

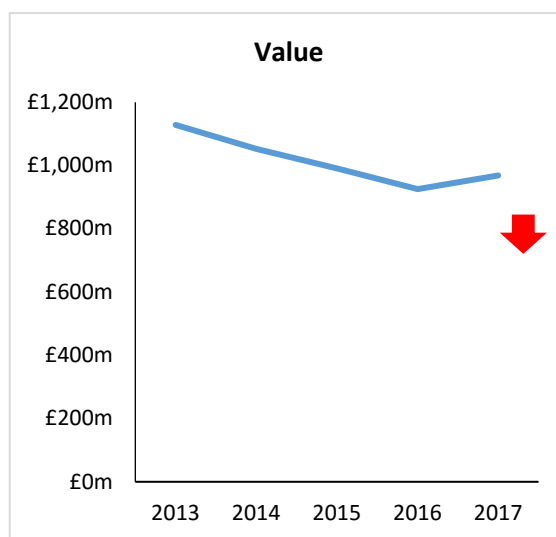
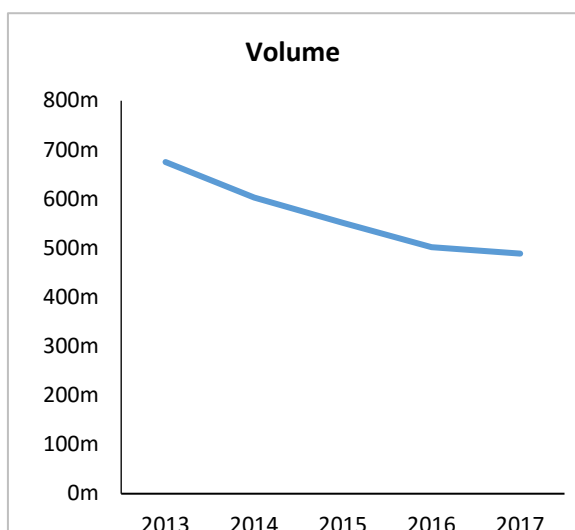
Creating Readers for the Future

Analysis of the children’s magazine and book markets and reading trends

The Children’s Magazine Market

Adults’ magazines

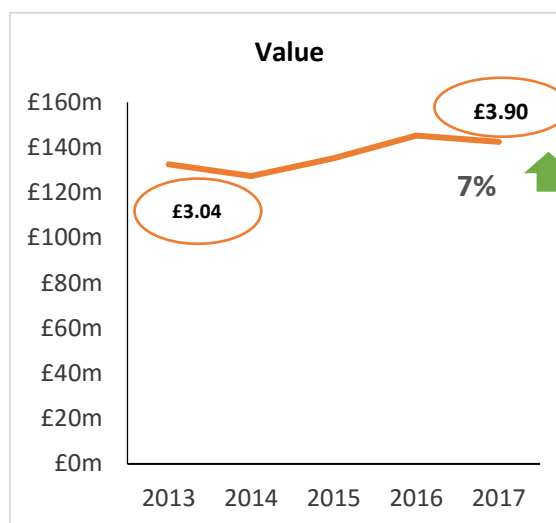
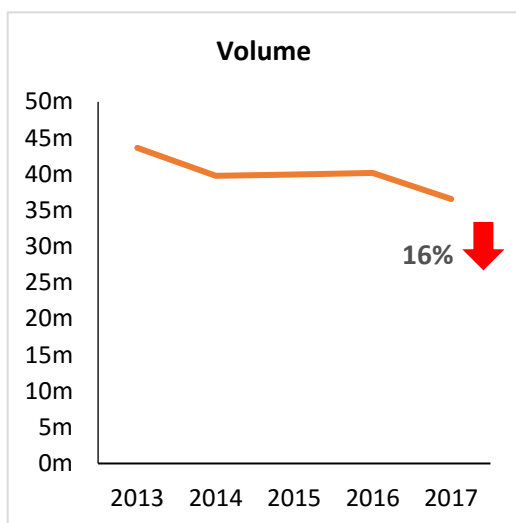
The adults’ magazine market is in long term decline. The charts below show the last 5 years. Volume is down 28% since 2013. This is because many adults are increasingly getting content digitally. Value is down 14% over the same 5 year period.



Source: Seymour/WHS Distribution: 12 months to Nov -17

Children’s magazines

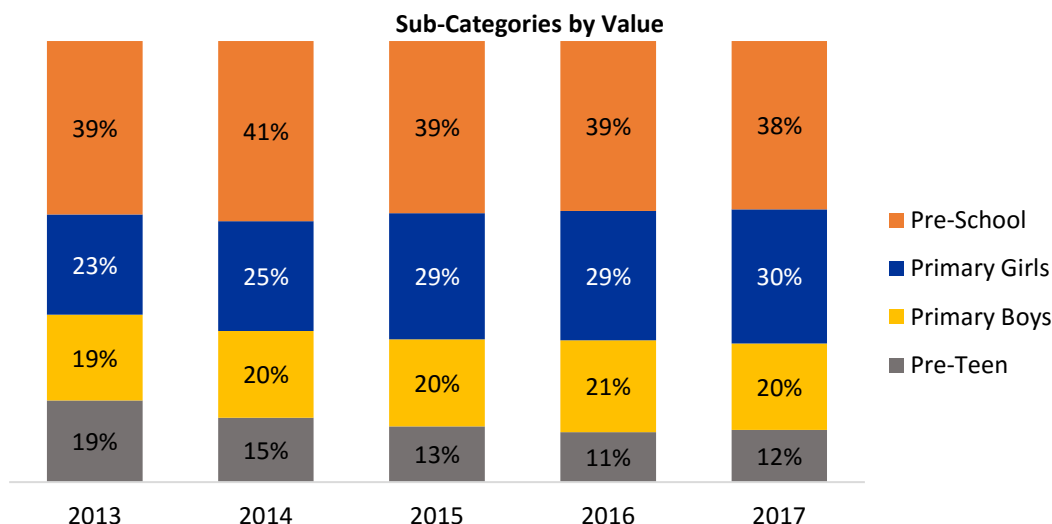
The children’s market shows a different pattern. Volume is also down, but by 16% over 5 years, a lesser degree than the adults’ market. What is different is value – the chart below shows value has grown by 7% over the same 5-year period. This is as a result of increasing cover prices, to an average of £3.90 in 2017. Whilst this has been, and still is a good strategy, there must be a limit in how far these prices can be pushed up to drive value. Egmont’s research study ‘Magazines for the Early Years 2016’ found that the majority of parents are prepared to pay up to £5, if the value is right.



Source: Seymour/WHS Distribution: 12 months to Nov -17

Market by sub-categories

Pre-school remains the largest category with 38% share. This is an important segment, a gateway into magazine reading & buying. Over the last 5 years the biggest growth has been in the primary girl’s category and the biggest decline is in the pre-teen category. Pre-teens are harder to engage and as they have more autonomy over purchase decisions, they are perhaps more likely to choose other forms of entertainment or engage in ever more screen time.

