



The development of sales in the book industry 2004 to 2007



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Norwegian Competition Authority Report 1/2008

Foreword

This study documents the development of sales, prices and variety in the book industry after the transition to the new net book agreement on 1st May 2005. The study follows up the earlier study, “The effect of free books prices,” from 2006 and expands the database by two years as well as extends it to include sales via book clubs.

The study is carried out by the Norwegian Competition Authority. It is written by higher executive officer Gabriel Støyva and senior adviser Øystein Daljord (project leader). The Norwegian Competition Authority wishes to thank Ark, Norli, Tanum, Libris, Notabene, De norske Bokklubbene (The Norwegian Book Clubs) and Forleggerforeningen (The Norwegian Publishers Association) for sales data that is used in the study. Special thanks are directed to Tom Larsen, Gry Øverland and Arild Aakvik.

Bergen, July 2008
Knut Eggum Johansen

A handwritten signature in black ink, reading "Knut Eggum Johansen". The signature is written in a cursive style with a large, stylized initial 'K'.

Short overview

The Norwegian Competition Authority has undertaken a study of the effect on sales of the new net book agreement that entered into force on 1st May 2005. The main features of the new agreement are greater flexibility in the fixed price arrangement, the ending of booksellers' exclusive right to sell school books and the ending of book clubs' exclusive right to discount new publications. The main conclusions of the study are that, after the new agreement, the sale of books has increased, prices have fallen and the number of titles sold has increased. The study has found, notably, that books have become cheaper over time. The fixed price arrangement under the old agreement kept book prices high during the period when book retailers were obliged to charge the price fixed by the publisher, that is, the period when publishers could impose resale price maintenance. Under the new agreement, books are sold at significantly larger discounts from the fixed price and the discounts are introduced earlier than they were under the old agreement.

Transition to the new net book agreement

Regulation number 367 of 29 April 2005 regulates the exemption from the Competition Act, section 10, for cooperation on the trade in books. The Net Book Agreement between Den norske Bokhandlerforening (The Norwegian Booksellers Association) and Den norske Forleggerforening (The Norwegian Publishers Association) establishes the framework conditions for the sale of books in Norway. The new Net Book Agreement was entered into on 10th November 2004 and entered into force on 1st May 2005. The period covered by the agreement extends until 31 December 2010. The agreement supersedes the old Net Book Agreement of 25th June 1998. Publishers and book sellers are part of the agreement through their membership in the industry associations.

The new agreement provides for a more per-

missive sales arrangement for books as compared with the old agreement. The most important changes as compared with the old agreement are:

- The fixed price period in which the publisher sets the retail price of new literature is shortened for most categories of books. Booksellers may now freely set the price of fiction and non-fiction no more than 16 months after the date of publication, as compared with the previous limit of 24 months.
- Booksellers' exclusive right to trade in school books for primary and secondary schools was abolished during summer 2006 and summer 2007, respectively.
- The fixed price arrangement for school books under the old agreement is abolished and school books may now be freely priced from the date of publication.
- All distribution channels have similar possibilities to discount books under the new agreement. Under the old agreement, book clubs had the exclusive right to discount books up to 25 percent from the publisher's fixed price.
- The fixed price regime is more flexible. All distribution channels may, under the new agreement, discount up to 12.5 percent off the publisher's fixed price for fiction and non-fiction.

One of the objections to the new agreement had been that liberalising book pricing would lead to a reduced choice of titles, especially those for which interest is limited. The Norwegian Competition Authority pointed out that the old agreement with the fixed price arrangement involved the restriction of competition among book sellers and that this violates Article 10 of the Competition Act regarding competition restricting agreements among companies (Competition Act 2004/2). Moen and Riis (2004 a,b) claim that the fixed price regulation is not necessarily a restriction of competition: The fixed price applies at a single point in a value chain, in this case the retail

price of books, without excluding the possibility of strong competition at other levels in the value chain. Ringstad (2004) finds that empirical studies in other countries do not give an unambiguous answer as to which competition restricting effects fixed book price agreements have on the sale of books.

In 2006, the Norwegian Competition Authority undertook a study of the effect on sales of the new Net Book Agreement (Konkurransetilsynet 2006). On the basis of sales data from selected book sellers in 2004 and 2005, it appeared that prices had fallen somewhat, sales had generally increased, and there was no indication

that the increase in sales had come at the expense of a reduction in the number of titles sold. The study meanwhile noted that it was too early to evaluate the effect on sales of the new sales regime. Parts of the new industry agreement had not yet entered into force at the time the study was published, and there were reasons to believe that specific effects on sales of the new agreement, such as changes in variety, would not occur immediately.

The most important changes in the new agreement as compared with the old agreement are summarised in Table 1.

*Table 1: Overview of the most important changes in the new agreement.
Source: Ministry of Government Administration and Reform.*

Major point	Old agreement	New agreement
Discount on new books	Book clubs had an exclusive right to discount new books from the fixed price	Book clubs' exclusive right to grant discounts up to 25 percent is abolished. All sales channels gain the opportunity to grant book purchasers a discount of up to 12.5 percent for specific book categories.
Fixed price period duration	Year of publication + 12 months	Year of publication + 4 months
Fixed price school books for primary school	Year of publication + 12 months	Free pricing from date of publication. Entered into force 1 st July 2006
Fixed price school books for secondary school	Year of publication + 12 months	Free pricing from date of publication. Entered into force 1 st January 2006
Fixed price books for universities and professional schools, and professional books	Year of publication + 12 months	Follows the net book agreement of 1998. Fixed price throughout the duration of the net book agreement.
School books - primary school	Booksellers had the exclusive right to sell school books	Exclusive right abolished on 1st July 2006
School books - secondary school	Booksellers had the exclusive right to sell school books	Exclusive right abolished on 1st July 2007
Fixed price paperbacks	Year of publication + 12 months	Year of publication + 4 months

The development of sales after the change in the net book agreement

The study highlights three important developments in the sale of books after the transition to the new industry agreement:

- Development in the prices paid by book consumers.
- Development in the sale of books.
- Development in the variety of book sales.

There are many sources of information on the development of sales in the book industry. The Norwegian Association of Booksellers (Bokhandlerforeningen) and The Norwegian Publishers Association (Forleggerforeningen) frequently publish sales statistics on their websites. Neither The Norwegian Association of Booksellers nor The Norwegian Publishers Association has access to retail prices, but base their figures on, respectively, the sales by the largest Norwegian publishers and on the purchases from them by all the main booksellers. To obtain a view on the prices faced by consumers, the Norwegian Competition Authority has therefore collected a comprehensive quantity of sales observations from retailers and book clubs.

Data

There are three important changes in the data set as compared with the earlier studies:

- Sales data in the study were collected during 2005 through 2007 and thereby expand the data set by two years as compared with the earlier studies.
- Sales through book clubs are presented as well as sales through book retailers.
- The study reports only sales of titles that are included in the Book Database and only for book categories 1 through 5.

