



## **Ebook Marketplaces & Royalties:**

**Everything authors need to know**

# Introduction

Although there are three big players in the ebook sales marketplace—Amazon, Barnes & Noble, and Apple’s iBookstore—their policies are varied and often confusing. This guide aims to explain those distributors’ terms and conditions to help authors make informed decisions about their publishing strategies.<sup>1</sup> In “Ebook Marketplaces & Royalties,” we’ll cover:

## **Part 1: The Distributors**

1. The major distributors: Amazon, Barnes & Noble, iBookstore
2. Self-publishing platforms
3. Ebook consumption & e-reading devices
4. File formats accepted by retailers

## **Part 2: Royalties and Fees**

5. Royalties
6. Taxes
7. Delivery fees
8. File size requirements
9. Pricing restrictions

## **Part 3: Additional Terms**

10. Payment methods
11. Free samples: how much of your work the distributors can give away
12. Foreign sales and the KDP Select program

Because it represents 60% of the market share and has the most complicated conditions, we’ll give extra attention to Amazon.

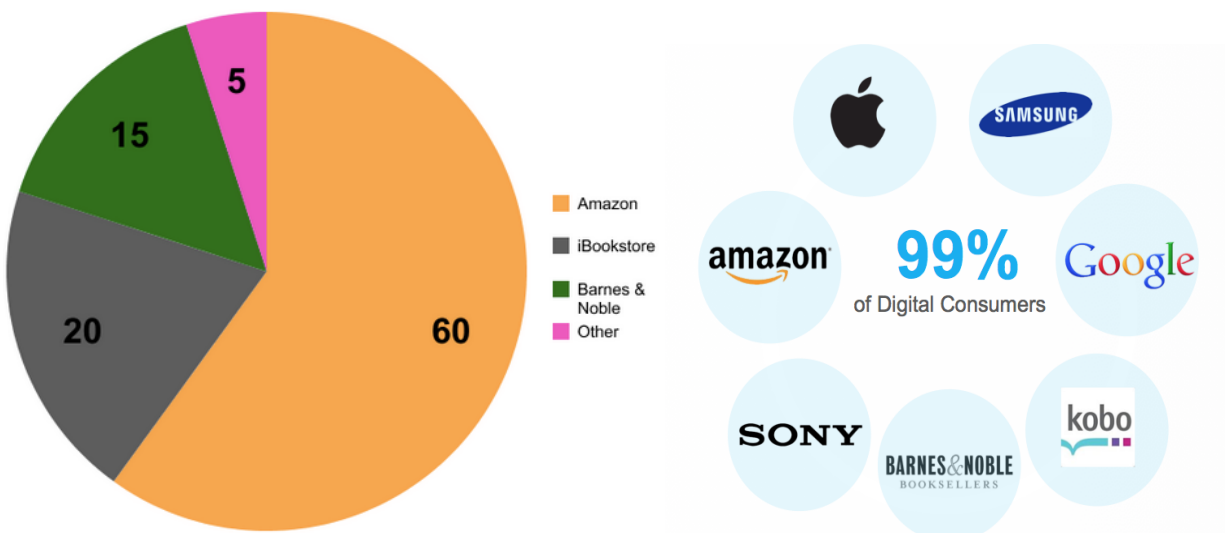
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<sup>1</sup> This guide is not legal advice and should not be relied on as such. Unless otherwise noted, all references to amounts in dollars are to US Dollars.

# Part 1

## The Distributors

The three biggest distributors of ebooks in the United States—together accounting for an estimated 95% of sales—are Amazon, Barnes & Noble, and Apple. Note that none of these distributors require that you sell your book exclusively through their channels (with the exception of Kindle Direct Publishing Select, discussed later), and that the best way of maximizing your sales is to make your ebook available on all three, as well as in newer markets such as Kobo, Samsung, Sony, and Google Play. However, ebook files created on the retailers' respective self-publishing platforms *cannot* be transferred over to other retailers.



Above: Estimated ebook marketplace shares based on Vook's sale of over 2000 titles.

## Self-publishing platforms:

The major ebook retailers offer a number of options for authors wishing to self-publish:

### Kindle Direct Publishing

This is Amazon's self-publishing service for the Kindle. It is free to create mobi/KF8 files on Amazon's KDP platform, but they can only be sold on Amazon.com. Amazon will not generate epub files necessary for distribution to other retailers.