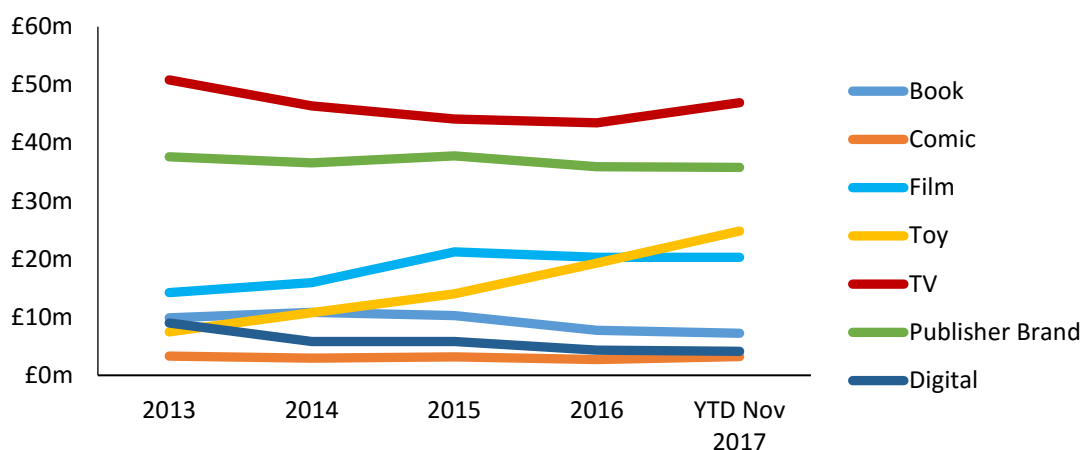


Source: Seymour/WHS Distribution: 12 months to Nov 17

Sources of content

Egmont categorises each title in the market based on where the brand originated. So for example, Thomas the Tank Engine is categorised in book brands and Frozen in film brands. Publisher Brands include compilation titles like Toxic and Fun to Learn Friends. TV, shown in red in the chart below, continues to dominate and is the mainstay of children’s magazine publishing particularly for the younger end of the market. Growth since 2017 can be attributed to successful new entrants like Paw Patrol. Publisher brands (the green line) are consistent mainly because publishers can react quickly and tap into any given trend of the moment. Film, in blue, is fairly static following an upsurge in 2015 with the release of Frozen, as well as the impact of Star Wars. Over the last 5 years, it’s toy brands, (shown by the yellow line) which have had the most significant growth. This can, to a large extent, be attributed to Lego but also to titles like My Little Pony, and collectible brands like Shopkins. This confirms the attractiveness of a physical magazine and the importance of offering value for money.

SOURCES OF CONTENT BY VALUE



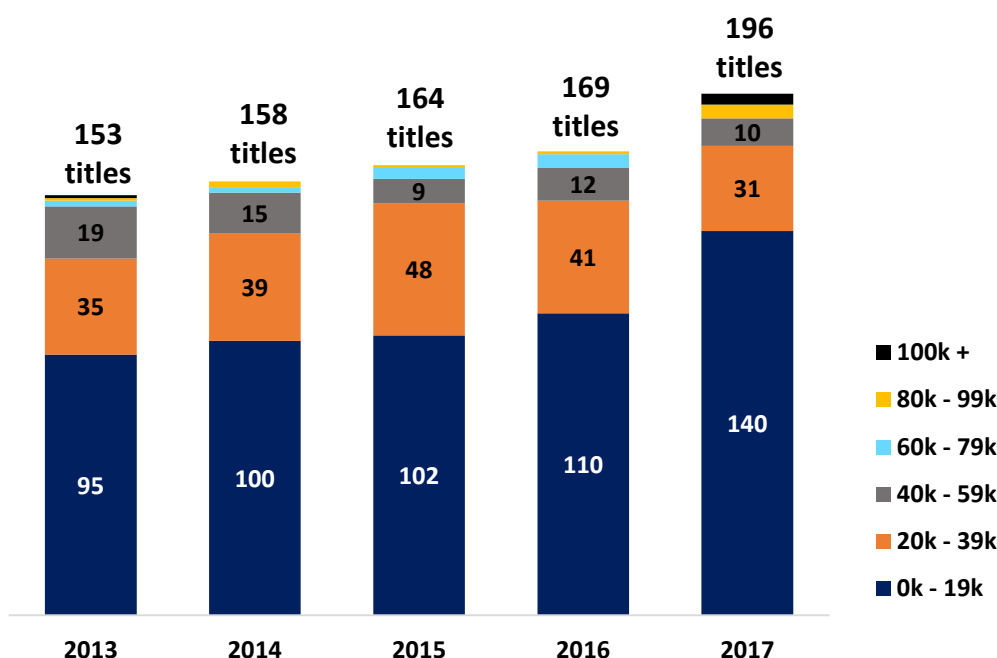
Fragmentation: more titles, fewer sales

The market is very congested and competitive. New magazines are the life-blood of the market and there are far more launches in the children’s market than in the adult market. But we see an ever-increasing number on offer. 5 years ago, in 2013 there were 153 children’s magazines. The chart below sorts magazines into circulation brackets and the dark blue segments represent titles selling up to 19,000 copies. There were 95 of them in 2013. This circulation band has always been the biggest one and it’s clear to see that the number of titles in this band has grown over the years.

In 2017 there were 196 magazines in total, those magazines equated to 1879 issues on the newsstand – and came from 19 different publishers. The result of more titles is that as a trend, they are each selling fewer copies. More consumer choice without an expanding consumer market will erode sales and this is clear by the fact that there are 140 titles in the lowest circulation bracket in 2017.

The impact of this congested market is also obvious when we consider that in 2017, of 30 new launches, only 3 sold over 30,000. More titles in the market, and each selling fewer copies, means publishers are challenged to publish profitably.

