance. First, a literature review surrounding cannibalisation by internet channels is presented.

Data and Methods

The dataset consists of 85 internet addition to the British and Dutch newspaper markets. Structural-break time-series econometrics is used to quantify the impact of the development of an Internet channel on the performance of the printed newspapers (as a channel) in the long-run.

Results and Conclusions

Although the cannibalisation effect of the internet of the traditional channel is found to be overestimated, the degree of cannibalisation was found to be higher where the former channel reproduces the latter more closely.

1.9 Depken II, C. A. and Wilson, D. P. (2004) "Is Advertising a Good or a Bad? Evidence from U.S. Magazine Subscriptions"

Product Category	Magazines
Product type	Advertising
Mean	Physical and Electronic
Geography	US
Method	
Estimates	Moderate – assesses whether of advertising on magazines is a good a or a bad



Key Argument

Increasing the intensity of advertising on magazines reduces the number of subscriptions.

“Advertisements that replace editorial content on a one-to-one basis reduce both the quantity and the price of magazine subscriptions. However, the full impact is ambiguous.”

Overview

The study first looks at the role of advertising in circulation industries (i.e. magazines/newspapers) via extensive literature review. It uses different case studies to explore the potential correlation between different parties/factors, (e.g. price of magazine vs amount of advertising, number of subscription vs the amount one can charge for advertising). It thus proposes different hypothesis from both a consumers' perspective and a publishing firms' perspective to be tested.

Data and Method

The authors “apply three-stage least squares (3SLS) to a two-equation system describing the yearly price of subscriptions and the annual number of subscriptions for each magazine.” The 3SLS approach allows them to “enhance the efficiency of parameter estimates by taking advantage of the information embodied in any cross equation correlation. We are able to identify how advertising impacts the demand for magazine subscriptions, indicating whether consumers consider advertising a good or a bad. The model treats the quantity demanded and price of subscriptions as endogenous.”

There are two approaches used by other studies to evaluate the characterisation of advertising:

- a. Publisher-oriented approach assumes publisher compensates consumers for the additional advertising by reducing its cover price (though there's a lack of evidence of that). Hence advertising is a weak bad.
- b. Consumer-orientated approach believes advertising is no different from other consumption in which consumers can make a decision about. Hence, it can be either good or bad.

Results

1. If advertising increases by 1%, but the total number of pages remains the same, the quantity of subscription and the price charged declines. Hence, advertising is a consumer bad if it's a direct substitute for the editorial content.
2. “The total impact of advertising is related to the proportion of advertising measured as a proportion of the magazine. Among our data, for 45 magazines advertising is unambiguously a good, for 31, it is unambiguously a bad, and for the remaining magazines, advertising is a weak good as it raises the price and lowers demand for magazines at the same time.”
3. “Advertising being good or bad does not imply inconsistencies with publishers' profit maximising nature as loss in magazine sales revenue could be compensated by advertising revenue.”



1.10 Detrouzos, J. N. and Trautman, W. B. (1990) "Economics Effects of Media Concentrations: Estimates from a Model of the Newspaper Firm", *The Journal of Industrial Economics*, Vol. XXXIX, No. 1, September 1990

Product Category	Newspapers
Product type	Newspapers
Mean	Physical
Geography	US
Method	2-stage least squares
Estimates	Demand for advertising and circulation
Relevance & comments	Low – large focus on advertising, outdated

Key Argument

There are scale economies in the distribution and sale of print newspapers. Chain newspapers are not more efficient in production when compared to independent newspapers.

Overview

A five-equation model of newspaper operations is estimated which estimates demand for circulation and advertising.

Data and Methods

Data was gathered by circulating a questionnaire among 1000 daily newspaper companies registered with the Audit Bureau of Circulations, of which 200 were determined to be 'usable' responses. The analysis, however, only included responses by firms having single-editions which amounted to 129 responses.

The analysis found that the partial elasticity of demand for advertising was significant with a coefficient of -0.87. The total elasticity (which includes the 'spiral' effect of a decrease in advertising on demand, and the latter on advertise, etc.) was estimated to be -1.08.

The elasticity of demand for advertising with respect to circulation is found to be 0.82 and not significantly different to the own price elasticity.

Results and Conclusions

The economies of scale in the production of print newspapers are a likely cause of concentration and lack of competition in the industry.



1.11 Filistrucchi, L. (2005) "The impact of internet on the market for daily newspapers in Italy", European University Institute, September 2005

Product Category	Newspapers
Product type	Daily Newspapers (survey incl. magazines)
Mean	Physical and website companion
Geography	Italy
Method	Time-series, logit, OLS
Estimates	Loss in sales from website launch
Relevance & comments	Medium – Substitutability assessment with companion website.

