Ebooks Herald the of 21st-Century
n 1965, Intel co-founder Gordon Moore proposed a method to forecast the rate of transistor density, which impacts the functionality and performance of computers. Moore’s Law has become the shorthand for describing rapid technological change. The 2012 CES trade show (Jan. 10–13) provided some interesting insights into both the short-term and long-range future of consumer electronics, proving that Moore’s Law still holds in terms of change and increasing power. Two good examples of this are in TVs and automotive applications.

The Rise of Ultrabooks
The original MacBook Air was released in 2008. This ultralight, ultrathin laptop became an instant hit. No Apple competitor wanting to be left out, 75 ultrabook models were announced or displayed at CES this year. Weighing in at less than 3 pounds, Intel-powered laptops are basically Windows versions of the MacBook Air and, although rather pricey now, seem capable of making a serious dent in the notebook/tablet marketplace. The systems use solid-state drives, advanced graphics, and a very slim (0.8-inch-thick) form factor with 5 to 8-plus hours of battery life. Originally announced at CES 2011, Intel is putting $300 million into a PR campaign aimed to give ultrabooks a 40% share of the consumer laptop market by the end of this year [http://newsroom.intel.com/community/intel_newsroom/blog/2011/08/10/intel-capital-creates-300-million-ultrabook-fund]. Unless the prices fall into the $700–$900 range from today’s $1,000-plus, this may be reaching too far. However, these state-of-the-art ultralights clearly have the potential to overtake laptop, tablet, and PC markets in the coming years.

Constant advancement in computer technologies are making long-range organizational investments all the trickier. In January, IBM announced its discovery that the minimum amount of data needed to store a bit of data is a mere dozen atoms [www.sciencemag.org/content/335/6065/196.abstract]. Talk about miniaturization! Although clearly years from implementation, this — yet again —
The Future of Books Is Complicated ...

According to publishing consultant Joe Esposito, the future of the print book is complicated. “First, the wrong way to think about it is that print will stay around for as long as people want to have print; however, the way our society works, things exist because people are able to make money selling them.” As he sees it, “You now have is a situation where the various venues for buying print are disappearing because they can no longer make money. Independent bookstores are closing and there is consolidation in the wholesale sector for books. The companies that sell books to libraries are under a great deal of strain. So what you have is the situation where it’s likely that the availability of print books is going to start to diminish even in advance of actual user expectations and preferences.

“My own feeling,” Esposito continues, “is that if you look at the market by segment, it’s going to look like this: For the consumer market, the backlist is going to be hit most hard, and most of the backlists will migrate to ebooks because there aren’t enough bookstores to stock all of the backlists. So that will disappear. There will continue to be print on the frontlist as long as there are bookstores to make it work.” Within the academic market, he says there are important issues about preservation, many which have not been nailed down yet. “For some academic librarians,” he acknowledges, “that’s an impossible situation. So I think you are going to have greater endurance of print in academic markets until the issue of long-term preservation of electronic books can be resolved. There are currently two initiatives — Project MUSE and JSTOR — that are marketing ebook aggregations to libraries. Both of these organizations have a deep commit-

Smart Cars and Smart TVs

Retail stores have finally begun to discount prices of 720-dpi televisions in favor of the higher-resolution, faster screen rates of the 1080-dpi sets, a standard for Blu-ray and other applications. The next generation of televisions is smart TVs: internet-connected models that offer features previously found on computers and mobile devices — powerful microprocessors, operating systems, voice input systems, cameras for Skyping, etc. An LG model [www.lg.com/us/tv-audio-video/discoveritvs/smarttv/index.jsp], for example, includes the ability to customize the screen dashboard, access apps, use social media, and stream video. The Smart TV K91 from Lenovo [www.lenovo.com] uses the Android 4.0 Ice Cream Sandwich operating system and “a built-in 5MP webcam, facial recognition for parental control, cloud storage and file sharing between the TV and a tablet, smartphone or PC.” Samsung, Sony, and Vizio also showed smart TV models at CES. Moving this type of functionality to the home entertainment arena is interesting, but so far the variety of operating systems in play need to be sorted out by standards work before these products will go truly mainstream.

Stuck in traffic? Bored at the wheel? Need to send a quick text? Dealing with unruly kids on an extended road trip? The automotive industry is working to bring technology to combine information and entertainment seamlessly into your car. The industry has been working on issues related to increased customization and convenience for years and especially now after the auto industry’s recent debacles. Dieter Zetsche, chairman of Daimler AG, notes that “just as the industry’s recent debacles. Dieter Zetsche, chairman of Daimler AG, notes that “just as a smartphone can be so much more than a means of communication, a smart car can be so much more than just a mode of transportation.”

At both CES and the industry’s Detroit Auto Show, which took place the following week, car manufacturers showed their latest efforts to bring all of the features of internet connection to their cars. Using voice recognition through Nuance-powered Siri or other systems, drivers can now use GPS, post to Twitter or Facebook, make phone calls, or access apps — all using voice controls.