Number of magazine titles in each circulation bracket

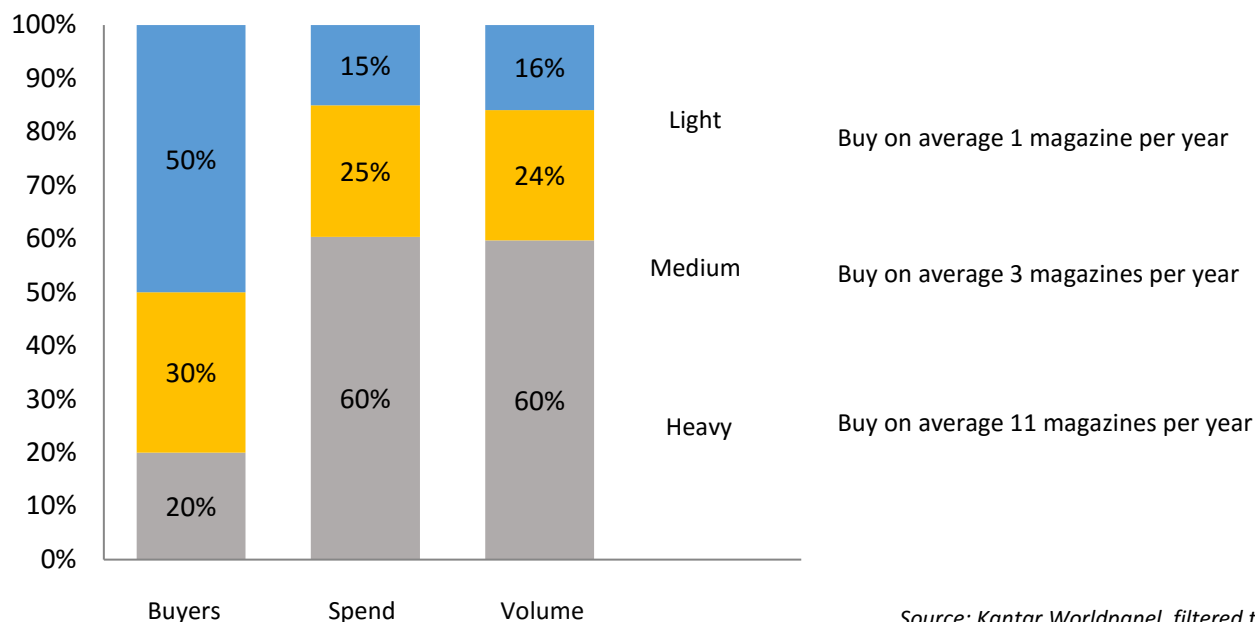


Source: Seymour/WHS Distribution: 12 months to Nov-17

Weight of magazine purchase

Consumers typically dip in and out of the children's market. Half of all buyers are light buyers, buying 1 a year. Medium buyers account for 30% of the market and they buy on average 3 magazines a year. The market is very reliant on heavy buyers - the heaviest 20% - shown in grey, buy on average 11 children's magazines a year, account for 60% of the spend, they make around one magazine trip month and spend around £50 a year. Average purchase is 4 magazines and £17 per year. The precarious nature of the market is underlined further when we consider 69% of buyers buy on impulse¹ - deciding what to buy when at the shop.

Heavy, medium and light buyers: share of spend and volume



Source: Kantar Worldpanel, filtered to the grocers

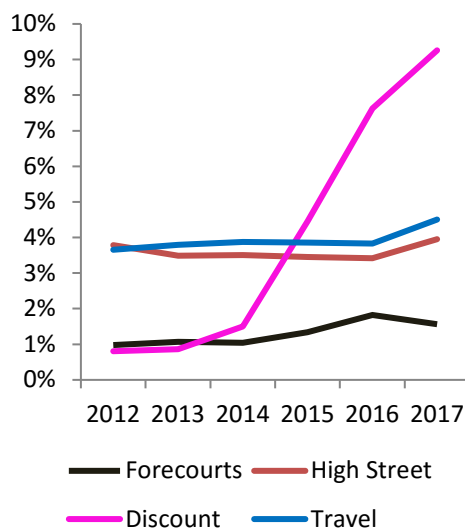
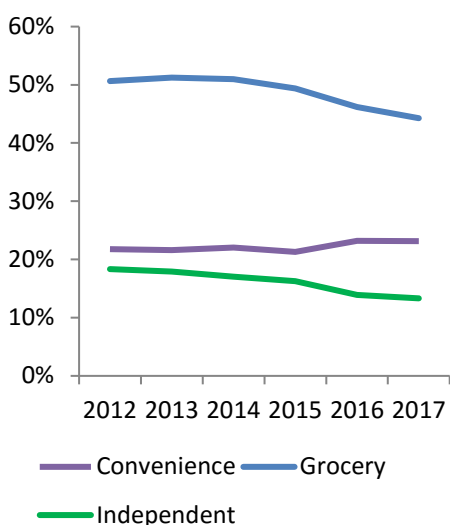
Retail challenges

Shelf space for magazines is at a premium. Many retailers are reducing the space given over to magazines, and in the groceries channel it's not possible to publish a magazine and guarantee a route to market. A new magazine comes in, and another magazine will get de-listed as a result. There is a finite supply of shelf space.

Grocery is by far the biggest channel for children's magazine purchase but there is growing use of discounters and online shopping (on average, 28% of UK households buy groceries online during the course of a year, and the highest level is among families with children 0-4). Lidl is now the fastest growing UK supermarket. The charts below show that convenience is in growth – mirroring the trend of consumers moving away from one big weekly shop, to multiple top-up shops throughout the week and that independents are in decline – this is a fragmented and notoriously inefficient channel. Travel is in growth and we know that many parents see magazines as an ideal way to entertain their children on a long train or plane journey. The discount channel (Aldi and Lidl) shows rapid growth over the last 5 years ago and now represents 10% of the market.

¹ Egmont's Media Use and Attitudes study, 2017

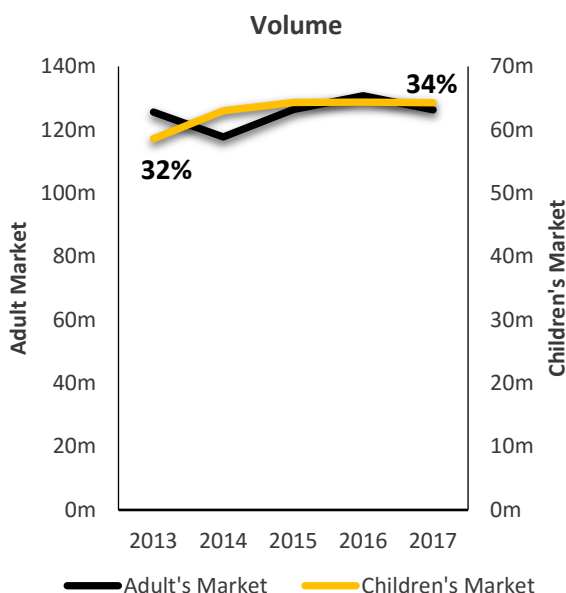
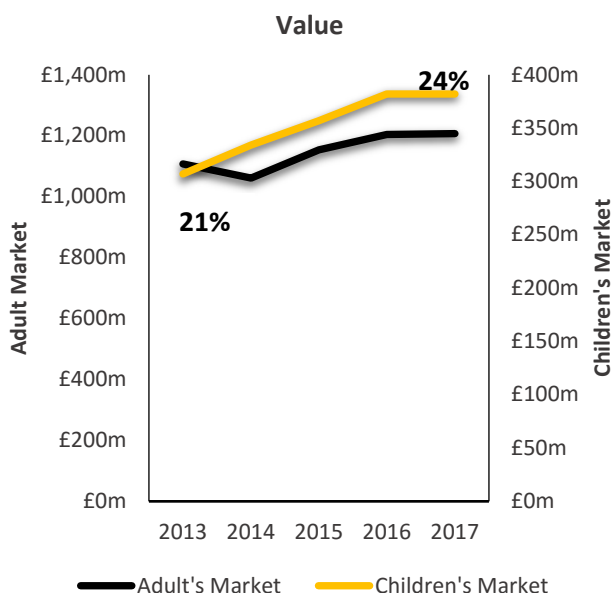
Value share by retail channel