Scanner data are collected from all booksellers that have provided sales information in electronic form to the five largest book chains, Ark,

Norli, Tanum, Libris and Notabene as well as De Norske Bokklubbene (The Norwegian Book Clubs). Sales data are collected for four-month periods from January 2004 through December 2007. The titles are identified using their EAN-number (Electronic Article Number).

All results are reported as annual figures. The number of booksellers that can provide sales reports in electronic form has increased over the period for which we have data. That implies that the proportion of sales included in the sample used in the study varies over the years.

Recommended prices

Sales data are linked title by title to the Book Database's catalogue. The catalogue contains information on the fixed price, recommended price, year of publication and book category for virtually all books sold in Norway. Combined with the scanner data, the catalogue makes it possible to break down sales by book category.

Method

Average prices

The traditional way to measure prices is to use price indices. A typical price index measures changes in price of a sample of products compared with a reference level.¹ Marked seasonal variations in demand as well as the trickling introduction of new titles make it difficult to define a relevant sample of products over time.

The prices reported in this study are calculated as sales-weighted averages. That implies that the prices of books with above average sales receive higher weights than the prices of books

¹ Price indices typically try to find relative changes in the minimal expenditure necessary to maintain a given level of well-being when prices change over time. See, e.g., "The Boskin Commission Report", <http://www.ssa.gov/history/reports/boskinrpt.html>.

with lower sales. The discount on the fixed prices is calculated as a sales-weighted average of the ratio between the discount (i.e., the difference between the retail price and the fixed/recommended price) and the fixed/recommended price.

The sample is chosen by sampling without replacement and represents a large share of total sales both overall and with respect to the various categories, on average 44 percent of total annual book sales. Since the sample is chosen from among all booksellers that can provide scanner data, it is not necessarily random. Since the share of the sample in the total population has increased over the years, we cannot directly estimate the change in the volume of sales from the changes in the volume of sales in the sample. The volume of sales, both in total and divided among categories, is therefore taken directly from the Norwegian Publishers Association industry statistics that publish annual estimates of total sales in Norway.

The sample is stratified over book categories. The sample within each book category is regarded as sampling without replacement from total sales within the category. Total sales are important for measurements for two reasons.

- Since the observations are sampled without replacement and represent a substantial share of total sales, the measure of dispersion is a function of the share of the sample in the population studied. This is different from sampling with replacement, where the measure of dispersion is a function of only the sample size.
- Since the sample share varies among book categories, the observations for each book category are weighted in inverse proportion to the category's share of total sales for the average price calculations across book categories. Details on how the sample is split are found in the appendix.

Variety

The number of titles sold is used as the measure of variety of the sales. The number of titles sold within the various book categories is estimated on the basis of the relationship between the number of titles and the number of sales in the sample. See the appendix for details.

Results

The division of titles according to book categories follows the Book Database's industry standard, see *Table 2* below. The results are reported for book categories 1 through 5. All results are also provided in the tables in the appendix.

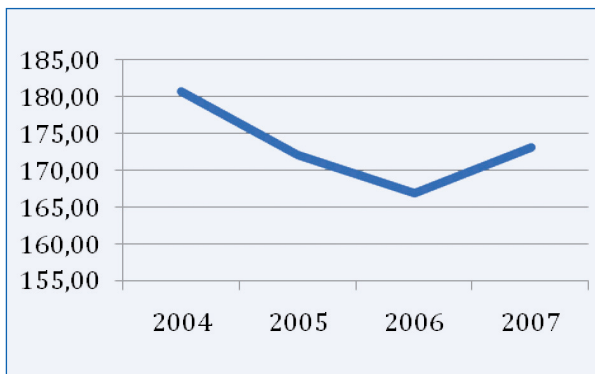
Table 2

Group	Category	Book Database's book groups
1	School books for primary and secondary schools	110 - 120
2	Textbooks for tertiary education and professional books	210 - 229
3	Norwegian and translated non-fiction	310 - 339
4	Norwegian and translated fiction	410 - 448
5	Paperbacks	500 - 508

Annual sales

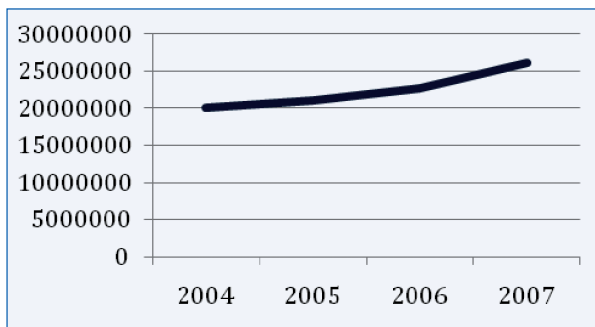
The average price of books fell by about 4 percent from 2004 through 2007. Over the same period, the consumer price index has risen by about 5 percent.²

Figure 1: Annual average price



The total number of books sold has risen from about 20 million in 2004 to 26 million in 2007.

Figure 2: Annual quantity of books sold³



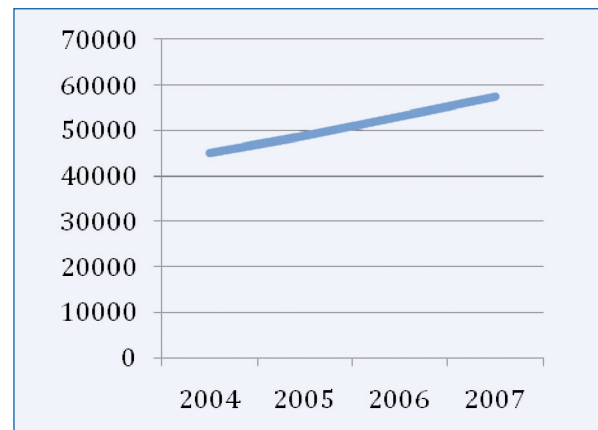
The increase in sales did not come at the expense of the number of titles sold. Just under 30 percent more titles were sold in 2007 than in 2004. An increase in the volume of sales will, all else equal, lead to an increase in the number of titles sold. The increase in the number of titles sold is, however, larger than the change in the volume can explain. The increase

² See <http://www.ssb.no/emner/08/02/10/kpi/tab-2008-06-10-01.html>

³ The volume figures are taken from the Publishers Association industry statistics 2006. The volume figures for 2007 are from the Publishers Association in advance of publishing the Publishers Association industry statistics 2007. There may be minor differences.

in variety can be due to sales switching from book clubs, which have traditionally been oriented towards a limited choice of best-sellers, towards internet sales and booksellers where the variety of choice is larger. The Publishers Association Industry Statistics show, however, that the growth in the number of books sold has not changed significantly after the transition to the new net book agreement.

