



Can Potter Save Christmas?

Children's Book Industry Hoping Harry Will Fuel Final Six Months Of 2003 After Mixed Start To The Year, Ipsos Research Shows

New York, NY, September 18, 2003 – The children's book industry is pinning its hopes on Harry Potter and other premium priced franchise titles for the second half of 2003, according to Ipsos BookTrendsSM, an ongoing tracking service from Ipsos-Insight, the global marketing research firm and member of the Ipsos Group. The research shows a trend toward higher priced children's titles, such as *Harry Potter and the Order of the Phoenix*, with a list price of \$29.99, resulting in consumers buying fewer books, though ultimately spending more.

Consumer spending for books intended for children under the age of 14 increased 10% during the first six months of 2003 to an estimated \$840 million compared to 2002. The gains stemmed solely from a double-digit lift in per-book spending, as demand for children's books slipped six percent over the same period last year as the publishing industry continues to struggle against a shrinking customer base. Between January and June 2003, 22% of American households purchased at least one book for someone under 14, down from 24% during the first half of 2002.

"In light of the current economic climate, it's all too easy for both publishers and retailers to look at these data and say, 'wow, sales are up; consumers are spending more compared to last year'" said Barrie Rappaport, chief analyst of Ipsos BookTrends. "However, it's not enough to grow the industry by dollars alone. Growth has to be measured in units, too. The industry is attracting fewer customers, and customers have cut back on the number of books they purchase on each shopping trip and overall. The publishing industry will continue to face an uphill battle unless they implement strategic marketing programs and appropriate merchandising plans that create incremental unit purchases—regardless of the individual title or franchise successes such as Harry Potter."

The ongoing Ipsos study of more than 16,000 nationally representative households found that those buying children's books shopped more frequently and spent more during the first six months of 2003 than in 2002. However, the number of books purchased on each shopping trip fell below last year's level—likely driven by higher per-book spending.

"A variety of products likely influenced the wide variance in unit and dollar trends, including the increased popularity of books with sound pads and interactive books such as Leapad, where customers are locked-in to buying additional books that fit into their players," said Rappaport. "In addition, Harry Potter V's release this past June further spiked the per-book spending trend reflecting the publication's hard cover binding."

Overall demand fell six percent to 188 million units purchased vs. 200 million during January through June 2002. In particular, consumers cut back on buying coloring books and non-fiction reading books, while buying increased for series/chapter, sound and novelty books.

Following several years of consistent growth, dollar stores, mass merchandisers, and variety /deep discounters lost share position compared to the first half of 2002, perhaps driven by the move toward higher-ticket products so far in 2003. On a more positive note, not all retailers are feeling the effects of lower unit sales. Book clubs, fairs, mail order, and traditional bookstores fared well, as did online retailers, likely a result of Harry Potter pre-orders and free shipping promotions. Whether the Potter effect can sustain sales through the end of 2003 remains to be seen.



Children's Books Purchased by Category
Percentage of units and dollars purchased in the U.S.

January – June	Dollar Expenditures (%)			Units Purchased (%)		
Category	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
TOTAL	100%	100%	100%	100	100%	100%
Picture/Storybooks	27.8	28.7	27.0	28.8	29.4	30.1
Non-Fiction Reading	16.1	14.4	8.6	11.3	11.5	7.2
Coloring & Activity Books	12.3	12.5	13.1	23.1	24.4	20.1
Series/Chapter Books	10.9	10.0	14.6	10.1	8.8	12.1
Novelty Books	8.4	8.0	9.0	6.5	5.9	7.0
Educational Workbooks	7.5	8.1	7.5	6.1	6.6	6.3
Religious Books	6.1	5.0	4.1	5.8	3.9	3.3
Classic Literature	2.0	2.3	2.4	1.7	1.7	1.5
Sound Books	1.8	2.4	3.7	0.9	1.2	2.1
Leveled Readers	1.7	2.1	2.8	1.9	2.2	3.9
Reference Books	1.0	1.4	1.7	0.4	0.6	1.0
Misc. Storybooks	4.4	4.9	5.4	3.6	3.9	5.2
All Other	0.0	0.1	0.2	0.0	0.0	0.1

Children's Books Purchased by Channel
Percentage of units and dollars purchased in the U.S.

January – June	Dollar Expenditures (%)			Units Purchased (%)		
Category	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
TOTAL	100%	100%	100%	100	100%	100%
Book Clubs/Fairs/Mail	37.2	29.2	30.0	31.9	26.0	29.8
Bookstores	21.4	24.5	26.0	15.1	16.3	19.8
Mass Merchandisers	12.8	14.1	11.9	14.4	14.1	11.7
Warehouse Clubs	4.2	4.5	4.8	2.2	2.4	3.2
Variety Stores/Other Discounters	3.8	4.9	4.6	6.4	6.1	5.1
Dollar Stores	2.7	3.2	1.8	11.2	15.4	7.9
Supermarkets	2.4	2.6	3.3	3.3	3.3	3.9
Toy Stores	1.9	3.0	2.1	1.9	2.5	2.1
Internet	1.8	2.0	2.7	0.9	1.1	1.8
Craft/Hobby/Card Stores	1.7	1.1	0.9	1.3	1.2	1.3
Drug Stores	1.3	1.5	1.1	3.2	2.7	2.3
All Other	8.9	9.4	10.8	8.2	8.9	11.1



Methodology

Ipsos BookTrendsSM has been tracking the book industry and providing consumer purchase information for nearly 20 years. Reports are compiled from information gathered from a panel of 16,000 nationally representative households who maintain daily purchase diaries for Ipsos.

About Ipsos-Insight

Ipsos-Insight is a member of the Ipsos Group, the second largest survey-based marketing research company in the world. As the company's flagship marketing research division, Ipsos-Insight provides custom and tracking research to domestic clients as well as U.S.-based multinationals. Ipsos-Insight specializes in research for the Consumer Products, Technology & Communications, Financial Services, and Health industries, to name a few. It also acts as the portal to other Ipsos specializations including advertising research, forecasting, modeling, global research, public opinion research, and customer loyalty research. Let Ipsos-Insight client service representatives help you access more than 4,000 Ipsos research professionals and field staff located coast-to-coast, and around the world.

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