Source: Seymour/WHS distribution

The Children’s Book Market

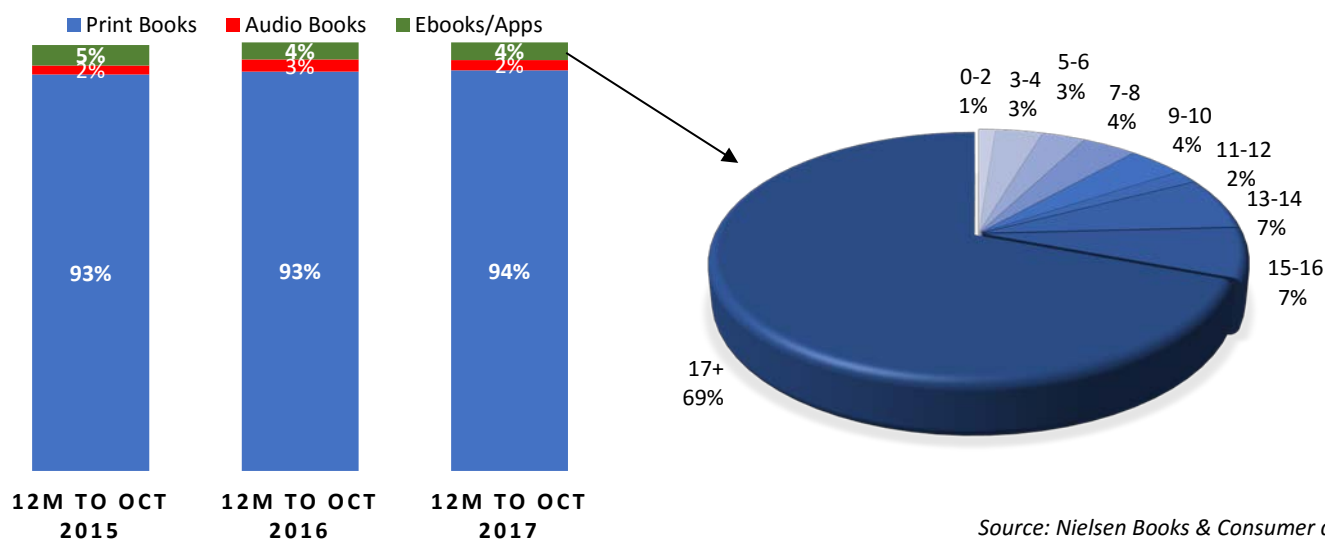
Value is flat year on year (2017 vs 2016) for both the adults and children’s book markets. These markets are very different sizes, so in the graphs below, adults’ and children’s are on different scales. By putting them on the same graph we can see the trends over the last 5 years and compare. Children’s represents 24% of the total value, and that is up since 2013, when it was 21%. In the case of volume, children’s has grown from 32% of new books sold in 2013 to 34% of new books sold in 2017, measured here at 64 million by Nielsen Bookscan, which covers the majority of the new books market.



Source: Nielsen Bookscan

The growth in the children’s market is from print. Ebooks and books apps don’t feature in any significant way – since 94% of all books sold are print books, and of those that are eBooks/apps, a huge 69% of them are bought by 17+, by

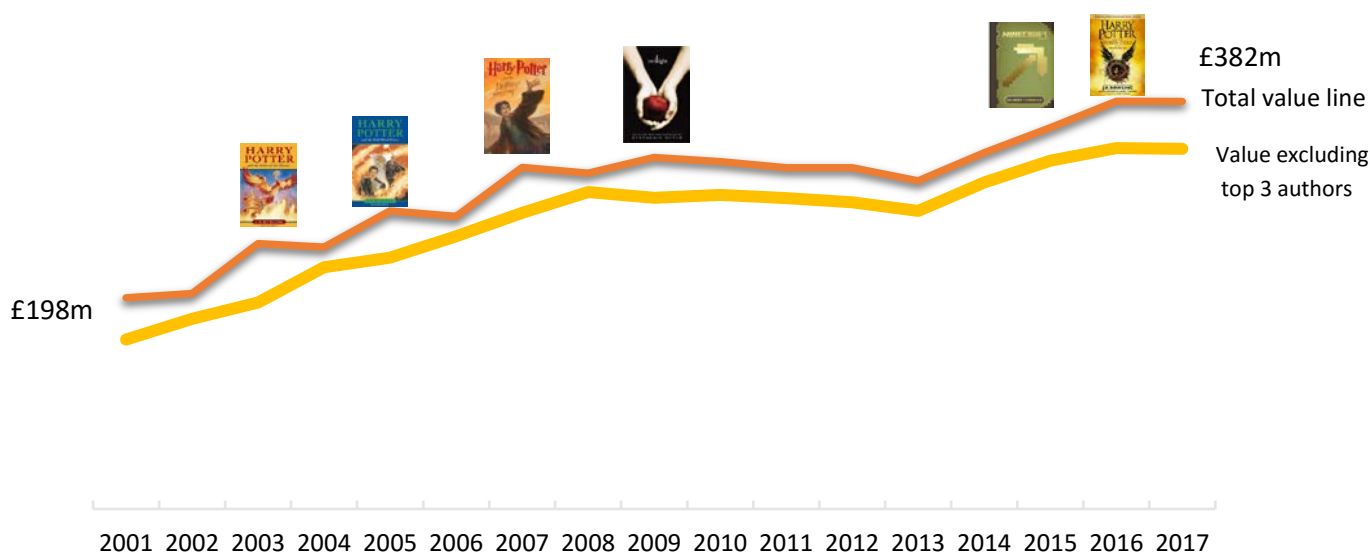
YAs. Young children’s eBooks are statistically insignificant. The pie chart below takes the 4% market share of ebooks/book apps in 2017 and shows the age breakdown.



Strong underlying growth

Looking back over the last 17 years, the impact of big selling books is clear. However, in more recent years the biggest books haven't had as much impact on the overall Children's market as 10+ years ago. The individual peaks are flattening out. The Harry Potter and Twilight books brought £25m + of value from 2003 – 2009, but since then there has been a more gradual uplift, although Minecraft upped the Children's Non-Fiction category significantly. The big selling books also drive sales of that author’s backlist. To see underlying performance, the graph also shows the market value excluding the top 3 biggest authors in each year (not just one individual book). This shows that the top 3 authors have made a huge impact on performance over the 17 years of this graph. Since 2013 David Walliams and Julia Donaldson have been in the top 3. In recent years David Walliams as an author has been driving the chart-topping sales rather than one big book/series phenomenon alone, and he contributed £16m value in 2017. The good news is that the shape of the curve without the top 3 big authors is the same, telling us that there is underlying growth in this market.

Value trend children’s market 2001 - 2017



The impact of the top authors in fiction and picture books is even more apparent when we look at the value share that the top five authors represent. In fiction, the top five have 42% value share between them. The 10th biggest selling author (Enid Blyton) had a 1% share of value, and there were 860 authors in the fiction top 5000 in 2017. For picture books, the top five authors made up 38% of the value in 2017. The remaining 670 authors delivered 62% of the value: both sectors have an extremely 'long tail'.