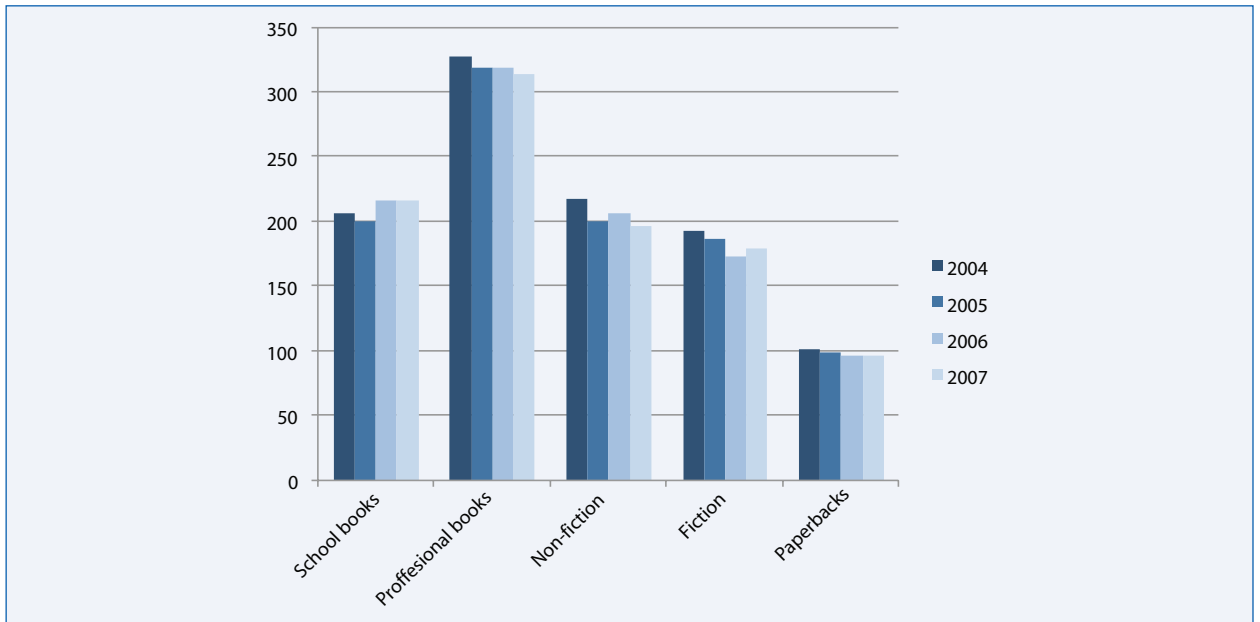
Figure 3: Annual total number of titles



Prices per category per year

The average price of books has consequently fallen since 2004, as seen in Figure 1. Changes in the average price may, however, be due to changes in the composition of book sales. If, for example, there had been a shift in sales from more expensive hardback books to cheaper paperbacks, this would appear as a lower average price even if the price of each title had not changed. There is a tendency shared among the book categories – with the exception of school books – towards lower prices over the years. This means that the development in the total average price is also due to generally lower price for books and not necessarily to shifts between book categories. At the same time, the sale of cheaper books has increased and the sale of more expensive non-fiction has fallen.

Figure 4: Annual average price by book category



Sales volume figures show some changes among book categories. The sale of school books is influenced by reforms in the school sector and this is presumably the most important cause of the increase in the sales of school books. There is, however, a clear increase in sales of fiction and paperbacks after the new agreement entered into force. Some of the reduction in the average price is due, therefore, to an increasing share of total sales of paper-

backs. There is, meanwhile, a clear tendency over the years towards a greater number of titles sold in all book categories.

Prices according to the year of publication under different regimes

The earliest changes in book sales after the new industry agreement appears in price setting over time. Under the new industry agreement, book sellers can grant discounts up to

Figure 5: Total number of books sold per year for each category

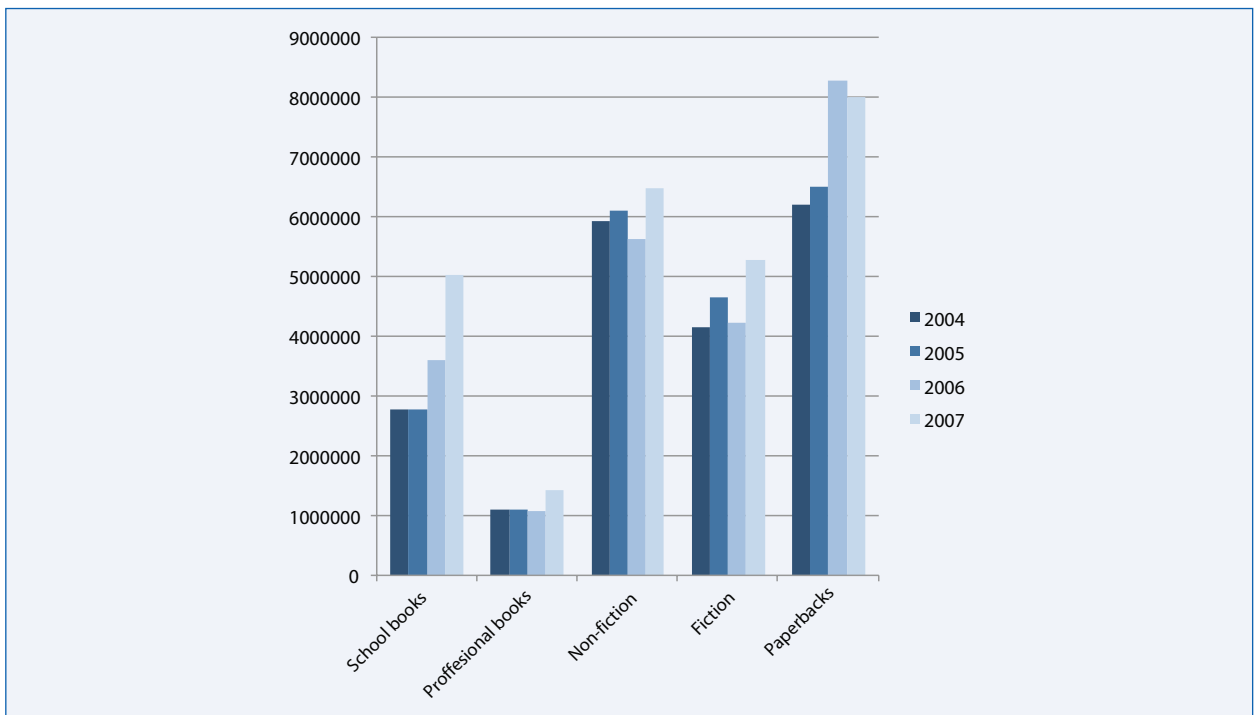
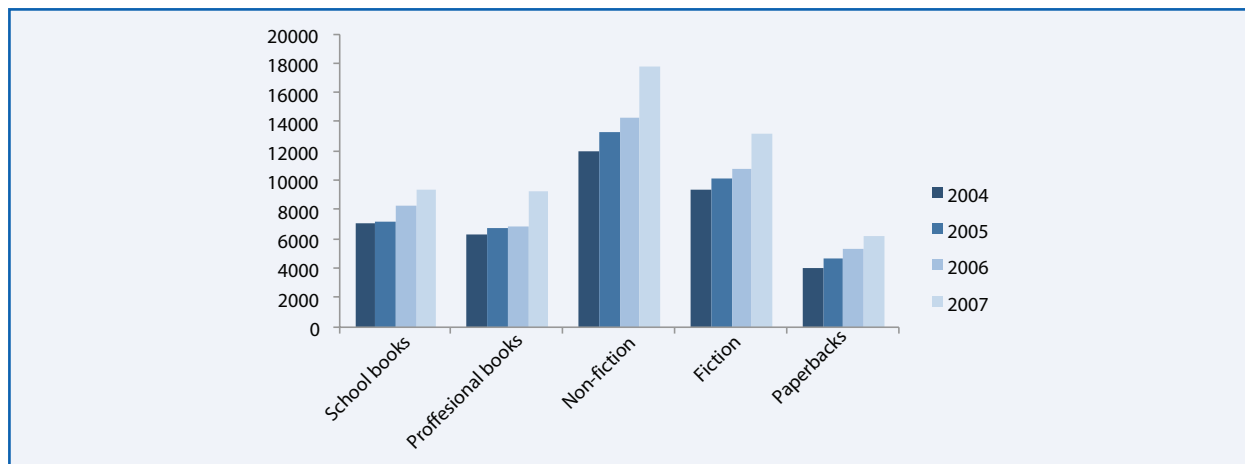


