



# Storytelling Coming Full Circle With Audiobooks

By C WorldWide Asset Management Fondsmæglersekskab A/S Danmark Filial i Sverige.

*The publishing market is changing, and so is the way we consume literature. Audiobook and e-book sales are rapidly gaining traction while physical books sales are falling – but results indicate the new formats actually lead to more, not less, reading of physical books.*

Valued at 122 bn euro in 2017, publishing is a bigger industry globally than music or games. But in contrast to the two latter, publishing is much more local in nature, having prevented the emergence of truly global publishing giants. The reason being, of course, the inclination towards reading in one's own native language.

But the publishing market itself is changing; digital is growing and physical sales slowing. In Sweden for example, digital publishing formats – audiobooks and e-books – grew by more than 50 pct in 2017.

Audiobooks is the fastest-growing segment of digital publishing. In the US, the world's largest audiobook market, sales exceeded 2.8 bn USD in 2017, a YoY increase of almost 25 pct. In the UK, it has doubled in five years. On a more anecdotal level, even *The New York Times* regularly publishes an audiobook bestseller list, a sign of the growing importance of the format.

## Formats and Findings

What's behind this rapid growth? The explanations are several. First, the widespread diffusion of smartphones and other portable devices (Deloitte predicts that smartphone penetration in developed markets will handsomely exceed 90 pct by 2023), enabling us to listen wherever we are and practically whatever we are doing

– driving, house cleaning, going for walks. Audiobook engagement, then, is essentially unconstrained by physical limitations, making the format fit nicely with today's mobile lifestyle.

Second, the on-demand nature of the digital book makes it easier to cater to tastes, interests and situations instantly – the bookshelf in your pocket is virtually endless and one title can easily be substituted with another, or used in parallel to another – facilitating touchscreen genre-matching throughout the day (fiction while commuting, food and travel while cooking, poetry while going to bed etc), much like music streaming services such as Spotify do.

**” People have an innate tendency to like to listen to people reading to them – going back to times when printed books were rare and oral tradition was the most common method of storytelling.**

---

A third, more contested yet compelling argument, is that people have an innate tendency to like to listen to people reading to them – going back to times when printed books were rare and oral tradition was the most common way of storytelling. This may be subject to individual variation given the choice of format at hand. Recent research from University College London however has found that audiobooks – oral storytelling – do indeed create a more intense physiological and emotional response than visual (i.e. printed) storytelling. Body temperature, pulse rates, and skin reactions were found to be more sensitive to spoken than written stimuli. In this sense, audiobooks can be seen as a way of

re-establishing or re-connecting with the dominant form of storytelling throughout human history, creating engagement on a level that goes beyond the merely intellectual – which might explain why fiction (as opposed to non-fiction) is the most successful genre of literature delivered through the audiobook format so far.

A perhaps more surprising research find is that the growth in the spread of audiobooks actually make people read more physical books. 77 pct of audiobook listeners said that listening to audiobooks contributed to them finishing more books, according to Goodreader. In this sense, audiobooks, rather than weakening reading skills and physical book engagement, as critics worry, help the entire book market grow while simultaneously lowering the barrier of entry to the world of literature for, say, children, and non-readers. In this sense, audiobooks can be seen as a vehicle for the democratization of literature.

### Global Success, Local Variations

While the success globally of audiobooks and e-books is indisputable and the non-physical book is here to stay, there are, however, significant local differences in the way non-physical titles are consumed and delivered. Penetration rates vary greatly, obviously, subject to internet access, smartphone diffusion, reading habits, and general technological maturity; but business models tend also to diverge.

**” At the time of writing, 2018, 50 pct of adults in developed markets have two or more online-only such media subscriptions, predicting this will double in 2020.**

---

Subscription services are gaining traction – the path Netflix or, again, Spotify, has chosen, whereby a fixed-fee monthly subscription gives the user unlimited access to an entire catalogue. Deloitte estimates that at the time of writing, 2018, 50 pct of adults in developed markets have two or more online-only such media subscriptions, predicting this will double in 2020; and that whereas 20 pct of developed market consumers pay for five or more such subscriptions today, they will do so for 10 or more in 2020.

While the audiobook format is the preferred format in Scandinavia, continental Europe and emerging markets, in the anglophone sphere – the biggest publishing ‘market’ in the world – an alternative model is prevalent, namely, the e-book – i.e. a visual book read on devices such as tablets or special e-readers. In the Anglosphere e-book sales vastly exceed audiobook sales today, and sales tend to be based on individual units – you buy, and own, your title of choice. Amazon, for example, has built their unit-based offering around their e-book reader Kindle. Subscription services, while they do exist (Amazon’s one is called Audible) tend to be not of the unlimited kind but on a of a ‘one title of choice per month’ or similar type.

Local differences aside, there is no doubt audiobooks and e-books are changing the publishing landscape fundamentally – something all long-term investors need to understand. In the case of Sweden, for example, physical sales are falling while the wider market is growing, and there is every reason to believe the trend towards digital books is going to continue given our ever more mobile (and digital) lifestyle.

At C WorldWide we monitor this trend closely. We have been invested in Swedish audiobook and e-book startup Storytel since 2017, and Amazon since 2016. If you want to follow more of our thoughts and insights, please visit our website: [cworldwide.com](http://cworldwide.com).

## C WORLDWIDE ASSET MANAGEMENT FONDSMAEGLERSELSKAB A/S

Dampfaergevej 26 · DK-2100 Copenhagen

Tel: +45 35 46 35 00 · Fax: +45 35 46 36 00 · VAT 78 42 05 10

## C WORLDWIDE ASSET MANAGEMENT FONDSMAEGLERSELSKAB A/S DANMARK FILIAL I SVERIGE

Blasieholmmsgatan 5 · SE-103 94 Stockholm · Tel +46 8 535 273 00 · Org.nr. 516405-7233

[cworldwide.com](http://cworldwide.com)

Insight Q4 2018

This publication has been prepared by C WorldWide Asset Management Fondsmæglersekskab A/S (CWW AM). CWW AM is a registered Danish investment firm located at Dampfaergevej 26, DK-2100 Copenhagen, Denmark. CWW AM's Danish company registration no is 78420510. CWW AM is registered with the SEC as an investment adviser with CRD no 173234.

This publication is provided for information purposes only and does not constitute, and shall not be considered as, an offer, solicitation or invitation to engage in investment operations, as investment advice or as investment research. The publication has thus not been prepared in accordance with legal requirements designed to promote the independence of investment research, and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. Opinions expressed are current opinions only as of the date of the publication. The publication has been prepared from sources CWW AM believes to be reliable and all reasonable precautions have been taken to ensure the correctness and accuracy of the information. However, the correctness and accuracy is not guaranteed and CWW AM accepts no liability for any errors or omissions. The publication may not be reproduced or distributed, in whole or in part, without the prior written consent of CWW AM. It is emphasized that past performance is no reliable indicator of future performance and that the return on investments may vary as a result of currency fluctuations.