Top Fiction Authors by value 2017

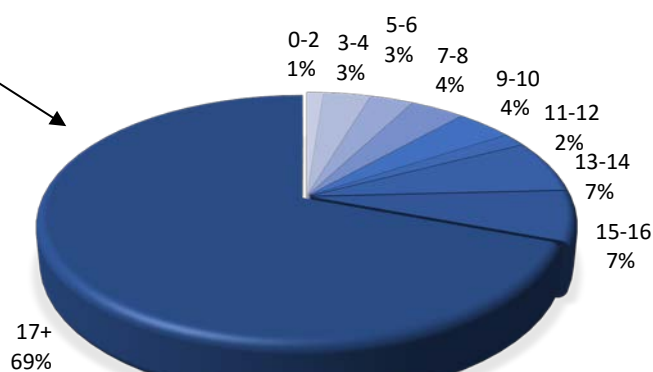
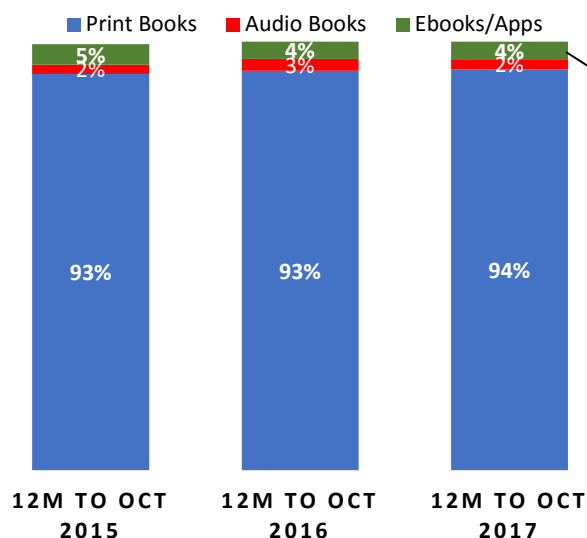
Author	Value Share
David Walliams	15%
JK Rowling	12%
Jeff Kinney	6%
Philip Pullman	5%
Liz Pichon	4%

Top Picture Book Authors by value 2017

Author	Value Share
Julia Donaldson	29%
Roger Hargreaves	3%
Judith Kerr	2%
Kes Gray	2%
Eric Carle	2%

Source: Nielsen BookScan, excluding educational books

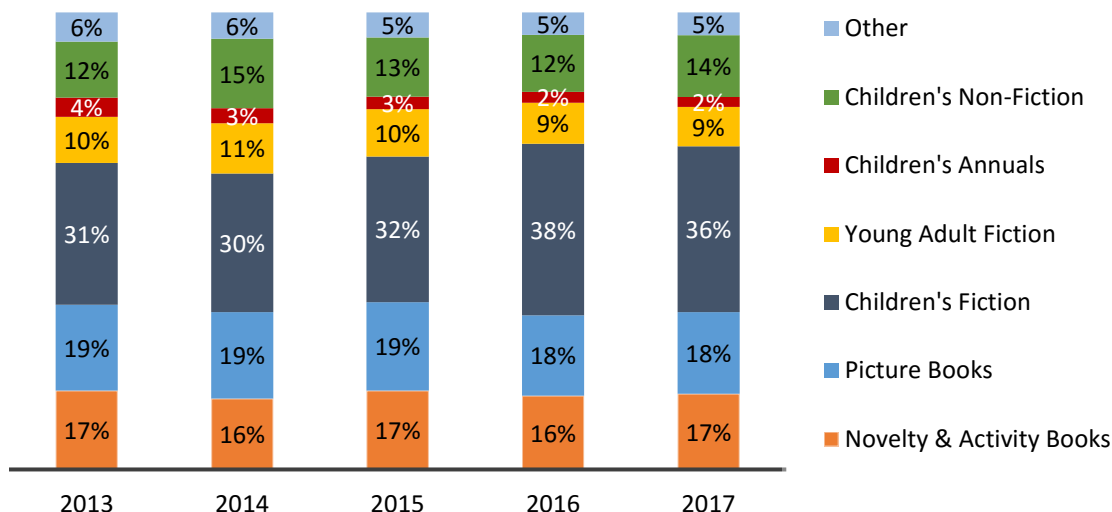
The growth in the children's market is from print. Ebooks and books apps don't feature in any significant way – since 94% of all books sold are print books, and of those that are eBooks/apps, a huge 69% of them are bought by 17+, by YAs. Young children's eBooks are statistically insignificant. The pie chart below takes the 4% market share of ebooks/book apps in 2017 and shows the age breakdown.



Source: Nielsen Books & Consumer data

Value Share by Category

Over the last 5 years there has been growth in children’s fiction so that now it accounts for 36% value share of the market. Due to a trend in best-selling hardback fiction (for instance, David Walliams publishes in hardback), this category is a strong value driver.



Source: Nielsen Bookscan

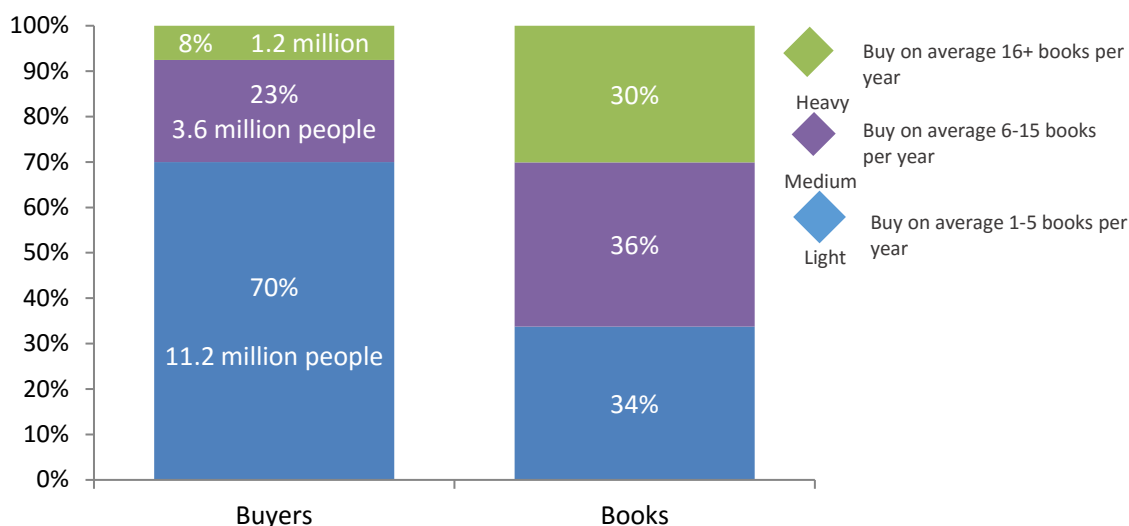
The majority of consumers buy very few children’s books

So what does this market look like when we analyse buyers by the number of books they buy in a year?

In Nielsen’s ‘Books and Consumers’ survey, respondents are asked how many children’s books they have bought in the last 12 months and are placed categories: light is 1-5 books a year, medium is 6-15, and heavy is 16+. By a simple calculation of an assumed average we can estimate 100 million new children’s books are bought each year. Nielsen Bookscan tells us 64 million children’s books were bought in 2017 – this is EPOS data, and does not cover the entire market. It does not include bargain bookshops, £1 stores, books clubs, books bought through schools, The Book People catalogue, convenience stores, some museums/tourist attractions and some independent booksellers.

The graph shows that 70% of buyers are light buyers. There are many many more light buyers than heavy buyers, and they number 11.2 million people. These consumers buy 34% of the books – which is approximately 34 million books. Those who are heavy buyers are only 8% of all, and number just 1.2 million people. They buy 30 % / 30 million books a year.

