Book Publishing in the Digital World:
An author’s view

“For the first time in 2012, e-book sales topped print sales, according to the American Association of Publishers.”

Miami Herald at SM (Dec. 23 2012)

But...

Percentage of e-book consumers who exclusively or mostly purchase book content in e-book format decreased from nearly 70 percent in August 2011 to 60 percent in May 2012.

Consumer Attitudes Toward E-Book Reading, Vol 3
“Dedicated e-readers, multi-purpose tablets and other digital devices ... could be in the hands of 15 percent to 20 percent of the developed world’s population by 2015.”

Bain & Co.

GOOD NEWS for PUBLISHERS:

“A survey of consumers across six countries and three continents (United States, Japan, Germany, France, United Kingdom and South Korea) shows that readers tend to read more when equipped with digital readers.”

- Bain & Co.

BAD NEWS for NEW/EMERGING AUTHORS:

“Market research consistently shows that readers are far more adventurous in their choice of books when in a bookstore than when shopping online.”

- Scott Turow, President
  The Author’s Guild
The Piracy Problem

Glimmers of good news:

According to one study (Bain), unlike the music industry, “The vast majority of e-book readers will pay for their e-books.”

Oh, really?

TWO QUESTIONS:

_How much_ will digital readers pay?

And exactly _what kind of content_ are they willing to pay for?
No. 1 cause of “one-star” reviews of e-books on Amazon:

breach of Amazon’s promise to cap Kindle book price at $9.99

DOJ/Amazon v. Apple/Publishers

Wholesale v. Agency Model

Apple acts as publishers’ sales agent, taking a cut of retail price (usually 30%) and publishers set retail prices of e-books they publish.

“Even if Amazon was engaged in predatory pricing, this is no excuse for price-fixing.... [T]he familiar mantra regarding ‘two wrongs’ would seem to offer guidance...”

- Judge Denise Cote
Avoiding the newspaper graveyard

“[M]ost online press readers want to continue to get information for free, whether on digital tablets or not. They will pay only for premium content—such as financial information, local news and deep analysis.”

I. Powerful Digital Distribution Platforms

Amazon, benefiting from its first-mover advantage with Kindle;

Apple, riding on success of iTunes;

Google Books through Google Play (f/k/a “the Android Market”)

- Bain & Co. at 10
Google Scanning Battles

Key non-commercial “Fair Use” Decisions:
Ga. State Univ. e-reserves (May 2012)
Universities/Hathi Trust (Oct. 2012)
Publishers Settlement (Oct. 2012)
Authors Guild Class Action
(commercial scanning: “fair use”?)

Distribution IP:
Search Bias Algorithm

Steering consumers into your
(e.g., Google’s) stores

FTC’s Google Investigation (Jan. 2013)

“Although some evidence suggested that Google was trying to eliminate competition, Google's primary reason for changing the look and feel of its search results to highlight its own products was to improve the user experience.”

- Jon Leibowitz, FTC Chairman
Distribution IP: Data Mining Algorithm

Recommend books/authors that the reader wants

Without it, today’s powerful digital distribution platforms are tomorrow’s Book of the Month Club

Leveraging Distribution:
“Competitors fear that Amazon will use its very deep pockets to buy up the most profitable authors, whose success generally supports trade-book publishers’ other titles.”
“(M)any… suspect that the day isn’t far off when readers wanting, say, the latest by James Patterson will be able to buy it only from Amazon.”

— Scott Turow (March 2011)

II. Tablet vs. e-reader

Early advantage to e-reader: price and experience resembles paper.

“Multipurpose tablets, priced above most consumers’ $300 psychological threshold, are still too expensive for mass-market adoption.”

— Bain & Co.
But... “over time, [tablets] could predominate by capitalizing on multimedia capabilities that appeal to a broader audience and as their prices inevitably decline.”

“access to other media and valuable functions may open the gates on e-book penetration rates.” — Bain & Co.

III. The Brand Author
“Authors...are in an ideal position to benefit from the digital era. Best-selling authors in particular should gain more bargaining power with publishers and distributors. A number of authors have already unbundled the physical and digital rights of their works to increase their negotiation power.” — Bain & Co. at 12

IV. Traditional Publishers
“While best-selling authors might be able to manage their own distribution, emerging authors may value publishers that can provide online and physical marketing and distribution services.

Bain & Co. at 11
V. Self-publishing Boom

“The number of self-published books produced annually in the U.S. has nearly tripled, growing 287% since 2006, and now tallies more than 235,000 print and ‘e’ titles.”

“Smashwords topped e-book producers with 40,608 titles (nearly 47% of total self-published e-books).”

Bowker® Identifier Services (Oct. 24, 2012)

“Some self-publishers strongly recommend spending money on help with formatting both print and e-books; this process can be complicated, time-consuming and frustrating to do yourself....”


HUGE opportunity for software developer who bridges this gap

One Possible Restructuring of the Industry
Online price cutters

Compete on:
price/selection/price/delivery/price

And did I mention price?

TRADITIONAL PUBLISHERS

“Publishing shouldn’t have to choose between bricks and clicks. A robust book marketplace demands both bookstore showrooms to properly display new titles and online distribution for the convenience of customers.”

- Scott Turow (March 2011)

“Apple thrives on this very model: a strong retail presence to display its high-touch products coupled with vigorous online distribution.”

- Scott Turow (March 2011)
BRAND AUTHORS

Think of the Chanel or Gucci Boutique at the mall.

Brand Authors who create new content (or ghost writings under names of famous dead authors)

• will stand alone
  (e.g. RobertLudlum.com or www.Bournenovels.com)

• will have “departments” within major distribution platforms

BRAND AUTHORS (cont.)

AND will command premium prices for “luxury” reading material

(E.g. An 8-week exclusive on the new Jason Bourne novel).