Key Argument

The paper assesses whether online and print versions of daily newspapers are substitutes, complements or independent goods.

Overview

A discussion of why the two products, printed newspapers and companion websites, may be substitutes is presented in the introduction.

Data and Methods

The choice between daily newspapers is modelled as a discrete one. This is done by regarding the availability of a companion website as a product characteristic of the newspaper.

Demand is estimated using a logit model and data from 1976 to 2001 for the main daily national newspapers in Italy. The data was collected by Italian research centre Censis in 2000.

A dynamic model is estimated by OLS.

Results and Conclusions

The analysis showed that a single newspaper's launch of a website had a negative impact on the market shares of that newspaper (print) and that of its rivals. The author links this result to the common practice started in 2001 by Italian newspapers of charging a fee for website access.

On average, the newspaper's own loss in sales (in the short-run) from launching a website was estimated to be 3.1 per cent, while the loss from a competitor launching an online site was 1.5 per cent. Therefore, the author concludes that the two products appear to be substitutes.



1.12 Filistrucchi, L. et al. (2010) “Merger Simulation in a Two-Sided Market: The Case of the Dutch Daily Newspapers”

Product Category	Newspapers
Product type	Daily Newspapers
Mean	Physical and Internet channels
Geography	Netherlands
Method	Time-series
Estimates	Demand, subscription price elasticities
Relevance & comments	Medium – Demand for Dutch newspapers and SSNIP test for two-sided markets is used

Key Argument

The authors model mergers between firms selling differentiated products in two-sided markets, studying the network effects, prices and welfare impacts using a structural econometric framework.

Overview

A brief literature review presents previous work on mergers in two-sided industries.

The Dutch market for newspapers is described in detail.

An adaptation of the SSNIP test previously developed by one of the authors (incorporating network effects) is used to test the market definition and simulation results.

The model developed is based on price competition.

Data and Methods

The analysis is carried out using data for the Dutch newspaper market from Het Oplage Instituut (HOI) and Nielsen (for advertising).

Demand on both sides of the market is estimated using quarterly subscription prices and employing a logit model. Also, a hypothetical merger between six newspapers is simulated.

The elasticity of subscription prices was found to lie between depending on the specification.

The merger simulation led to the conclusion that when the two-sidedness of the market is accounted for, the merger’s effect on prices is lower.



1.13 Gaffeo, E., Scorcu, A. E. and Vici, L. (2008) "Demand Distribution Dynamics in Creative Industries: the Market for Books in Italy"

Product Category	Books
Product type	Books
Mean	Physical
Geography	Italy
Method	Econometrics
Estimates	Distribution of Sales?
Relevance	Limited – provides some business on the book industry

Key Argument

The study of the distribution dynamics of the demand for books in Italy reveals that Italian novels, foreign novels and essays sales can be fitted by a power law distribution.

Overview

The study recognises that social interaction and information transmission are powerful forces shaping the economics of the book publishing industry. The book market is characterised by complex dynamics where the demand of new books is an unknown which evolves dynamically over time according to decentralised information processes and the supply adjusts to meet this continuously evolving demand. This study examines the role played by peer-to-peer influences among heterogeneous buyers on book sales by empirically exploring some of the leading features of the demand for books in Italy, focusing directly on the distributional characteristics of the data. The key argument of the research methodology is that alternative assumptions on the decision-making process adopted by prospective buyers should lead to distinct invariant (i.e., long run) distributions of sales among all the titles available on the market. The emergence of certain regularities on the way the data are distributed help to discriminate among alternative models of consumption behaviour, or on the plausibility of their underlying assumptions.

Data and Method

"The empirical analysis contained in this paper is based on proprietary data (Source: Demoskopoea) on books' sales, organised as bi-monthly samples of unitary prices and number of volumes sold in Italy between January 1994 to and December 1996. For each year we dispose of five bi-monthly samples are used for each year. Only books which sold more than 600 copies in each two-month window are included. The final dataset contains 4,510 books written by 2,294 authors."

This paper uses "a simple model of information transmission model and Bayesian updating which shows how alternative invariant (i.e., steady-state) market share distributions can be derived from assumptions on the degree of returns to information in markets characterized by word-of-mouth."



“If agents are allowed to communicate directly about the quality of an item, increasing returns to information ($\gamma > 1$) implies a long-run degenerate demand distribution, with one superstar approaching a market share of 1. If the flow of information on the quality of the book exhibits constant returns ($\gamma = 1$), in turn, demand distributes itself among items according to a Pareto distribution. Finally, an exponential distribution emerges in the long-run when the transmission of information is bounded by decreasing returns ($\gamma < 1$).”

Results

The demand distribution is Pareto, with a characteristic exponent ranging between 0.9 to and 1.5.