Share of children’s book buyers/books bought

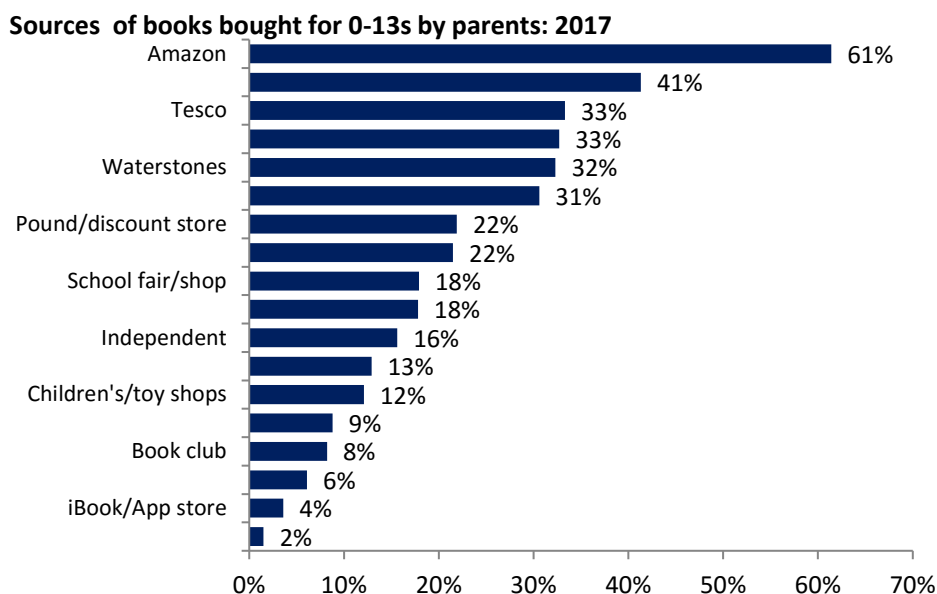


Source: Nielsen Books and Consumers survey 8

All 3 categories are buying very roughly a third of the books each but the 70% of buyers who are light buyers make sales vulnerable. If they cease to buy just one book a year the market would lose 11 million copy sales. Paradoxically, these consumers are also the greatest opportunity; if each light buyer bought just one more book it would add 11 million units sold per year. Light buyers are typically pulled in with the big books and the big brands, big name authors, licensed characters and books linked to films. In that sense popular brand publishing reaches more individual consumers.

Where are children’s books commonly bought?

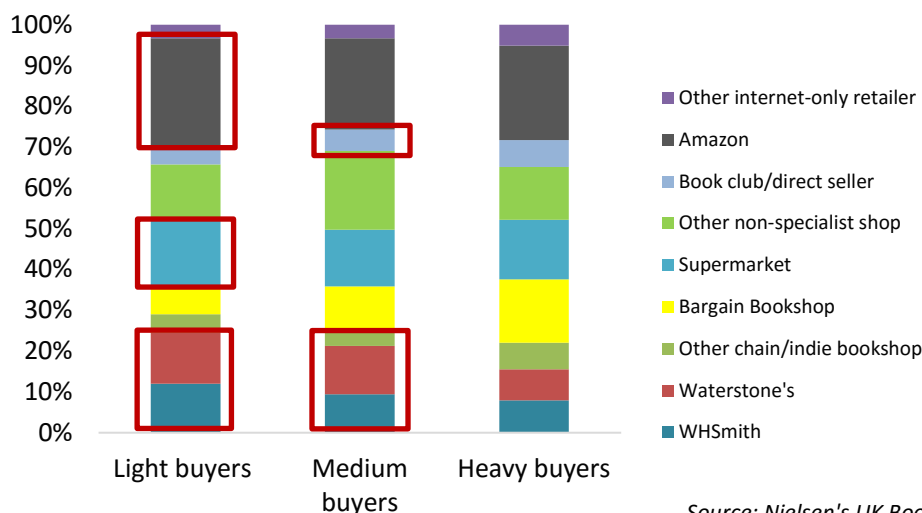
Amazon is biggest *single* source of books bought by parents for 0-13s, but in total bricks and mortar stores are the main source of children’s books. This rank order remains the same as in previous years, with bargain bookshops coming in second.



Source: Nielsen BookScan, excluding educational books

It is possible to analyse the channel share of books bought for 0-16s by heavy, medium and light buyers. In the chart below, we can see that light buyers tend to buy their relatively few purchases from WHSmith, Waterstones, Supermarkets, Amazon, and heavy buyers buy a relatively higher share of their books from Independent bookshops, bargain bookshops and direct sellers like Book People. Heavy discounting appeals to heavy buyers.

Channel share of books bought for 0-16s



Source: Nielsen's UK Books & Consumers survey

Consumers have so many choices (14000 new children's books were published in 2017!), yet we know many struggle to find what they want. Egmont's questions to buyers, commissioned as part of the 2017 *Understanding the Children's book Consumer* survey from Nielsen's tell us:

- 48% of all buyers think the choice of books can be overwhelming
- 37% think most bookshops' stock is the same - and it's hard to find something different (this opinion peaks with buyers for 3-4 year olds, where 41% agree)
- Almost a quarter (23%) don't think of taking children into bookshops
- Almost two-fifths (38%) of 14-17 year olds say they don't even think of going in to bookshops.

Reading Trends

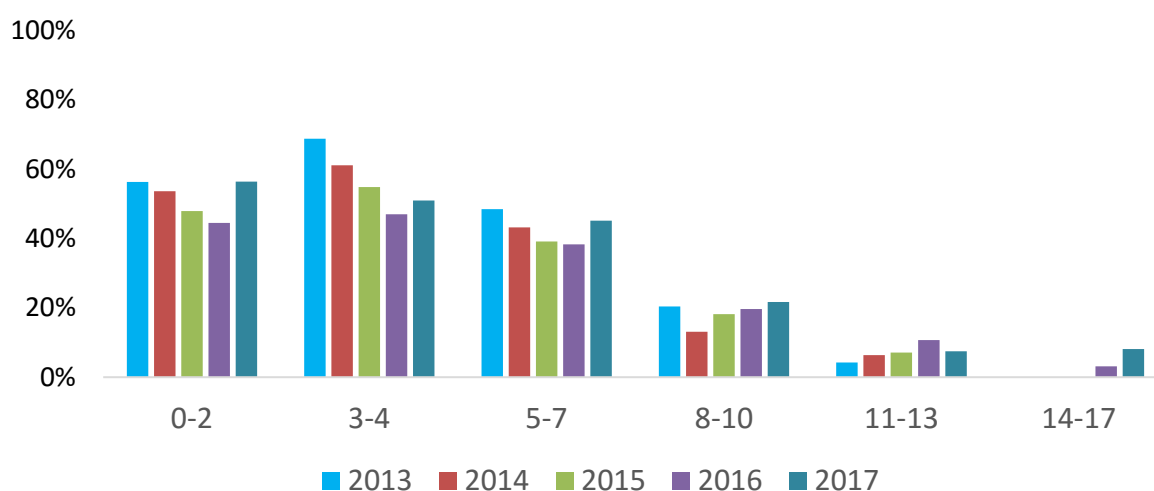
Reading for pleasure is critically important for children, helping them to develop empathy, imagination and vocabulary and positively affecting their academic achievement in all subjects, not just English. Reading for pleasure makes children happy, it enhances their well-being and, when they are read to, it even improves family relationships.

Reading for pleasure is up year on year, amongst frequent readers. It is the first time in the last 5 years that there has been an increase both in children who read themselves, and who have books read to them daily/ nearly every day. Both measures are up 4 percentage points year on year so that now, 30% of 0-17s read to themselves daily and 36% of 0-13s are read to daily.² However, we can look at these data in a different way, and see that 70% of 0-17s *don't* read daily/nearly every day, and 64% of 0-13s are not read to daily/nearly every day. Since these figures are averages over a broad age range it's helpful to look into different age groups.