### iBooks Author

iBooks Author is Apple's ebook production platform for authors who would like to publish to iBookstore. Ebooks created with iBooks Author are .iba files and can only be consumed on Apple devices. Unlike other files, ebooks created with iBooks Author support interactive features such as slideshows and question & answer widgets.

## **PubIt!**

Barnes & Noble's ebook-creation and self-publishing platform is called PubIt!. It is free to create epub files with the PubIt! platform, but they can only be sold on BarnesandNoble.com

## **Writing Life**

This is Kobo's self publishing platform for Kobo e-readers and devices that support epubs. Kobo converts manuscripts to epub files that can be sold on Kobobooks.com and retailers that support epub files.

## **Other retailers**

Sony requires self-published authors to submit their files through an aggregator such as Vook, while Google will sell your epub or PDF files through Google Play, as long as you are a member of their [Google Books Partner program](#), which makes your books available for limited customer previews.

## **Ebook consumption & e-reading devices:**

Although each of the three major distributors has a proprietary device designed for their respective content, there are a number of options for those interested in using other devices. For more on the devices available, see [this article](#). Here are how ebooks purchased on the major retailers can be consumed:

### **Amazon**

- Kindle
- Windows-based computer via [Kindle for PC](#)
- iPad, iPhone, and iPod Touch with the [Kindle for iOS app](#)
- Android with the [Kindle app](#)
- Blackberry with the [Kindle app](#)
- Online with the Kindle [cloud reader](#)

### **Barnes & Noble**

- NOOK
- iPad, iPhone, and iPod Touch with the [NOOK app](#)
- Windows PC or Mac computer with the [NOOK app](#)
- Android with the [NOOK app](#)
- Online with NOOK's browser-based [reader](#)

### **Apple**

- iPad, iPad Mini, iPhone, and iPod Touch via the iBookstore app

## Other retailers

- Ebooks sold through Google Play can be read on desktop computers, Android tablets and smartphones with the [Google Play Books app](#), and most e-readers apart from the Kindle.
- Sony's ebooks can be read on [its reader](#), the [PC or Mac application](#), [iPhone/iPad app](#), or [Android app](#)
- Kobo books can be read with the [Kobo devices](#), [PC or Mac application](#), [iPhone/iPad app](#), [Blackberry app](#), or [Android app](#).

## File Formats accepted by retailers

There are four major file formats in the ebook ecosystem: epub, mobi/azw, KF8, and iba. Each format can only be read on certain devices. Applications like [Calibre](#) allow for conversion between some file formats, although others contain Digital Rights Management (DRM) features to prevent unauthorized conversion or reproduction. Here are the major formats and the devices with which they are compatible:

- **Epub:** iPad, iPhone, iPod Touch, NOOK, Kobo, Google, Sony, Samsung

This is an open format and perhaps the most popular. It supports both reflowable and fixed layout designs, and does not contain native DRM.

- **Iba:** iPad, iPhone, iPod Touch

Iba is Apple's proprietary format for books created with its program [iBooks Author](#). It is very similar to ePub, but can only be sold through the iBookstore. Technical information about the iba format is available [here](#).

- **Mobi/azw:** Older Kindles

Mobi is a format developed by French company Mobipocket, which was acquired by Amazon in 2005. The older Kindle format (.azw) is essentially identical to mobi, although it may contain DRM.

- **KF8:** Kindle Fire, older Kindles with some limitations

Kindle Format 8 (KF8) is a new version of Amazon's proprietary file format, designed to support more advanced HTML5 and CSS3 features. It is backwards compatible, which means that older Kindles will display KF8 books correctly—as if they are mobi or azw books—although without taking advantage of KF8's new features. For more technical discussion of KF8, see [this article](#).