“The information transmission in the Italian market for books is likely to be characterized by constant returns. The dynamics of the book demand distribution supports the *nobody-knows*, the *winner-takes-all* and the *success-breeds-success* principles, all of them features that the publishing industry shares with other creative industries.”

The degree of uncertainty surrounding the market for books follows a seasonal pattern, with Christmas being the most risky period of the year because sales increase during the holiday period but are concentrated on a reduced number of titles..

1.14 Gentzkow, M. (2007) “Valuing New Goods in a Model with Complementarity: Online Newspapers”, *American Economic Review*, June 2007, Vol. 97, Iss. 3.

Product Category	Newspapers
Product type	Daily Newspaper
Mean	Physical and Electronic
Geography	US
Method	Theory and econometrics
Estimates	Cross-price Elasticity
Relevance & comments	Moderate – it estimates the cross-price elasticity between printed papers and free companion websites.

Key Argument

Printed and online editions of newspapers are significant substitutes.

Overview

The paper proposes a technique for estimating the impact of new goods which allows for the possibility that new goods could either substitute or complement old ones. The prevailing approach used in the literature on the effect of new goods relies on discrete choice models where consumers choose a single product from a given set. This implies that the consumption of new goods is restricted by assumption to crowd out the consumption of old goods. In contrast, the discrete choice model proposed in the



paper allows choosing two goods (e.g. old and new) simultaneously and therefore it does not exclude complementarity by assumption. The theoretical model is then estimated with data related to printed newspapers (old products) and online newspapers (new products). This allows investigating: (1) the degree of substitutability/complementarity between printed and online newspapers, (2) how consumers' surplus and publishers' surplus has changed as a result of the introduction of online newspapers, and (3) how profits would change if publishers started charging a price for online access (which is currently free).

Data and Methods

The model is estimated using survey data (gathered between March 2000 and February 2003) of 16,179 adults in Washington DC. The data includes information on individual and household characteristics and on all local print newspapers read over the last 24 hours and 5 weekdays, as well as readership of the major local online newspapers over the same periods. For the purpose of the estimation, consumers' choice is considered over the following alternative goods:

- The Washington Post;
- the Washington Times;
- post.com (the online version of the Washington Post);
- An outside option including other print and online newspapers, other news sources such as television and radio;
- No consumption at all.

A key empirical challenge is represented by the identification problem related to the inability to separate true substitutability or complementarity from correlation in consumer preferences. For example, observing that frequent online readers are also frequent print readers, might reflect complementary, but it might also reflect the fact that some consumers just have a greater taste for news overall. Two sources of additional information help solving this identification problem. The first one is prices. The second potential source of identification is panel data. If correlated unobservable such as taste for news are constant for a given consumer over time, observing repeated choices by the same consumer can allow us to separate correlation and complementarity. For example, a consumer who views the content of two papers as complementary would tend to read both of them on some days and neither on other days. A news junkie who views the papers as substitutes, on the other hand, would also read both with high frequency, but would be more likely to read them on alternate days. In the application, I have data on which newspapers consumers read in the last 24 hours, and also in the last five weekdays, a limited form of panel data I exploit in the estimation.

Results and Conclusions

- When accounting for observed heterogeneity (respondents' characteristics) and unobserved heterogeneity (individual random effects), print and online editions are significant substitutes. More specifically:
 - Raising the price of the *Washington Post* by \$.10 would increase *post.com* readership by about 2 per cent;
 - Removing the *post.com* from the market entirely would increase readership of the Post by 27,000 readers per day, or 1.5 per cent;



- The estimated \$33.2 million of revenue generated by the *post.com* comes at a cost of about \$5.5 million in lost Post readership.
- The choice of charging a zero price for the *post.com* can be rationalised as being optimal. More specifically:
 - If transaction costs (i.e. payment processing costs for the firm, and opportunity cost of entering credit card details for consumers) were zero, then the optimal price for on-line access would be in the region \$.20 per day, and the loss from charging the suboptimal price of zero is about \$8.8 million per year.
 - However, an online access price of zero is consistent with the presence of transactions costs greater than or equal to \$.13 per day.
 - Finally, because of growth in online advertising demand, the gain to raising online prices was virtually eliminated by 2004. This suggests that the zero price may have been part of a rational forward-looking strategy.

1.15 Hjorth-Andersen, C. (2000) "A Model of the Danish Book Market?", *Journal of Cultural Economics*, Vol. 24, p. 27–43.

Product Category	Books
Product type	Books
Mean	Physical
Geography	Danish
Method	Macro Model, Time Series
Estimates	Price and income elasticity
Relevance & comments	High – It estimates the demand for books

Key Argument

This study uses a simple macro model to represent and hence analyse the Danish Book Market.

Before, being an author was exclusively a supply-side activity. Nowadays, with the digitalisation of publishing activities, the sector is being transformed incorporating a demand-side to being an author, i.e. an author publishing online will require a reader.