Figure 6: Number of titles per year for each category

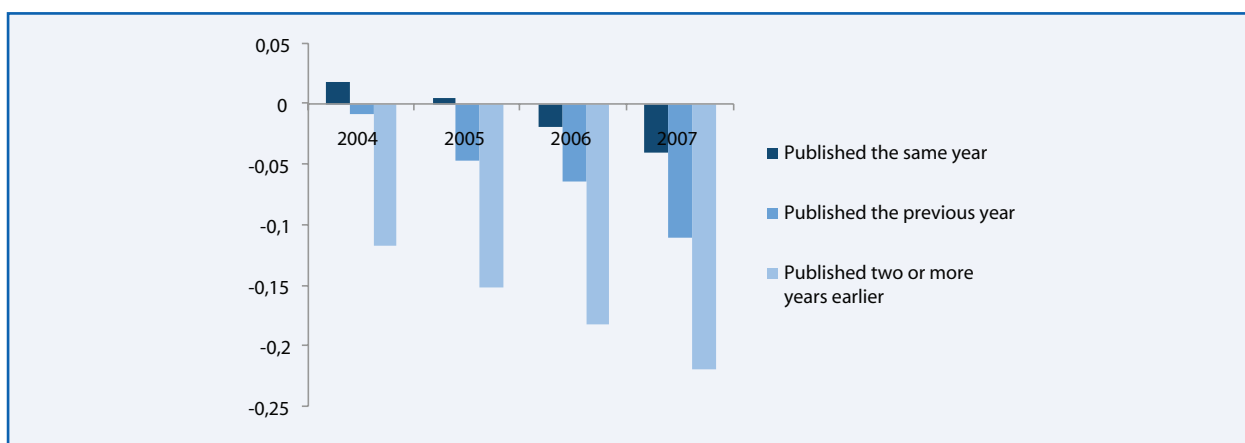


12.5 percent on the titles subject to the fixed price at the same time as book clubs have lost their exclusive right to discount new publications by up to 25 percent. The fixed price arrangement was shortened from the year of publication plus one year to the year of publication plus four months.

Figure 7 shows the average prices of titles according to year of publication. In 2004, titles that were published in the same year and the previous year were subject to the fixed price agreement, without any possibility for book sellers to discount, but with book clubs able to offer discounts of up to 25 percent. On average, books are sold at a price 2 percent above the fixed price for titles published in the same year and at a 1 percent discount for titles one year older. Books published two or more years earlier were no longer covered by the fixed

price agreement and their prices could be set freely by the book sellers. After two years, the average discount was 12 percent. From 1st May 2005, book sellers were able to grant a discount up to 12.5 percent on books published in the same year. In 2005, the booksellers did not use the new possibility to discount books published in the same year. In 2005, the average sales price of titles published in the same year was near the fixed price. For books published the previous year, the new regime meant that certain book categories were no longer bound by the fixed price from 1st of May. The average discount in 2005 on publications from the previous year was 5 percent. Under the old industry agreement, that group was subject to the fixed price without the possibility of discounting. One can see that, in 2005, titles published two or more years earlier were sold at an average discount of 15 percent.

Figure 7: Total discount on the fixed price over time



In 2006 and 2007, the possibility to discount was used both earlier and to a greater extent than earlier. The tendency was also seen among the group of books that was not bound by the fixed price under either the new or the old arrangement. As seen from *Figure 7*, the discount on two-year-old publications nearly doubled from 2004 to 2007.

Year of publication under different regimes by category

There is some variation in the development of discounts among book categories. This is due in part to the new industry agreement involving different changes across book categories, but also different demand conditions across book categories. There is, nevertheless, a clear pattern of increased and increasing discounts on the fixed/recommended price after the new agreement.

Discount on fixed price of school books

Booksellers' exclusive right to sell school books for primary and secondary school was abolished on 1st July 2006 and 1st January 2007, respectively, at the same time as the fixed price arrangement was abolished for these books. Publishers, however, established recommended prices for each title, in most instances simply the old fixed price, see *Table 5* and *Table 6* in the appendix. Since all the ma-

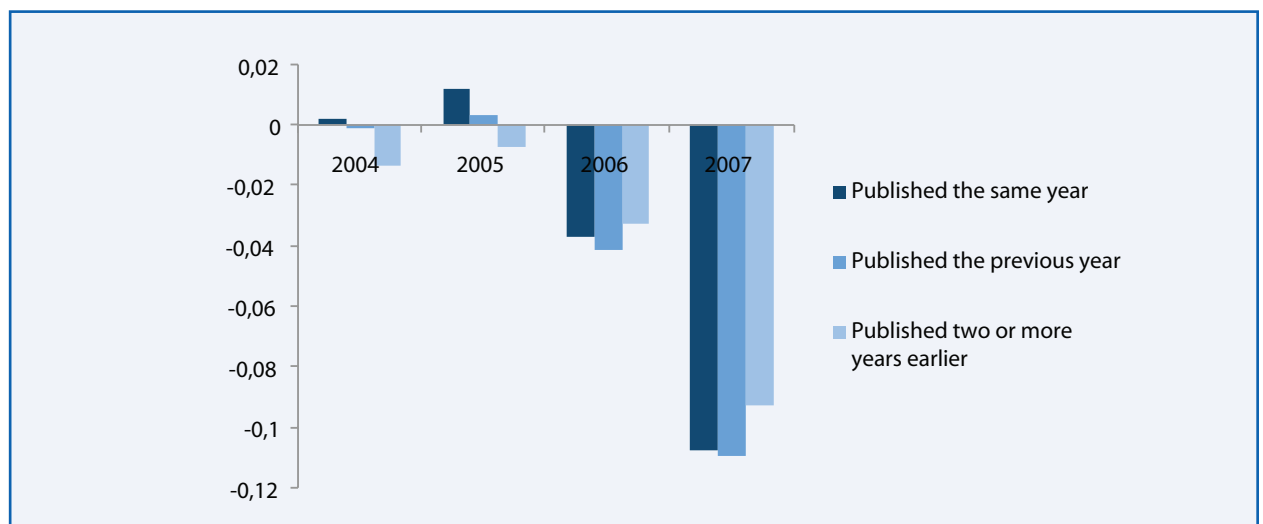
ajor school book sales occur during the late summer, most of the changes after the abolishment of the book sellers' exclusive right to sell school books and the fixed price arrangement are found in the statistics. There is a clear tendency for school books to be discounted with respect to recommended prices after the changes entered into force in 2006 and 2007. The pattern according to which older books are discounted more than newer books seems to have changed after the fixed price arrangement and book sellers' exclusive right to sell school books had been abolished.