## Part 2

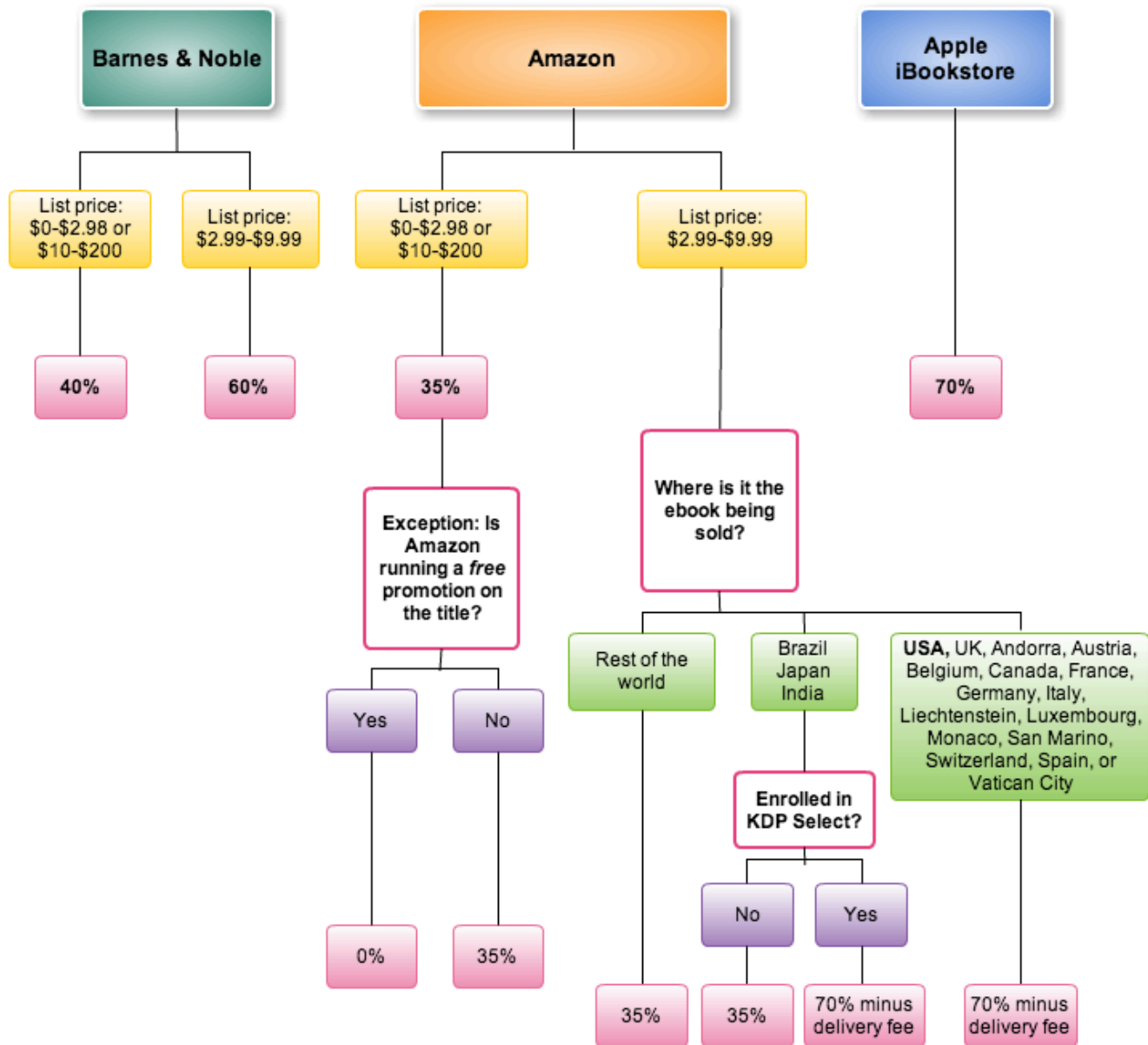
### Royalties & fees

When choosing a distributor, the biggest question for many authors is the royalty rates they will receive. This answer is complicated and depends on a number of factors. The flowchart below explains how a royalty figure is determined.<sup>2</sup>

Discounting can affect your royalties. All percentages quoted below are of the *actual* price at which your book is sold, not the *recommended* retail price. Sometimes distributors will choose to discount your book; if this occurs your royalty may be calculated according to the discounted rate. Please note also that this chart is applicable only to authors and publishers dealing directly with the distributors—approved aggregators, such as [Vook](#), can secure higher royalty rates in some instances.

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<sup>2</sup> Please note that this chart does not account for taxes or price restrictions, which are discussed in more detail below.