Overview

This research studies the market structure and special features of the book market to derive a simple macro model. It analyses the supply factors (mainly the publishers evaluating the strength of demand and fine-tuning with respect to elasticity to decide which titles to be introduced and how much to price them) and demand factors (reading ability of the population, education, leisure and alternative goods) to construct the model. It also looks at other direct and indirect social effects due to factors such as the presence of public libraries.



Data and Method

The dataset consists of Source of data: Source: Time-series data from Hjorth-Andersen (1996) and the Danish Statistical Yearbook covering the market from 1973 to 1993. The data includes the number of titles published, index of real book price and real turnover in millions of 1973 Kroners.

Results

"There are three basic forces that determine demand and thereby the book market: Price; income; and the time trend as a proxy for competition from other media. The coefficient of titles is positive, but not statistically significant. The introduction of new titles does not expand demand very much, if at all. So, in effect when a publisher introduces a new title it will be at the expense of other publishers."

The price elasticity is significantly less than minus one at -1.44; the demand for books is price elastic. "Rising book prices will therefore lessen the total turnover of the book market."

"The income elasticity is estimated to be 1.97, the public library system has to be taken into account when consider the plausibility of the income elasticity."

"Books in Denmark are, apart from certain school books et cetera, a convenience good as one can always go to the library if he/she cannot afford the book."

1.16 Hua, G. et al. (2011) "Electronic Books: To 'E' or Not to 'E'? A Strategic Analysis of Distribution Channel Choices of Publishers", *International Journal of Production Economics*, Vol. 129, Iss. 2, p.338-46. February 2011

Product Category	Books
Product type	E-books and printed books
Mean	Electronic and physical
Geography	
Method	
Estimates	
Relevance & comments	Low – analyses the publisher's decision to publish e-books and printed books

Key Argument

A publisher should choose to only sell a book in printed format if the wholesale price for the printed book is high and the acceptance of e-books is low. If the wholesale price of printed books is low, then publishers should sell electronic versions of the book as well, regardless of the level of acceptance of the latter technology.

Overview

The paper analyses the decision to publish a book in print format only, only electronically, or whether to publish it simultaneously using both means.

*Data and Methods*

No information, only abstract available.

Results and Conclusions

The power of negotiation of a publisher over the bookstores depends on the wholesale price of printed books. The higher this price, the better negotiating position of the publisher, hence the book should be published in print. The degree of acceptance of e-books among readers negatively affects the negotiation powers of the publisher over the bookstore. Consequently, the higher the acceptance, the lower the power of negotiation, thus the publisher will sell more e-books.

1.17 Kadiyali, V. and Simon, D. H. (2006) "The Effect of a Magazine's Digital Content on its Print Circulation: Cannibalization or Complementarity?", *Information Economics and Policy*.

Product Category	Magazines
Product type	Magazine and website
Mean	Physical and companion website
Geography	
Method	
Estimates	
Relevance & comments	Low – (paper not available)

Key Argument

The publication of digital content by magazine publishers cannibalises the sales of their printed editions.

Data and Methods

The US consumer magazine market is used to investigate the effect of companion websites on circulation by analysing the market between 1996 and 2001.

Results and Conclusions

A magazine's printed circulation decreases by 3 per cent on average when its publishers offer content through a companion website. If the entire content of the print edition is offered online, the decrease in circulation is of 9 per cent.

The authors find no evidence of complementarity between the print version and the website.



1.18 Kaiser, U. (2001), "The Effects of Website Provision on the Demand for German Women's Magazines", Discussion Paper No. 01-69

Product Category	Magazines
Product type	Women's Magazines
Mean	Physical and ElectronicWeb
Geography	German
Method	Logit and Nested Logit Model
Estimates	Own price elasticity + cross-price elasticity between magazines
Relevance & comments	Moderate – it estimates the cross-price elasticity between printed magazines and free companion websites.

Key Argument

Website provision does not significantly affect German Women's magazines' market shares. It lowers price elasticity of demand. Websites are used to provide supplementary information and to advertise current print issues.

Overview

This paper analyses the effects of website provision on magazine demand. The author first covers some background (types and market share) and reasons to why the women's magazine market was chosen for the empirical study.

To find out if consumers actually substitute the website for the printed edition, a descriptive analysis of the website contents was provided to list the main purpose of online websites, i.e. to complement the printed issue, to advertise the current print edition and other magazines by the same publishing company.

The study also analyses the clientele to observe any relationships between the characteristics of clientele and the decision to launch a website.

Demand effects of website launching are studied using econometric panel data techniques within a differentiated product demand framework.

Data and Method

This paper uses mainly publicly available data on German women's magazine market between 1990 and 2000. The data contains 405 observations on 48 magazines.