Although the average price of school books has risen, the discount on the fixed price has also risen. There has been speculation that publishers could have responded to the new freedom to discount in the new agreement by correspondingly adjusting the fixed price upwards. Changes in the fixed prices cannot, however, fully explain the entire discount from the fixed price, see *Table 6* in the appendix. The table indicates that more expensive school books are sold at a larger discount under the new agreement than they were earlier.

Professional books

Professional books are subject to the old net book agreement through 30 July 2008. This implies that titles are subject to the fixed price

Figure 8: Changes in discounts on fixed prices for school books



for two years, without the possibility to discount. In 2007 there appeared to be some development towards discounts from the fixed price, but the effect was not as large as in other book categories. At the same time the development of prices in professional books followed the pattern in 2007 with larger discounts from the fixed price. The discounts exceeded the average increase in fixed prices from 2006 to 2007 for the category. Demand for professional books is probably less price-sensitive than for categories such as fiction and mass-market. This can explain why the observed discounts are fairly modest as compared with those for fiction, despite significant changes in the pattern of discounts.

Non-fiction

Beginning in 2005, one can see large discounts on books published in the previous year. The prices of these publications could be set freely under the new agreement, but were subject to the fixed price under the old agreement. There is also a clear trend towards increasing the discount on older publications that were not subject to the fixed price restriction under the old or the new industry agreement.

Fiction

The largest changes in discounts from the fixed price are seen in fiction. Book sellers had offered large discounts on fiction under the old agreement after the fixed price period had elapsed, i.e., for two years or older publications. *Figure 11* shows that book sellers did not use the entire freedom to discount up to 12.5 percent permitted by the new agreement during the first year, but there is a trend towards increasing discounts for current year publications starting in 2007. The fixed price arrangement in the old agreement was binding primarily on previous year publications. Following the new agreement, there were considerable discounts on the previous year's publications, something which was not possible under the old agreement. The figure shows a conservative estimate of the discounts since the sample also includes sales observations for the first third of the year when the fixed price arrangement was still in place (the winter period). For fiction as for non-fiction, there is a trend towards increasing discounts on books subject to the fixed price arrangement, identical to the increasing discounts on books that had not been subject to the fixed price arrangement under the new or the old agreement.