## Taxes

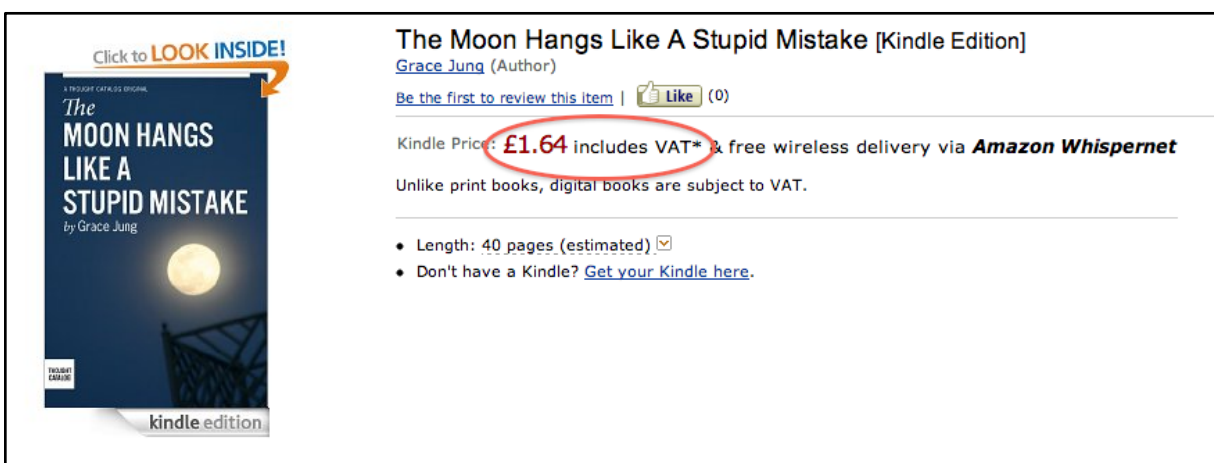
Many countries in which your book is sold will impose some form of tax upon the transaction. In the EU this is known as the Value Added Tax (VAT), in Canada it may be the Goods & Services Tax/Harmonized Sales Tax (GST/HST) or Quebec Sales Tax (QSTA), and in Australia it is the Goods & Services Tax (GST). The two issues you need to consider are:

- whether you need to account for the tax in the price you set, or whether the distributor will add the tax to your list price, and
- whether the distributor will remit taxes to the relevant authorities on your behalf.

Taxes on royalties earned are generally the author's responsibility. However, if you are based outside the US and there is no applicable tax treaty between your nation and the US, your distributor may be required to withhold 30% of your royalties as tax—see Amazon's information page [here](#) for more on this issue.

## Amazon

Amazon's terms state that it will add any sales tax on top of the list price you select. It will collect and remit such taxes on your behalf: see clause 5.4.8 of the [Amazon KDP Terms & Conditions](#).



Above: an example of a Kindle book on sale at Amazon.co.uk, with VAT included

## Barnes & Noble

The PubIt! terms state that the list price you provide to Barnes & Noble should be exclusive of any sales tax. Barnes & Noble will collect and remit taxes on your behalf: see clause VI(C) of the [PubIt! Terms & Conditions](#) for more information.

## Apple

Apple collects and remits the applicable taxes in the United States and Canada as well as most countries outside the Americas. Authors or publishers are responsible for collecting and remitting taxes owed on sales in New Zealand and most South and Central American countries. More information can be found in clause 5(a) of Apple's form contract and Exhibit B attached to that contract (although please note that it is not freely available online).

## Delivery Fees

Amazon is the only major distributor to charge delivery fees, and they are only charged on those books sold at the 70% royalty rate. On average, they are 6 cents per book per sale, but they can be significantly more expensive if your book is heavy on images. Here's a table indicating how they are calculated in different markets:



Amazon.com	US \$0.15/MB
India	US \$0.12/MB
Amazon.ca	CAD \$0.15/MB
Brazil	BRL R\$.30/MB
Amazon.co.uk	UK £0.10/MB
Amazon.de	€0,12/MB
Amazon.fr	€0,12/MB
Amazon.es	€0,12/MB
Amazon.it	€0,12/MB
Amazon.co.jp	¥1/MB

Clearly, if you intend to publish a book with several images, this delivery fee may be prohibitive, in which case you should investigate the 35% royalty option. Alternatively, some aggregators have special contracts with Amazon in which delivery costs are waived (Vook's wholesale contract, for example). Finally, Amazon's KDP program does not support the ingestion of video or audio enhanced ebooks.