The bulk of information on the total number of titles published by the women's magazines publishing houses was collected from the publishing houses' websites. The table below list the publishing houses along with their websites ('no website' means that the corresponding publishing house did not provide a website by early October 2001).

The author uses the panel dimension of the data to control for unobserved product characteristics.



“The analysis of the effect of website provision on the demand for the print magazine uses a differentiated product demands framework, treating website provision as a magazine quality characteristic.” Four empirical models are used:

- Logit model without price instrumentation
- Logit model with price instrumentation
- Nested Logit model without the interaction of price and a dummy variable for ever having launched a website
- Nested Logit model with the interaction term

Results

“The analysis of the characteristics of purchasers of women’s magazine shows that consumers purchasing a magazine that who went online are on average younger, better educated and endowed with a higher household income than the consumers of non-online magazines. These demographic characteristics also distinguish internet users from non-internet users, suggesting that the decision to launch a website is likely to be to a large extent driven by the readership of the magazine. It seems the decision to launch a website is mainly driven by the magazine’s purchasing clientele.”

- (i) Website provision does not significantly affect market shares:

Though point estimate of fixed effects logit model without price instrumentation shows relative market shares of magazine increases by 8.6% due to the launch of a website, the significance of the website coefficient disappears once the potential endogeneity of prices is taken into account. Prices and unobserved time-specific utility are thought to be correlated.

- (j) Magazines that provide a website are faced with by a significantly lower price elasticity of demand than their offline competitors. Magazines which have a website companion are found to have lower elasticity of demand than magazines which chose not to launch a website. This authors thus conclude that there are significant substitution effects between magazines and online content.



1.19 Kaiser, U. (2006) "Magazines and their Companion Websites: Competing Outlet Channels?" *Review of Marketing Science*, Vol. 4, Art. 3

Product Category	Magazines
Product type	German women's magazines & Companion websites
Mean	Physical and electronic
Geography	Germany
Method	Nested logit model
Estimates	Price elasticity, Effects of companion websites on demand
Relevance & comments	Low – competitive effects of companion websites on printed versions' market shares

Key Argument

Companion websites of magazines exert a competitive force on its print versions.

Overview

The paper studies the effect of companion websites on market shares of magazines targeted at women in Germany by looking at time-series data.

Two groups existing empirical studies are reviewed, the first consists of time-series methods and the second uses structural microeconometrics.

Data and Methods

Time-series data (quarterly) covering the years 1995 to 2004 (up to second quarter) is used in nested logit-type models of demand for differentiated products. The data includes information on circulation, contents and price, as well as characteristics of the consumers.

The circulation of a magazine relative to the total market is estimated with relation to its own characteristics and existence of a companion website.

Results and Conclusions

Magazines which have a website companion loose 4.2 per cent of market share (of potential purchasers) of their printed versions. The cannibalisation effects observed peaked in 2001 and declined since then.

Price elasticity of demand was estimated at -0.1948 for the aggregate of all age groups.

For 2004, website companions for three specific age groups, 20-29 years, 30-39 years and 60-69 years, were found to have a positive and significant effect.

The authors conclude that publishers of magazines need to assess whether to launch a companion site depending on the age group their target audience belongs to.



1.20 Kaiser, U. and Kongsted, H. C. (2007) "Do Magazines' 'Companion Websites' Cannibalize the Demand for the Print Version?", Centre for Industrial Economics Discussion Papers.

Product Category	Magazines
Product type	Daily Newspaper Consumers magazines
Mean	Physical and Companion websites
Geography	German
Method	Granger causality tests, Time-series
Estimates	Cross-price Elasticity??
Relevance	Moderate – it estimates the cross-price elasticity between printed magazines and free companion websites.

Key Argument

Visits to magazine's companion websites have positive effects on magazine subscription but negative effects on magazine kiosk sales.

Overview

The paper analyses the extent to which visits to a magazine's companion website affects total circulation. It first identifies the potential reasons for complementarity and substitutability. Though convention assumes the two to be substitutes, stories of complementarity can also be told. For example, additional service that website offers may raise the switching costs for the combined product offering and the site may serve as a vehicle for advertising the print edition

It then differentiates itself from previous studies by splitting the total circulation to kiosk sales, subscription and foreign sales to better understand the complementary and substitutability effect. The paper also looks at the quantitative effects of the actual number of website visits on the different categories of sales and addresses the issue of reverse causality. Lastly, due to the difference in popularity of magazines contained in the data, the paper produces and compares results of estimators that impose different degrees of homogeneity in parameters across magazines.

Data and Methods

The model is estimated using monthly data on 37 German consumer magazines from Jan 1998 to Sep 2005 from two websites: <http://medialine.focus.de> and <http://www.ivw-online.de>.