Figure 9: Discounts on the fixed price for professional books

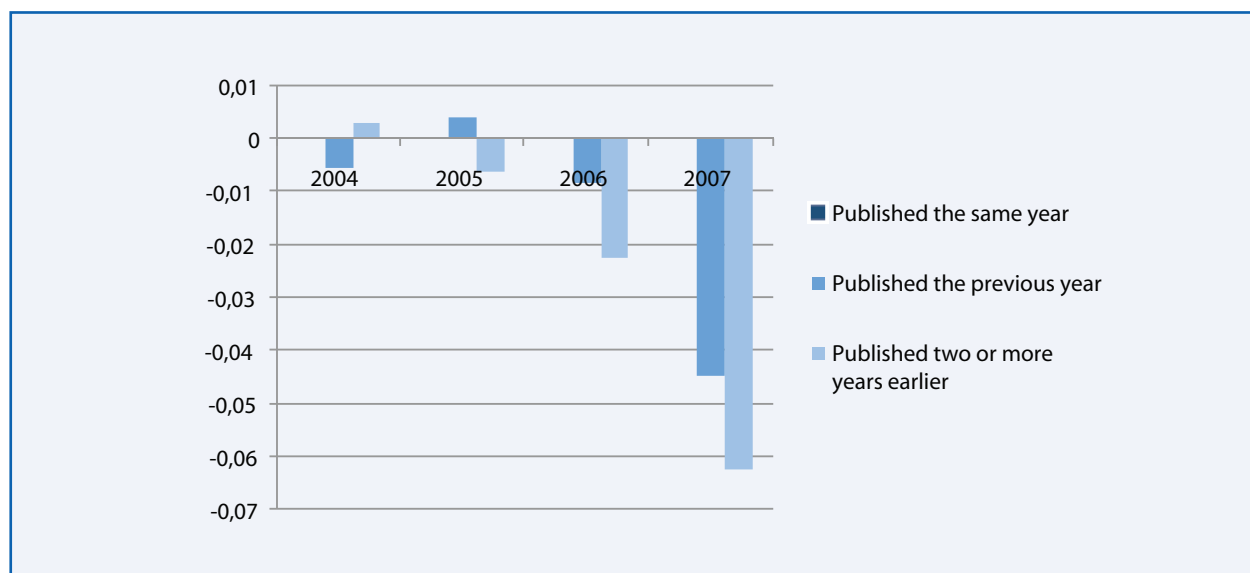


Figure 10: Discounts on the fixed price for non-fiction

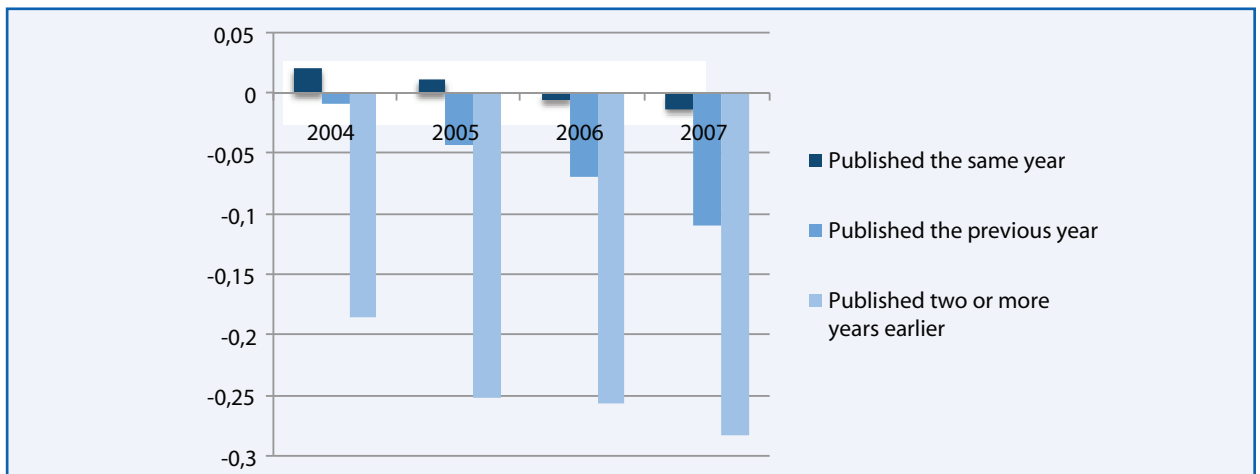
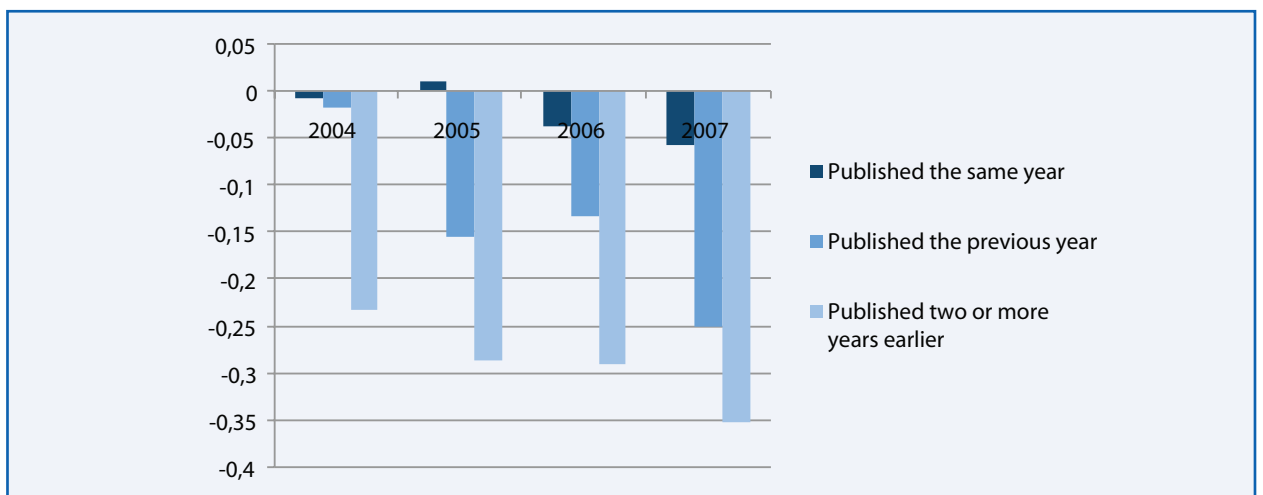


Figure 11: Discounts on the fixed price for fiction

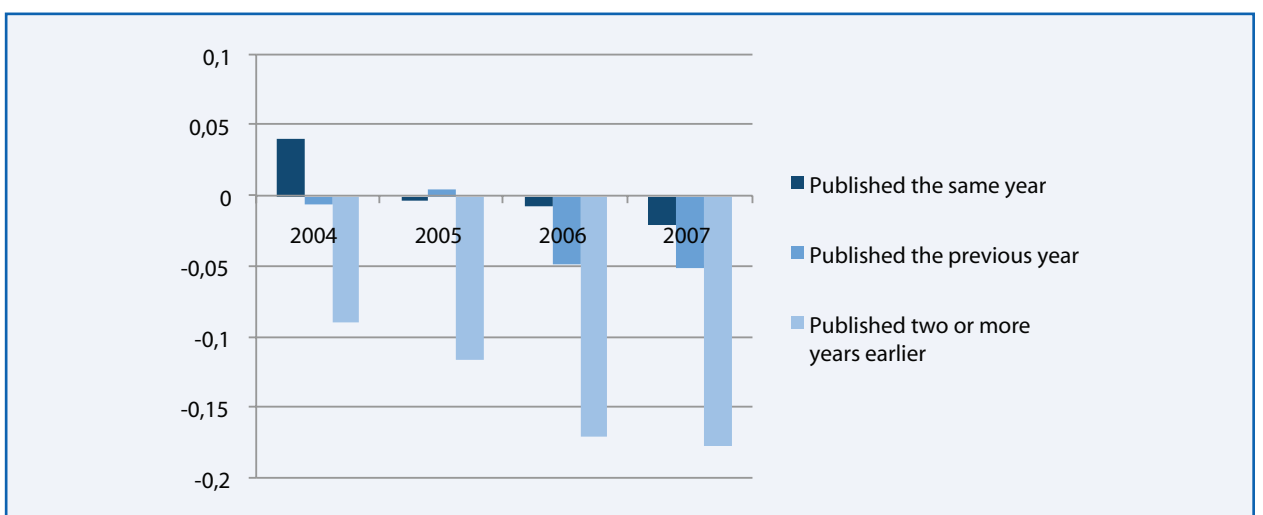


Paperbacks

Paperbacks show a pattern of price changes like that for fiction, but on a somewhat smaller scale. Developments in discounts reflects the

fact that booksellers from 2005 onwards show a strong willingness to discount both books subject to the fixed price and for those not subject to the fixed price arrangement.

Figure 12: Discounts on the fixed price for paperbacks



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⁴ The Norwegian Competition Authority received the statistics for 2007 from The Norwegian Publishers Association in advance of publishing the Publishers Association Industry Statistics 2007. There may be minor differences.

Price calculation for book groups

For each book category j in period t , the average price \bar{p}_{jt} is calculated as the sales-weighted average.

Discount on the fixed price for book categories

The discount on the fixed price for category j in period t is calculated as the sales-weighted average

$$\Delta\bar{p}_{jt} = \sum_n \frac{(p_{jnt} - f_{jnt})q_{jnt}}{f_{jnt}q_{jt}}$$

where p_{jnt} is the price of each title, f_{jnt} is the fixed price, q_{jnt} is the observed sales volume in the sample for title n in category j in period t and $q_{jt} = \sum_n q_{jnt}$ is the total observed sales in category j in period t .

Measure of dispersion for book categories

The standard deviation corrected for finite populations is, for each book category, calculated as

$$s_{jt} = \sqrt{\frac{\sigma_{jt} Q_{jt} - q_{jt}}{q_{jt} Q_{jt} - 1}}$$

where Q_{jt} is the total number books sold in category j , q_{jt} is the observed sales volume in the sample in group j and

$$\sigma_{jt} = \frac{1}{q_{jt} - 1} \sum_n (p_{jnt} - \bar{p}_{jt})^2 q_{jnt}$$

Price calculations for book categories

The average price across book categories is calculated as

$$\bar{p}_t = \sum_j \frac{1}{w_{jt}} \bar{p}_{jt}$$

where $w_{jt} = Q_{jt}/Q_t$ is book category j 's share of total sales $Q_t = \sum_j Q_{jt}$ in period t .