## Size Requirements

Given that Apple and Barnes & Noble do not charge delivery fees, they impose certain requirements on the size of ebooks. Since Amazon's 35% royalty option is not subject to delivery fees, the minimum list price is determined by the size of the file, although there does not appear to be an upper limit on file size—see the pricing requirements section below for more details.

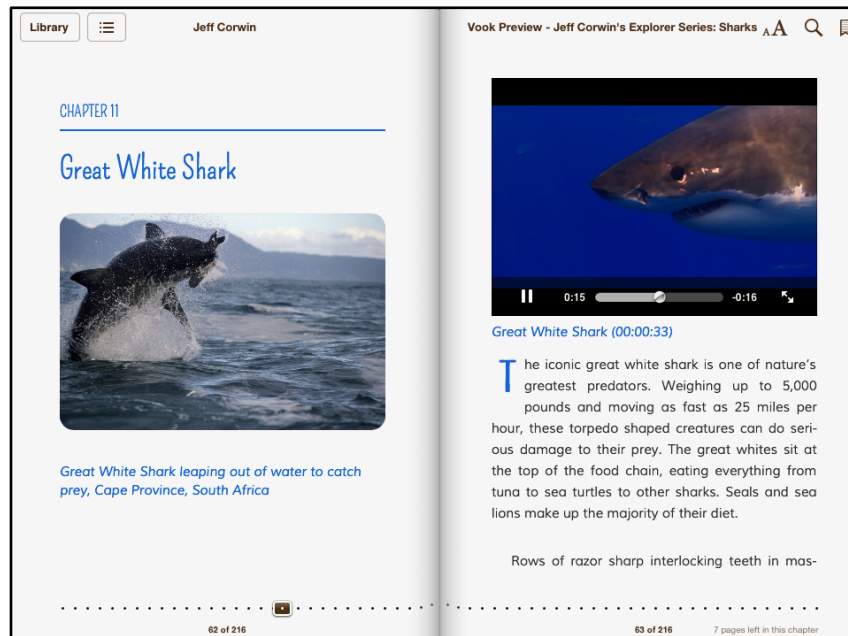
If your book contains only text, it will be no larger than one or two megabytes, and file size limitations are unlikely to be an issue.

### Barnes & Noble

Barnes & Noble has two maximum file sizes: 20MB, for files uploaded with its PubIt! service, and 600MB for files uploaded by a distribution service. Barnes & Noble will not accept enhanced content without a vendor-of-service contract.

### Apple

The maximum file size for an ebook distributed through Apple is 2GB. This is generally large enough for all but the most media-intensive ebooks.



Above: a media-enhanced ebook

## Pricing Requirements

Significant and intricate restrictions on pricing are imposed by each of the major retailers. There are also [pricing requirements imposed by law in some jurisdictions](#), and compliance with these is generally contractually determined to be the publisher's responsibility.

### Amazon

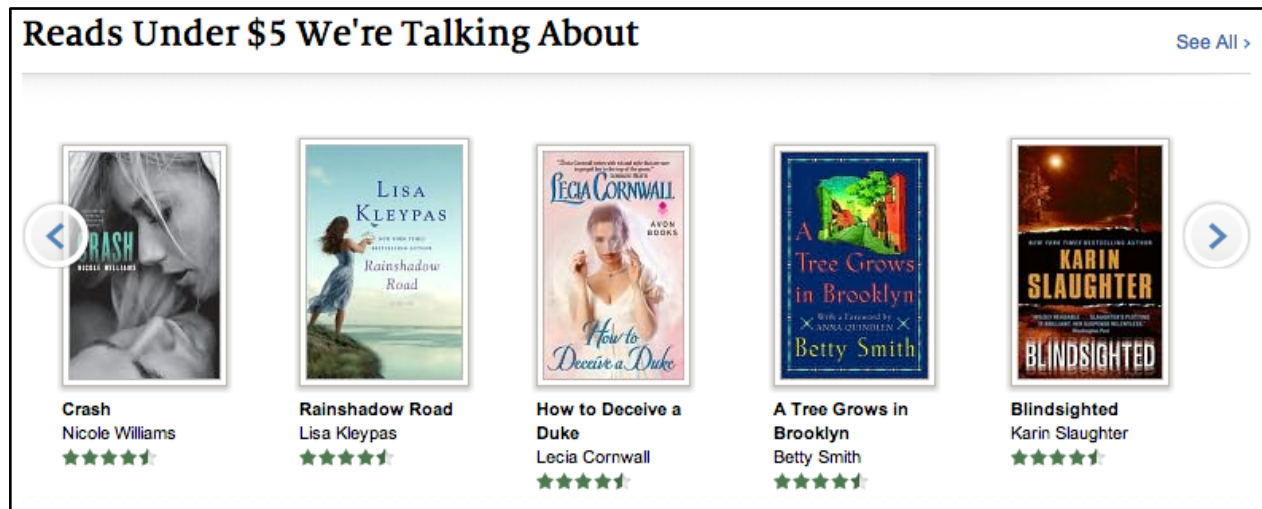
Amazon's pricing requirements differ depending on the royalty option chosen: see the chart below.