The study uses time-series analysis and OLS estimations results are used.

The authors account for a reverse causality issue: on the one hand, the effects of the number of website visits on circulation, subscription and kiosk sales were addressed, on the other, causalities running in the opposite direction were addressed. It applies the Granger non-causality methodology to test for causalities between circulation and



website visits and provides an analysis of “channel conflict”. The empirical model is a bivariate vector autoregression for circulation and web visits.

Results and Conclusions

- A higher number of website visits causes lower kiosk sales but increase subscription
 - One point estimates (point estimates are run on restricted samples) indicate a short-run increase by 1.4 per cent in subscription due to a one per cent increase in web visits and one per cent increase in website visits leads to a 3.1 per cent decrease in kiosk sales.
- Loyal consumers appreciate the companion website as a complement while it is a substitute to casual kiosk purchasers.
- There’s no robust statistical effect on total circulation. This might indicate that the negative effect of website visits on kiosk sales balances out the positive effect on subscription.
- There’s no evidence of causalities from the circulation to website visits. No effect is found of reverse causalities, that is, circulation was not found to have an effect on the number of website visits.
- There’s no evidence for any relationship between foreign sales and website visits.

1.21 Kon, Martin et al. (undated) “A New Digital Future for Publishers?” Oliver Wyman

Product Category	Newspapers & Magazines
Product type	Interactive digital periodicals
Mean	Electronic
Geography	US
Method	Survey
Estimates	Volumes, market shares, adoption rates, etc.
Relevance & comments	Medium – assesses complementarity with print editions but not much detail of analysis provided

Key Argument

Interactive periodicals are a complement to printed newspapers and magazines. They are different to online versions of the printed editions.

Data and Methods

A simulation, called the Future Marketplace Simulation, consisted of 1,800 respondents across the US. The survey was carried out as a “wizard” style online



interview. The simulation included options for future magazines and newspapers shown to the respondents.

A scenario analysis was done and the following were estimated: future volume of subscriptions, adoption rates for interactive periodicals, cannibalisation of print market shares, churn rates, net impact on consumer spending and publisher revenue.

Results and Conclusions

The authors find that consumers are willing to pay for interactive digital periodicals as they do for their print versions. Also, they find that there is value in bundling the two as consumers see them as complements. Consumers are split in two groups: those already having a print subscription will prefer it, while new subscribers will be looking for interactive digital platforms.

1.22 Palma Martos, M. L. et al. (2009) "El mercado del libro en España 1989-2006. Un análisis económico" (The Spanish Book Market from 1989-2006. An Economic Analysis) *Estudios de Economía Aplicada*, Vol. 27, Iss. 1, p.223-250

Product Category	Books
Product type	Books
Mean	Physical
Geography	Spain
Method	Theory + OLS
Estimates	Price and Income Elasticities of demand
Relevance & comments	Moderate – it estimates income and price elasticities for books in ES.

Key Argument

The demand for books in Spain is found to be price inelastic and slightly income-elastic.

Overview

The paper provides a description of the key characteristics of the Spanish book publishing market, highlighting important mergers and acquisitions, new types of retail sale strategies, such as sales through supermarkets and book clubs, the internationalisation of large publishing firms, and the use of new technologies for the marketing of books.

Next, the paper provides a theoretical economic analysis of the market addressing its dual character, as well as supply-side issues.

Data and Methods

Several data sources were used to collect time-series data between 1989 and 2006. Demand for books is estimated using an OLS regression with the following independent variables: average book price, income per capita, average per capita



spending on cinema, number of published titles per year, proportion of population with higher education degrees, and investment in marketing and publicity.

Results and Conclusions

The price-elasticity of demand was found to be negative in three different models estimated with coefficients reported being: -0.6670, -0.7520 and -0.6139. The authors contrast this finding with studies of other European countries which found the opposite.

Income elasticity was found to be positive with a coefficient of 1.1008. Nevertheless, the authors point out that the increase in income experience in the later years of the studies has not significantly contributed to the growth in the sale of books as the coefficient is slightly above 1. In relation, they note that the fixed price policy for books may be conditioning the evolution of the market.

1.23 Pauwels, K. and Dans, E. (2000) "Internet Marketing the News: Leveraging Brand Equity from Market Place to Market Space", 29 December 2000

Product Category	Newspapers
Product type	Newspapers and websites
Mean	Physical and online
Geography	Spain
Method	Cross-sectional & time-series
Estimates	
Relevance & comments	Medium – analyses linkages between print and online, maybe relevant for substitutability analysis

Key Argument

The success of an online product depends both on a newspaper's popularity offline, i.e. in print, and on the profile fit between the online and offline readers of the paper.

Overview

The paper looks into brand value offline, i.e. on print, and its transferability to online editions measured as page visits and views.