Discount on the fixed price across book categories

The discount on the fixed price across book categories is, like the average prices, corrected

for variation in the sample's share among categories and is calculated as

$$\Delta\bar{p}_{jt} = \sum_j \frac{1}{w_{jt}} \Delta\bar{p}_{jt}$$

where the same weighting is applied to the three categories.

Measure of dispersion across book categories

The measure of dispersion of the average price across book categories is calculated using a standard first-order approximation.

Estimating titles

Changes in the number of titles are used as a measure of breadth or variety. The distribution of sales of titles is very long-tailed, *see Figure 13*. Sampling without replacement from a long-tailed distribution results in a positive but diminishing relationship between the number of titles and the number of books sold. We do not know the total number of titles, but we know the total volume of books from the Norwegian Publishers Association Industry Statistics. Ideally, we wish to estimate the relationship between the number of titles sold and the number of books sold from a series of samples of different sizes.

Since we can only have one sample for each period, we have taken random samples of various sizes from the sample itself and estimated the relationship between titles and the sample size parametrically with the expression:⁵

$$(1) y_b = y_b = \alpha_0 x_b^{\alpha_1 + \alpha_2 \ln x_b} \exp \epsilon_b$$

where y_b is the number of titles in the draw b and is a function of the number of items sold x_b , where, α_0, α_1 and α_2 are the parameters and where $\epsilon_b \sim iid(0, \sigma^2)$ is a random error. For each category, for each year, we have drawn 100 observations of varying sample sizes from the sample itself and generated y_b

⁵ The bootstrap samples are themselves drawn without replacement.

and x_b for $b=(1,\dots,95)$. Given that the sample is drawn from within each book category, the method gives an unbiased estimate of the number of titles as a function of the number sold. We then extrapolated to the total sales for each category. The estimate of the total number of titles sold in a period is calculated as the sum of the estimated number of titles sold for each category in the same period.

The expression in (1) is estimated linearly. The summary statistics for R^2 from the 20 linear regressions are as follows:

$$R^2_{average} = 0.998, R^2_{max} = 0.999, R^2_{min} = 0.997$$

Appendiks

Figure 13: Distribution of sales 2007

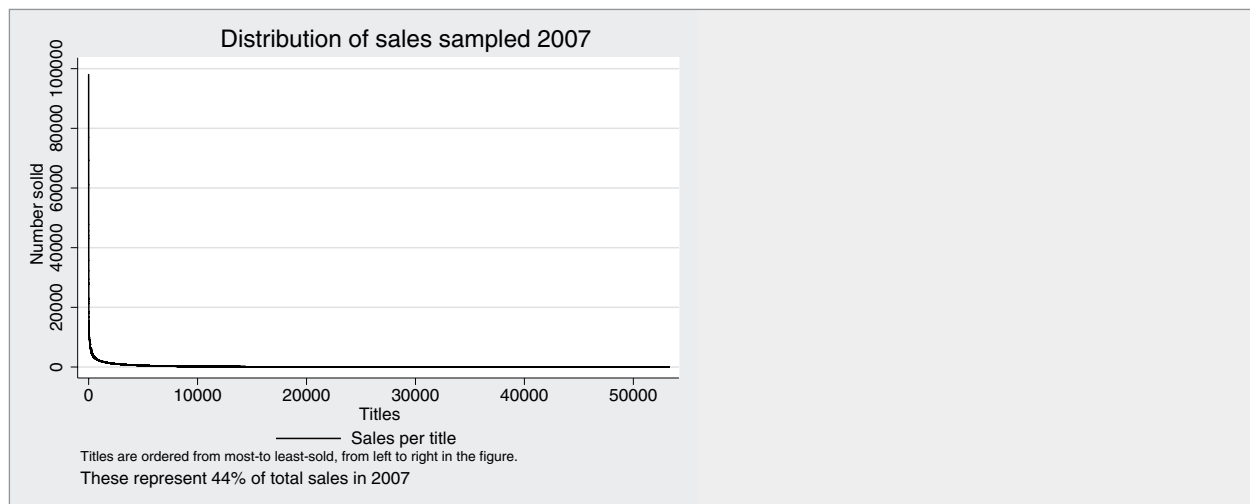
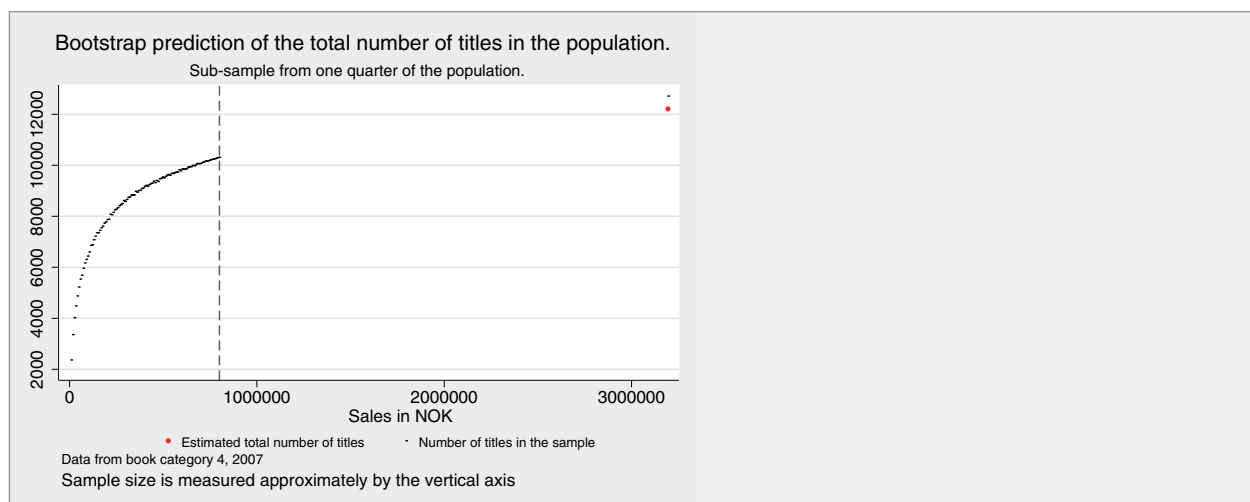


Figure 14. Caption: Distribution of sales sampled 2007



The method is illustrated for the sample from fiction for 2007. On the basis of a random sample from one-quarter of the sample, the total number of titles in the sample is estimated in a corresponding manner, see Figure 14.

Measure of dispersion of the estimate of the number of titles

The standard deviation of the estimate of variety for each category is calculated with a standard first-order approximation. The measures of dispersion do not control for sampling noise.

