



Audio's Ups and Downs

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The glaring takeaway from the Audio Publishers Association's statistical survey for 2009, which the group released early last week, is that while unit sales were up, revenue was down. The group's sunny headline—"Audiobook Sales Increase in 2009"—belies a tension: the sales of digital downloads, which are historically cheaper than CDs, are rising to create higher unit sales, but less money is coming in.

"It's not exactly the elephant in the room, but it is the current issue for our industry," says Janet Benson, president of the APA. Benson, who is v-p and publisher of The Audio Partners Inc., says that in trying to bring expenses in line with revenue, audio publishers are, among other things, looking to cut production costs. "A lot of publishers are looking to see where they can trim without cutting down on quality."

The APA study pointed out that CDs represented 65% of audio revenue and 46% of units sold in 2009, while digital downloads generated just 29% of revenue but 49% of all units sold. With audio publishers expecting the digital download market to keep expanding, many are worried about pricing pressures. Just as the print side is struggling with customer demand for cheap e-books, audiobook publishers, Benson says, face a situation in which the demand for the price of digital downloads is to have it "go down, down, down." There are also concerns that the growing market for e-books will put even more price pressure on audiobook publishers, as customers start conflating the e-book with the digital audiobook, seeking price parity between the two products. Already, Benson notes, audiobook publishers struggle in a space between books and music. "[Customers] always want to compare [our product] to music, but a three-minute song and a three-hour audiobook don't have a lot in common."

Anthony Goff, publisher/director of Hachette Audio & Digital Media, thinks the industry may be realizing that it is overspending on production. He said Hachette might spend as much as \$30,000 to \$50,000 to produce an audiobook edition of a major bestseller, like a James Patterson or David Baldacci title, and there may be ways to bring that down. Goff pointed to a focus group study that came out of last year's APA annual conference, in which various consumers said they don't notice the high-end production values in their audiobooks. Goff says the question then is: "What's the happy medium?"

On the pricing front for digital audio, Goff admits there's no easy or short answer. "Price sensitivity is a massive issue right now," he acknowledges. Audio publishers have been trying to maintain prices on CDs—keeping them as close to the hardcover price as possible—while struggling against pressure to keep dropping downloadable audio prices. Given Hachette Audio's strong performance in the beginning of 2010, however,

he was optimistic about the future. He says the key things his group looks at, in addition to cutting production costs, are closely monitoring inventory and being conservative in printings.

Looking ahead, both Goff and Benson expressed concerns about the possibility of publishers bundling audiobooks and e-books. Benson described the industry's position on this front as "cautious and hopeful." While she says that it seemed like a logical step, from a consumer standpoint, the industry is worried about whether consumers "will bear the price that audio warrants."

With the 2009 stats pointing to both positives and negatives, Benson says audiobook publishers are taking comfort in the popularity of their product while keeping the numbers very much front of mind: "How we make the numbers work is still our challenge."

Audio Sales By Format

	2007	2008	2009
CD	78%	72%	65%
MP3 CD	1	1	1
Digital Download	17	21	29
Pre-loaded	1	3	4
Cassettes	3	3	1