The market is modelled by considering visits to websites, page views and the choice of brand for each newspaper, and the optimal prices for the newspaper and advertising space are derived.

Data and Methods

The model uses data from 12 Spanish Internet newspapers, audited by the *Oficina de Justificación de la Difusión* (the Spanish equivalent of the Audit Bureau of Circulations), which include five national, four regional and three local papers. The



econometric analysis is both cross-sectional and time series, using Seemingly Unrelated Regression (SUR) analysis.

Results and Conclusions

The paper finds that the number of online visits increases initially but stabilises over time. The number of page views increases over time as usage depth increases. Also, brand choice was found to be stable and proportional with respect to the brand value of the offline newspaper.

1.24 PricewaterhouseCoopers (2009) "Turning the page: the future of eBooks" *Technology, Media & Telecommunications*

Product Category	Books, Newspapers & Magazines
Product type	eBooks & eReaders
Mean	Electronic
Geography	DE, UK, NL, US
Method	Survey
Estimates	
Relevance & comments	Low – descriptive, no details on analysis

Key Argument

Publishers in the US see eBooks and eReaders as an opportunity while their peers in Europe regard it as a 'necessary evil'.

Overview

The report describes all aspects of the market for eBooks and eReaders.

Data and Methods

A online panel of 1,000 individuals per country in Germany, the United Kingdom, the Netherlands and the United States was conducted by GIM (Gesellschaft für innovative Marktforschung mbH). The aim was to gather information on the trends and development of the market. Also, 40 interviews with stakeholders were done.

Results and Conclusions

Awareness about eBooks and eReaders is low, even in the US which is the most mature of the markets studied.



1.25 Reekie, D. W. (1976) "The price elasticity of demand for evening newspapers", *Applied Economics*, Vol. 8, p. 69-79

Product Category	Newspapers
Product type	Evening Newspapers
Mean	Physical
Geography	UK & NI (excl. London)
Method	Time-series
Estimates	Elasticities between newspapers
Relevance & comments	Low, very outdated

Key Argument

Estimation of elasticities.

Overview

Analysis of the price elasticity of demand for evening newspapers in the UK.

Data and Methods

The data covers the evening newspaper market between 1957 and 1969. The model used is that of Julian Simon presented in *Econometrica* in 1966. The analysis consisted of an assessment of the circulation of a newspaper before and after a price increase.

1.26 Ringstad, V. and Løyland, K. (2006) "The demand for books estimated by means of consumer survey data"

Product Category	Books
Product type	Books
Mean	Physical
Geography	Norway
Method	AIDS, MLE, Tobit
Estimates	Price, income and cross elasticity of books
Relevance	High- provides estimation of the demand for books

Key Argument

Books are both price sensitive and income sensitive. Other socio-demographic characteristics also have an impact on the likelihood of buying books.



[This text contains a summary of what other studies have found about the value of elasticity of books in its introduction (p2/142).]

Overview

This study employs a three-goods model (books, other cultural goods and non-cultural goods) to analyse the price, income, and cross-price elasticity elasticities of book demand in Norway.

Data and Method

"The main source of data is the yearly consumer surveys carried out by Statistics Norway (SN) to obtain weights in the consumer price index from 1990 to 1999." "For 14 years covered by this study, there are 18,000 households." The data includes factors such as income, wealth, financial status, transactions, sociodemographic characteristics of the households, household expenditure, budget share of books, other culture and non culture goods, size of local community, the sex and the age of the "main person" of the household, and the number of TV and video sets. Macro variables like unemployment (used as an indicator of business cycle) and price data collected by SN (for consumer price index calculation) are also included.

Data on book consumption is only available for the registration period for of each household, which is two weeks. Consequently, many households reported no demand for books (over the registration period). The authors solve this issue by estimating the likelihood of a household having a positive demand for books during the registration period. One method to do this is by using a Tobit model. Various methods have been employed to minimise the impact of this (e.g. Tobit)

The estimation used was a binary choice model. When using this data to determine the characteristics of households buying books during these two weeks, maximum likelihood estimation of the parameters of binary choice models were used. The demand function is estimated using price, income and socio-demographic characteristics and controlling for time-specific factors, e.g. share of households with children, age of main person, share of households in rural communities.

Almost Ideal Demand System (AIDS) elasticities are used for the empirical means of the budget shares. AIDS is used to account for the simultaneous nature of the demand for books and other goods.

Results

The result shows that books are "luxury" goods. Calculations suggest that they are quite price-sensitive and that they are close substitutes to other cultural goods.

- Calculations show that the income elasticity is significantly above 1 (at about 1.3).
- On the basis of logit tests, the estimated likelihood that a household of annual income of NOK 100,000 buys books during a year is about 90% vs 100% for households with annual income of NOK 200,000 or more.
- Direct price elasticity was -1.77 in the full Tobit model and -1.59 in the reduced Tobit.
- In the full AIDS model, price elasticity was -2.91 and -2.74 in the reduced model.