Tables

Table 1: Annual sales

Year	Average price	Standard deviation	Titles	Standard deviation	Sample	Volume	Sample's share of total	Titles	Standard deviation
2004	180.75	0.03	45008	32.23	7376371	20147778	37%	43762	32.23
2005	172.06	0.02	48690	34.54	9757352	21141427	46%	47761	34.54
2006	166.87	0.02	53117	43.93	11435388	22778817	50%	51981	46.92
2007	173.03	0.03	57385	40.35	11663785	26217772	44%	56062	40.35

Table 2: Annual sales by book category

Year	Category	Average price	Standard deviation	Titles	Standard deviation	Sample	Volume	Sample's share of total
2004	1	205.97	0.08	7799	11.27	1724663	2768218	62%
2004	2	327.39	0.17	7750	21.44	478071	1101278	43%
2004	3	217.06	0.06	13904	27.79	2317977	5925510	39%
2004	4	192.43	0.06	11052	21.84	1789853	4141547	43%
2004	5	101.08	0.03	4504	21.53	1065807	6211225	17%
2005	1	199.95	0.07	7991	9.87	1827470	2787998	66%
2005	2	319.01	0.17	8410	27.36	495179	1093943	45%
2005	3	200.27	0.05	15296	17.73	3249223	6091381	53%
2005	4	186.13	0.05	11797	18.98	2588317	4654741	56%
2005	5	98.99	0.03	5197	20.24	1597163	6513364	25%
2006	1	216.11	0.04	9085	8.69	2909286	3601424	81%
2006	2	318.53	0.20	8814	24.58	496082	1074191	46%
2006	3	206.19	0.05	16578	18.22	3184119	5622586	57%
2006	4	172.99	0.04	12602	16.17	2849961	4216451	68%
2006	5	95.82	0.02	6039	20.88	1995940	8264165	24%
2007	1	216.28	0.09	9604	15.99	2475982	5030193	49%
2007	2	314.31	0.21	9656	34.95	457361	1424422	32%
2007	3	197.14	0.05	18024	21.95	3324302	6475918	51%
2007	4	179.63	0.04	13478	18.44	3194478	5284026	60%
2007	5	96.83	0.02	6624	21.81	2211662	8003213	28%

Table 3: Discount on the fixed price, by year

Year	Published n the same year	Standard deviation	Published in the previous year	Standard deviation	Published two or more years earlier	Standard deviation
2004	2%	0.00013	-1%	0.00016	-12%	0.00014
2005	1%	0.00010	-5%	0.00016	-15%	0.00012
2006	-2%	0.00006	-6%	0.00014	-18%	0.00012
2007	-4%	0.00279	-11%	0.00015	-22%	0.00186

Table 4: Discount on the fixed price, by category and year

Year	Category	Published n the same year	Standard deviation	Published in the previous year	Standard deviation	Published two or more years earlier	Standard deviation
2004	1	0%	0.00064	0%	0.00075	-1%	0.00036
	2	0%	0.00038	-1%	0.00047	0%	0.00049
	3	2%	0.00022	-1%	0.00044	-18%	0.00032
	4	-1%	0.00026	-2%	0.00038	-23%	0.00035
	5	4%	0.00029	-1%	0.00015	-9%	0.00033
2005	1	1%	0.00046	0%	0.00075	-1%	0.00026
	2	0%	0.00021	0%	0.00036	-1%	0.00049
	3	1%	0.00021	-4%	0.00024	-25%	0.00028
	4	1%	0.00026	-15%	0.00040	-28%	0.00035
	5	0%	0.00013	0%	0.00031	-12%	0.00028
2006	1	-4%	0.00023	-4%	0.00076	-3%	0.00022
	2	0%	0.00031	-1%	0.00017	-2%	0.00032
	3	-1%	0.00019	-7%	0.00030	-26%	0.00027
	4	-4%	0.00011	-13%	0.00038	-29%	0.00030
	5	-1%	0.00007	-5%	0.00023	-17%	0.00028
2007	1	-11%	0.02139	-11%	0.00040	-9%	0.00052
	2	-3%	0.00033	-4%	0.00066	-6%	0.00047
	3	-1%	0.00017	-11%	0.00028	-28%	0.00662
	4	-6%	0.00015	-25%	0.00034	-35%	0.00459
	5	-2%	0.00011	-5%	0.00017	-18%	0.00026

Changes in fixed/recommended prices

Data for the fixed/recommended price were obtained from the Book Database for the years 2006 through 2008. Sales data for 2004 and 2005 were matched with the Book Database for 2006. Sales data for 2006 and 2007 were matched with the Book Database for 2007 and June 2008, respectively.

Changes in the fixed price are measured by matching the Book Database title by title over the years. The total number of matches shows how many titles are found in both datasets. The number of changes shows how many of the matched titles have had their fixed prices changed. The relative change in the fixed price is calculated both for all titles and limited to those titles whose fixed price has changed.

Table 5: Changes in the fixed price

Year	Average change for all titles	Average change for those that have changed	Number changed	Number matched	Share that have changed
2005 - 2006	0.5%	5.2%	11594	124923	9.3%
2006 - 2007	0.7%	5.5%	16072	131470	12.2%

The table below shows the corresponding changes across book categories.

Table 6: Changes in the fixed price over time and across book categories.

<i>Year</i>	<i>Book category</i>	<i>Average change for all titles in category</i>	<i>Average change for those that have changed</i>	<i>Number changed</i>	<i>Total number matched</i>	<i>Share that have changed</i>
<i>2005 - 2006</i>	<i>1</i>	1.0%	4.3%	6314	28440	22.2%
	<i>2</i>	0.5%	4.2%	2451	21088	11.6%
	<i>3</i>	0.2%	6.1%	1258	36038	3.5%
	<i>4</i>	0.2%	7.7%	869	29137	3.0%
	<i>5</i>	0.8%	11.9%	702	10220	6.9%
<i>2006 - 2007</i>	<i>1</i>	1.0%	3.8%	7504	29665	25.3%
	<i>2</i>	0.8%	5.9%	3020	21957	13.8%
	<i>3</i>	0.4%	9.1%	1630	37811	4.3%
	<i>4</i>	0.7%	9.5%	2374	30878	7.7%
	<i>5</i>	0.4%	2.6%	1544	11159	13.8%

Table 7 below shows the relative changes in the fixed prices, by book category, for the year's publications and for all publications. There is, in general, a trend towards increasing the fixed price for new publications over the years, with the exception of paperbacks.

Table 7: Relative changes in the fixed price across book categories.

<i>Year</i>	<i>Book category</i>	<i>Average change in the fixed price in the year of publication</i>	<i>Average change overall</i>
<i>2005 - 2006</i>	<i>1</i>	35.1%	4.8%
	<i>2</i>	4.6%	1.5%
	<i>3</i>	7.2%	1.8%
	<i>4</i>	5.4%	2.2%
	<i>5</i>	-4.8%	1.2%
<i>2006 - 2007</i>	<i>1</i>	5.7%	2.4%
	<i>2</i>	2.9%	1.9%
	<i>3</i>	0.6%	1.5%
	<i>4</i>	0.0%	2.7%
	<i>5</i>	3.6%	1.0%



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