Children who are read to daily/nearly every day

The chart shows the year on year uplift in all ages with the exception of 11-13 year olds. The uplift is across both genders too. The 3-4 year-old age group is a cause for real concern as over the last 5 years we see the steepest decline, notwithstanding the year on year uplift. From the age of 8, there is a dramatic decline in the number of children who are read to daily.

Children who are read to daily/nearly every day

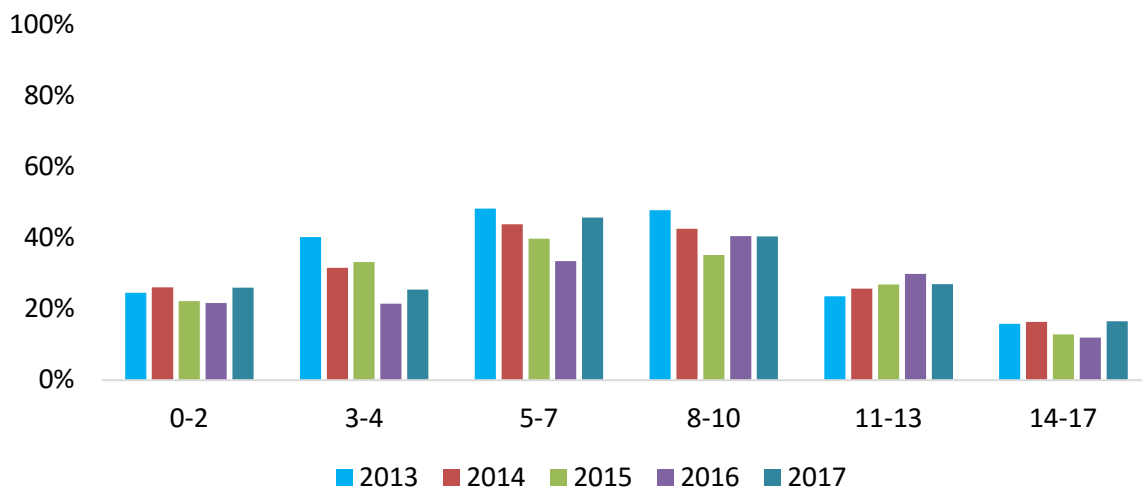


Source: Nielsen's *Understanding the Children's Book Consumer* 2013- 2017

² Nielsen Deep Dive 2017 vs 2016

Children who read to themselves daily/nearly every day

There is growth year on year across the age groups and the genders, with the exception of 8-13 year olds. Echoing the previous chart, the 3-4 year-old group is a concern. At young ages children most likely can't yet read, but picking up books, turning the pages, telling an imaginary story, simply engaging with books is really important – and it's clearly in decline over the last 5 years.



Source: Nielsen's Understanding the Children's Book Consumer 2013- 2017

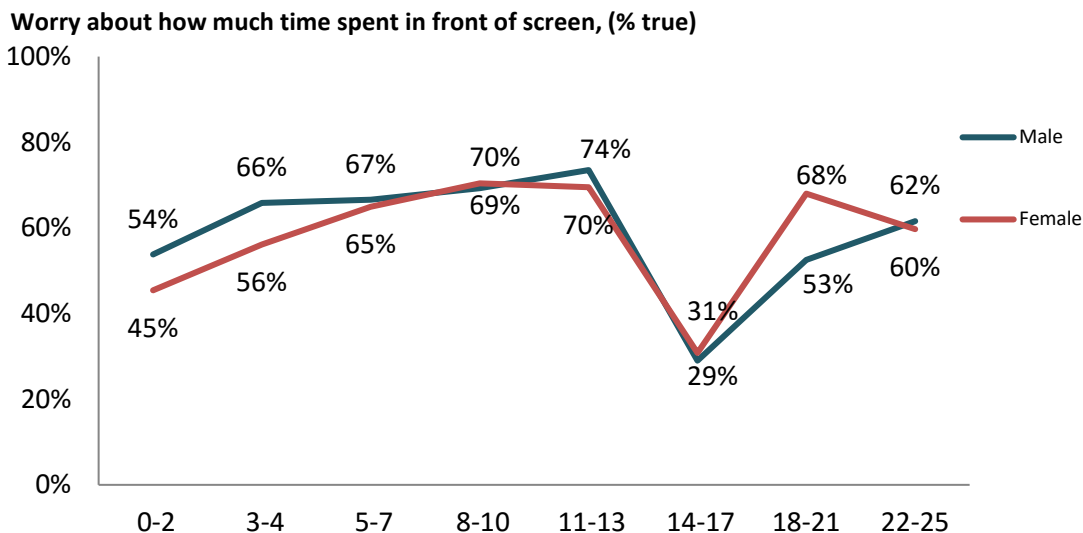
Of course any growth in reading is good news, but it's tempered by the undeniable fact that the proportions of children who read to themselves every day is really very low.

Why is reading in decline over the longer term?

A large number of children aged 11-17 don't think books are cool (46% of boys and 33% of girls). Even younger children think this (28% of boys aged 5-10 and 18% of girls aged 5-10)

Reading for pleasure has to compete with a multitude of other activities in children's lives, from screen based entertainment to sports, to after school clubs, to homework. We know that screens are really compelling and that a sizeable number of children, across all ages, would rather be on the internet than read – for instance, 40% of boys aged 3-4, and 49% of girls aged 8-10.

There is widespread concern from parents about how much time their children spend in front of a screen.

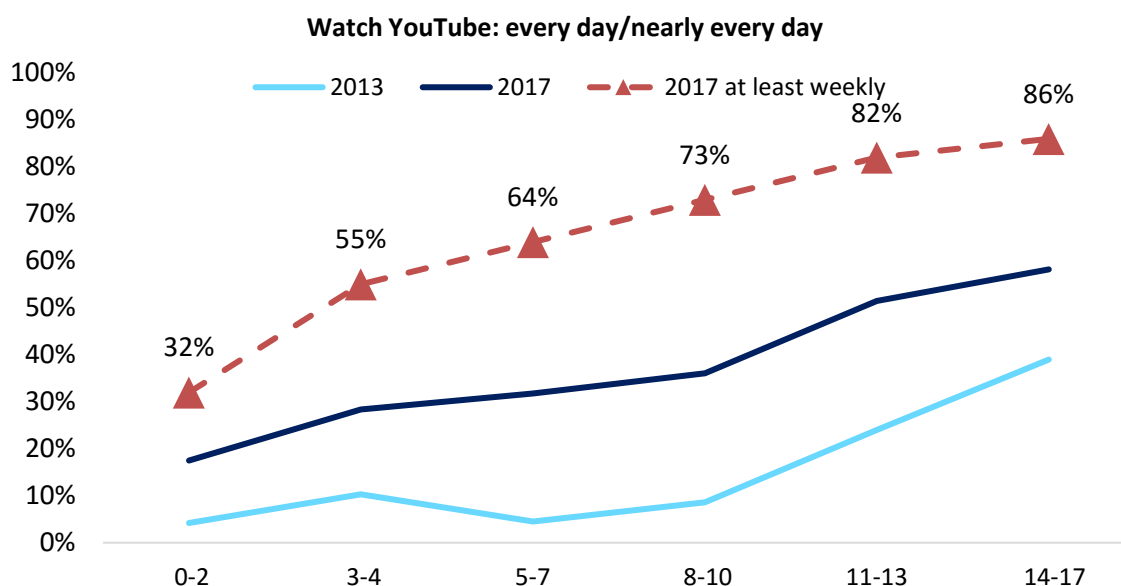


Source: Nielsen's Understanding the Children's Book Consumer 2013- 2017

These data are from Nielsen's *Understanding the Children's Book Consumer* survey 2017. Parents answer for their children up to the age of 13 and from 14 years old the children answer for themselves. This explains the big drop in agreement at 14-17 years old.