The results for socio-demographic variables indicate that access to outlets for books, sex and age matter for book demand. Moreover, single persons and households with small children, especially those with children less than 7 years, are frequent book-buyers.

**1.27 Sorensen, Alan T. (2007) "Bestseller Lists and Product Variety",
The Journal Of Industrial Economics 0022-1821, Volume L, No.
4, December 2007**

Product Category	Books
Product type	Bestsellers
Mean	Physical
Geography	US
Method	Time lags and accidental omissions; Regression analysis, Cross-sectional and Time-series
Estimates	Bestseller list's Impact on Book Sales
Relevance	Low – looks at the implicit advertising value of having bestseller book title listed on the New York Times

Abstract

"This paper uses detailed weekly data on sales of hardcover fiction books to evaluate the impact of the New York Times bestseller list on sales and product variety. The analysis exploits time lags and accidental omissions in the construction of the list to avoid the problem of simultaneity of sales and bestseller status. The empirical results indicate that appearing on the list leads to a modest increase in sales for the average book, and that the effect is more dramatic for bestsellers by debut authors. The paper discusses how the additional concentration of demand on top-selling books could lead to a reduction in the privately optimal number of books to publish. However, the data suggest the opposite is true: the market expansion effect of bestseller lists appears to dominate any business stealing from non-bestselling titles."

Data and Methods

The main dataset to be analysed consists of weekly national sales for over 1,200 hardcover fiction titles that were released in 2001 or 2002.

- The sales data were provided by Nielsen BookScan, a market research firm that tracks book sales using scanner data from an almost-comprehensive panel of retail booksellers.
- Information about the individual titles (publication date, subject, and author information) was obtained from Amazon.com and Overbooked.org

Books that sold for less than 50 copies in a single week national-wide were dropped. The final number of books in the sample is 799. Also, only the first 26 weeks of sales are included in the sample for any given book.



Results and Conclusions

The study suggested a few possible mechanisms (informational, social and promotional) for the bestseller list to affect consumer behaviour. If the overall level of demand is independent of any bestseller-list effects, then the list unambiguously reduces the number of books that can be profitably published. The result shows that only the informational mechanism seems to dominate. Specifically, only appearances that are surprises on the bestsellers list seem to have an impact on the book sales.

- The estimates indicate an 8.7 percentage-point change in the week the book first appears (statistically significant at the 5 per cent level), with any effects in subsequent weeks (combined) being statistically indistinguishable from zero.

The analysis found that books by new authors which were on the bestseller list for the first time raised sales by 0.35, while other books on the bestseller list for the first time only increased sales by 0.05.

1.28 Villarolla, A. et al. (2010) "La demanda de libros y publicaciones periódicas en España" (The Demand for Books and Periodicals in Spain), *Estudios de Economía Aplicada*, Vol. 28, Iss. 1, p.1-22

Product Category	Books, newspapers and magazines
Product type	Books, newspapers and magazines
Mean	Physical
Geography	Spain
Method	Linear regression + Heckman correction
Estimates	Decision to buy and spending, income elasticity
Relevance & comments	Medium – it looks at the effect of socioeconomic and demographic characteristics on the probability of a consumer buying a book, newspaper and magazine and the level of spending for such goods.

Key Argument

The specific characteristics of the head of household, such as education level and type of work, have a significant impact on the decision to buy books, newspapers and magazines. Also, the households' income and place of residence have an impact on the consumption of such goods.



Overview

The study looks at the determinants of the demand for books, newspapers and magazines. An overview of the Spanish markets in this respect is presented for those goods.

The econometric analysis looks at the decision to purchase a book, newspaper or magazine, as well as the spending on these goods, and how it is influenced by demographic, socioeconomic and other factors.

Data and Methods

The data used is that gathered through the Survey of Family Budgets in 2006 by the National Institute of Statistics in Spain. It covers approximately 24,000 households on a yearly basis.

The first analysis estimates whether a consumer chooses to spend part of his income on books, newspapers or magazines (a dichotomous dependent variable), while the second analysis estimates the amount spent on such goods.

Results and Conclusions

The study found that 56 per cent of households in the survey acquire books and periodicals spending an average annual amount of 118 Euro, or 211 Euro if only those household declaring that they buy such products are considered.

The income elasticity of spending on the three goods was estimated to be slightly positive at 0.004 for newspapers and magazines and at 0.005 for books.

The gender of the family head was found to significantly impact the decision to buy one of the three cultural goods in question. The age and working characteristics of the head of family have a larger influence on the purchasing decision for newspapers and magazines than for books.