Royalty Option	Size	Min. List Price	Max. List Price
70%	all	\$ 2.99	\$ 9.99
35%	0MB – 3MB	\$ 0.99	\$ 200.00
35%	3MB – 10MB	\$ 1.99	\$ 200.00
35%	10MB+	\$ 2.99	\$ 200.00

These pricing requirements have presumably been put in place to compensate for the fact that Amazon does not charge delivery fees for books sold under the 35% royalty option. Similar restrictions exist on sales in other markets—see [this page](#) for more information.

## Barnes & Noble

The list price must be between \$0.99 and \$199.99, and should be chosen with regard to the fact that your royalty rate will be 40% unless your book is priced between \$2.99 and \$9.99, which will increase your royalty rate to 65%. The price in British pounds is auto-calculated daily according to the current exchange rate, but authors and publishers have the option to set this price manually. Barnes & Noble requires that the price of ebooks sold through its store is no higher than any available print or other digital edition.



Above: Barnes & Noble has a special promotional section for ebooks priced under \$5

## Apple

Apple's pricing structure is intricate and tied to the price of the ebook's print version, if there is one. Prices may only be selected from certain "tiers" chosen by Apple, which start at \$0.99 and move up to \$39.99 (with equivalents in overseas currencies). Apple's form contract requires that the price of ebooks sold in the US never exceeds any paperback list price, and generally sets a maximum digital price just above half of the hardcover price for books priced above \$10. For books on the Hardcover NY Times Bestseller Lists, more specific prices are set. Similar restrictions exist on sales in other markets.



Above: The lower range of Apple's price "tiers"

## Part 3

### Additional terms

#### Payment methods

Generally, authors are not able to choose the method by which they are paid. Barnes & Noble and Apple will pay by electronic funds transfer (EFT) only, and Amazon gives a choice between EFT and a check, although EFT transfers may not be available if you reside in certain foreign countries: see [this page](#) for more details. For Kobo, the payment method is determined in discussions with Kobo's finance department.

Most distributors will require a minimum amount to be generated before a payment is made. For Barnes & Noble, this is \$10. In Amazon's case, this is \$10 for EFT, or \$100 for check. Apple reserves the right to vary the minimum amount, but gives \$150 as an example. Note also that the standard contracts generally make provision for payments being made to the distributor from the author's associated credit card if the balance of the author's account becomes negative.

#### Free previews

Responsibility and control over ebook preview (the excerpts of the book displayed for free) is generally shared between the author and the distributor. However, the distributors reserve certain rights, including the right to make part of your work available free of charge as a sample. In Barnes & Noble's form contract, this is 5% of the book. Amazon takes 10%, rounded up to the nearest logical finish point (e.g. the end of a paragraph), and Apple will release no more than 10% and no less than 5%. If you want to choose your own preview, see [this article](#) for best practices.

#### Foreign Sales & KDP Select

As alluded to in the flowchart above, for authors or publishers who hope to sell significant numbers of books in markets other than the US, some strategic thought should be put towards determining the most profitable distributor. Barnes & Noble is currently only able to sell in the US and the UK (although it has [plans to expand to another ten locations by mid-2013](#)), while Apple can sell books in up to 50 territories, and Amazon can sell worldwide through its 10 national stores. The Sony ebook store is available in the US, Canada, Japan, UK, Germany, and Australia. Kobo books are sold in 175 countries, while Google Play books can be bought in Australia, Brazil, Canada, France, Germany, Italy, Japan, Russia, South Korea, Spain, the United Kingdom, and the US.