Growth in 'watching'

Over the last 5 years we have seen a big growth in watching YouTube and in watching TV on a device. Growth in gaming – both online in apps – has slowed down over that time. There seems to be a trend to more 'watching' of screens and less 'interacting' with gaming and apps.



Source: Nielsen's Understanding the Children's Book Consumer 2013- 2017

The chart above shows the prevalence of watching YouTube daily, by age, in 2013 (turquoise line) and in 2017 (dark blue line). It has grown quickly over that time so that in 2017, 28% of 3-4s watch daily (in 2013 it was 10%), and 36% of 8-10 year olds watch daily (in 2013 it was 9%.) Over this time period we have seen a declining trend in 3-4s reading and being read to. When we look at less frequent watching too, the hatched line is a combination of watch every day with watch several times a week, we can really see the impact. In 2017 over half of 3-4 year olds watched YouTube on this basis and almost $\frac{3}{4}$ of 8-10 year olds.

What encourages children to read?

Free choice is a key motivator for children to read, as found in Egmont's *Print Matters More* study. When children are allowed to choose their own reading material they are invested in the choice they make and have intent to read. Being allowed to select anything that appeals to them is critical. Many parents try to control their child's reading choices. Magazines can play an important role in encouraging reading because around one third of 5-17 year olds prefer them to books (32% of 5-10, 34 % of 11-17s). Preference peaks at 41% of boys aged 8-10. In fact, over half of 5-7 year olds read a magazine at least monthly.

Comics are a gateway drug to literacy

Art Spiegelman

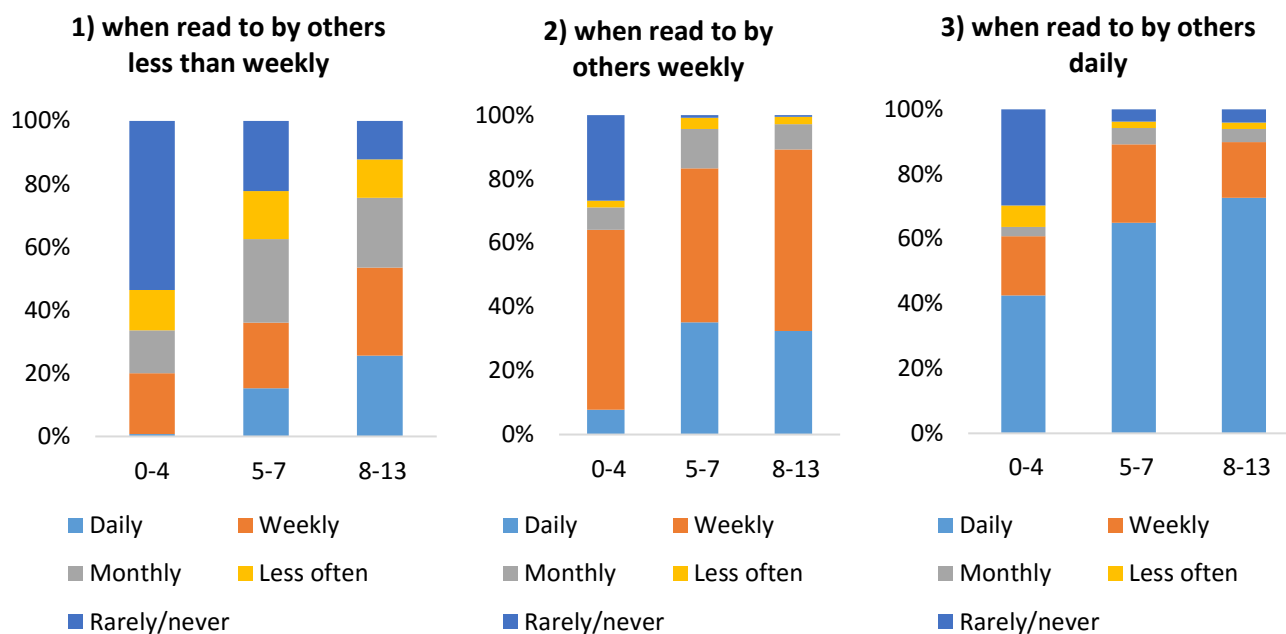
Children love magazines because they are a thrilling mix of their favourite characters, a free gift, and lots of things to do. Parents are motivated to buy them because they see they are a treat with other attributes – ‘a treat with benefits’. So they are motivated to buy them for a range of reasons, notably to encourage reading (73%) and for time away from screens (72%)³. Magazines are a truly unique product for children; there nothing else that offers the rich combination of fun, learning & playing all bound up in one package.

When parents are asked how they think they can encourage their child (0-13) to read, making a bedtime reading routine is the top response, along with finding more interesting books (both 28%). These are both important. In fact, there are plenty of interesting books (14000 new books were published in 2017 alone). The issue is finding them and these are some of the challenges with the retail market.

Children read independently when they are read to by others

Parents also believe reading to their child more often (26%) will encourage them to read. This is absolutely right. The single biggest impact on a child’s independent reading is whether a parents reads to them. Egmont’s studies ‘Print Matters More’ and ‘The Reading Magic Project’ both confirm that reading to children has a transformational effect on their interest in and enjoyment of reading. We can also show this through statistical analysis. The more children are read to the bigger the impact, demonstrated in the charts below. Chart (1) shows how often children read themselves when they are read to by others less than weekly. 54% of 0-4s rarely/never read/engage with a book. This is not a surprise as children can’t properly access books and stories unless through others at this age. Taking the example of 8-13 year olds, in chart (1) we can see one quarter of 8-13s read daily to themselves and 28% read weekly to themselves, when they are read to less than weekly by others. Chart (2) shows the impact of reading to children more often, in this case on a weekly basis. Now, 32% of 8-13s read to themselves daily and 57% read to themselves weekly. Finally, chart (3) shows the enormous impact of reading to children on a daily basis, so that now 73% of 8-13 year olds read to themselves daily when they are read to daily.

Frequency of children reading to themselves when read to by others



Source: Nielsen’s Understanding the Children’s Book Consumer 2017

³ Egmont’s ‘Media use and attitudes’ study, 2017

Summary

It's a challenging time for the children's publishing industry. Reading for pleasure is threatened. Although there was a small uplift in those children who read or are read to daily/nearly every day in 2017, the fact remains that 70% of 0-17s don't read every day and 64% 0-13s are not read to every day. Many children are not given books and magazines, and of those adults that do buy them for children, the majority buy just one magazine a year and between 1 and 5 books a year for children. A decline in reading for pleasure makes a significant negative impact on children's lives with potential long term social impact. However, there is much cause for optimism because if parents can be encouraged to read to their children, children will read for themselves. This has been clearly demonstrated through Egmont's Print Matters More and The Reading Magic Project. We need to change the culture of reading and look at why parents aren't reading to their children. We must all act collectively – these statistics show that children's development is at stake.

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