Above: Amazon's nine stores outside the US

For publishers who anticipate making the majority of their sales in Brazil, Japan, or India, it is worth considering Amazon's [KDP Select program](#). Although it requires you to make your ebook available for sale exclusively through Amazon, there are a number of perks that can make this worthwhile, including:

- Entitlement to 70% royalties for sales in Brazil, Japan, and India.
- Funds from the Kindle Owners' Lending Library, paid when Amazon Prime users borrow your book.
- Up to five days free promotion of your book per 90-day period.

Although little reliable data is available, because of the present absence of Barnes & Noble in these three significant territories, Amazon's market share may be larger than the 60% reported in the US. Consequently, the sales lost through exclusivity to Amazon may be compensated for by the much greater royalty rate available on sales in those areas. A title's membership in KDP Select rolls over every 90 days, with the option of moving back to regular non-exclusive KDP distribution becoming available at the end of every 90-day period.

## Resources

Here are a few useful links that provide further information on some of the topics covered above.

### The Distributors

- Amazon: <https://kdp.amazon.com/self-publishing/signin>
- Apple: <https://itunesconnect.apple.com/WebObjects/iTunesConnect.woa/wa/bookSignup>
  - iBooks Author: <http://www.apple.com/ibooks-author/>
- Barnes & Noble: [http://pubit.barnesandnoble.com/pubit\\_app/bn?t=pi\\_reg\\_home](http://pubit.barnesandnoble.com/pubit_app/bn?t=pi_reg_home)
- Kobo: <http://www.kobobooks.com/companyinfo/authorsnpublishers.html>
- Sony (individual authors must upload titles through an aggregator):  
<https://ebookstore.sony.com/publishers/>
- Google Play:  
<http://support.google.com/books/partner/bin/answer.py?hl=en&answer=1079107>

### Terms

- Amazon KDP Terms & Conditions: <https://kdp.amazon.com/self-publishing/help?topicId=APILE934L348N>

- Barnes & Noble PubIt! Terms & Conditions:  
[http://pubit.barnesandnoble.com/pubit\\_app/bn?t=reg\\_terms\\_print](http://pubit.barnesandnoble.com/pubit_app/bn?t=reg_terms_print)
- Barnes & Noble PubIt! Pricing & Payment Terms:  
[http://pubit.barnesandnoble.com/pubit\\_app/bn?t=support#pricing\\_payment\\_terms](http://pubit.barnesandnoble.com/pubit_app/bn?t=support#pricing_payment_terms)
- Kobo Vendor's Guide (includes terms and content requirements):  
[http://merch.kobobooks.com/help/images/A\\_Vendors\\_Guide\\_to\\_Kobo.pdf](http://merch.kobobooks.com/help/images/A_Vendors_Guide_to_Kobo.pdf)
- Please note that Apple's Terms & Conditions are not publicly available.

## Royalties

- Amazon KDP pricing page: <https://kdp.amazon.com/self-publishing/help?topicId=A29FL26OKE7R7B>
- Barnes & Noble PubIt! Royalty information:  
[http://pubit.barnesandnoble.com/pubit\\_app/bn?t=support#pricing\\_payment\\_terms](http://pubit.barnesandnoble.com/pubit_app/bn?t=support#pricing_payment_terms)

## Taxes

- Amazon KDP tax FAQ page: <https://kdp.amazon.com/self-publishing/help?topicId=AO23R3MMGTEGD>
- Amazon KDP tax information for foreign publishers page: <https://kdp.amazon.com/self-publishing/help?topicId=A1VDYJ32T5D3U4>
- The Barnes & Noble PubIt! Terms deal with taxes at clauses V and VI:  
[http://pubit.barnesandnoble.com/pubit\\_app/bn?t=reg\\_terms\\_print](http://pubit.barnesandnoble.com/pubit_app/bn?t=reg_terms_print)
- Taxes are discussed on page 10 of the Vendor's Guide to Kobo:  
[http://merch.kobobooks.com/help/images/A\\_Vendors\\_Guide\\_to\\_Kobo.pdf](http://merch.kobobooks.com/help/images/A_Vendors_Guide_to_Kobo.pdf)

## Foreign Sales & KDP Select

- Amazon KDP Select information page: <https://kdp.amazon.com/self-publishing/KDPSelect>
- The Barnes & Noble PubIt! Support and Resources page deals with sales in the UK:  
[http://pubit.barnesandnoble.com/pubit\\_app/bn?t=support](http://pubit.barnesandnoble.com/pubit_app/bn?t=support)