Speaking at CES, Gary Strumolo, Ford’s manager of vehicle design and infotronics, described the company’s intention to create a “Doctor in Your Car”: “People are spending more time in their cars, and with the tremendous growth in mobile healthcare solutions, Ford is dedicated to understanding the value of being able to connect to health and wellness-related services while driving” [http://blog.ford.com/article_display.cfm?article_id=35842]. By integrating sensors into car seats or steering wheels, the car’s systems could monitor blood pressure, glucose, weight, or stress levels.
Ebooks — More, Better, and Easier to Acquire

Ebooks have become both mainstream and big business. Recently, paidContent reported that in the first 10 months of 2011, mass market books were down more than 33% while ebook sales were up by more than 131%. The site went on to reflect that “e-books made up 6.4 percent of the trade book market in 2010, and though we don't yet have an overall figure for 2011, we know many publishers saw triple-digit e-book growth this year thanks to the increased availability of books in digital formats and affordability of e-readers” [http://paidcontent.org/article/419-highlights-of-2011-the-year-in-publishing-by-the-numbers].

“The trade publishers are now reporting that electronic now represent 20% of their revenues, up from just under 1% in 2007,” Esposito points out. “If you think about the dramatic shifts made within the trade publishing industry, it’s easy to believe the predictions that electronic will be 50% by 2015. Some actually think that the number may be closer to 80% by 2015. In academic books, the rate will be slower; I don’t know when they might hit 50% because they work off of a smaller base of operations. One university press is now creeping up on 10% of their sales volume in electronic now, but most are much less.”

2011 saw the development of e-singles as well, short-form works of fiction and nonfiction that are longer than a typical news or magazine article but much shorter than a full-length book. Experimenting with this way to monetize popular backlist or current magazine or news articles — enhanced with additional material or not — is being tried by a variety of newspaper, magazine, and children’s publishers. This includes publications from Hearst, Scholastic, Penguin, Rodale, Princeton University Press, and Penguin [www.contentmag.com/Articles/ArticleReader.aspx?ArticleID=78935].

More Experimentation for Enhanced Reading Experiences

As Ingram’s Skip Prichard notes, “The very definition of a book is evolving. The information in books is fast becoming linked to other content in various forms, blending into articles, research, and other media. As books become part of the larger information landscape, they become both more relevant and more important” [http://cmrubinworld.tumblr.com/post/14629628825/how-will-we-read-the-book-makers]. In 2012, we will see a variety of what the industry is calling “enhanced books” coming into the marketplace. “What’s exciting about the present is that we are about to enter a period when people will, in fact, grasp the potential to weave these strands together,” notes Future of the Book’s Bob Stein. “You are going to see fantastic stuff in the next five years.”

The children’s market is developing quickly; often, publishers are creating both apps and enhanced ebooks. Sesame Workshop currently offers 160 ebooks and 25 apps. Scholastic has 14 apps and is working to develop ebooks for children. Dorling Kindersley, a major force in multimedia CD-ROM books in the 1980s, has nearly 1,000 ebook titles available, but doesn’t seem to be taking a leadership role this time around. National Geographic tested the waters with apps and is now developing ebook versions of some of its popular titles.

“By 2014 or sooner, we will see the promulgation of the HTML5 standard, which will make the development of enhanced books much more inexpensive,” Esposito believes. “[This will] result in a flood of new, enhanced books. If you look at books for grownups, that’s trickier. All of these enhancements are expensive — are we going to be able to enhance books that won’t attract a large enough readership to pay for the investment? Some quiet, little books might not benefit from enhancements. On the other hand,” says Esposito, “a known blockbuster, which might bring in tens of millions of dollars, might be able to affordably add content or value. So, this year will see a lot more experimenting with these elements.” Esposito sees children’s books as being one strong area for enhanced books this year. “There will be targeted inroads into the grownup book sector for titles that have historically included significant graphics, like cookbooks. You will also see a confirmation of the place for full-text books that either don’t need or benefit from enhancements or small-runs that couldn’t support the investment in these new technologies.”

According to Mike Shatzkin, founder and CEO of the Idea Logical Company [www.idealog.com/blog], “Some research we did says that Kobo has 995 titles just for Kobo Vox: 33 art and travel, 332 comics and graphic novels, 29 home and food, 539 illustrated kids, 57 illustrated non-fiction, and 58 read-along kids. The breakdown for Kindle Fire isn’t as clearly spelled out,” he notes, “but they do have 100 comics for Kindle Fire and 691 children’s books for Kindle Fire. NOOK has
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by far the most illustrated material listed: 1,210 children’s picture books and 596 enhanced NOOK books.”

Since 2009, USA Today’s Best Selling Books list has included ebooks or books for which ebook versions exist. In a recent summary, the paper found that for an increasing number of top 50 titles, the ebook versions were outselling other editions of the books [www.usatoday.com/life/books/news/story/2012-01-09/ebooks-sales-surge/52458672/1]. Market researchers are unanimously bullish on ebooks. Juniper Research expects global annual revenues on ebooks for mobile devices to grow at an annual compound rate of 24.7% through 2016, reaching nearly $10 billion in revenues [www.juniperresearch.com/reports/Mobile_Publishing].

Horace Dediu, an Apple analyst for Asymco.com, has been tracking the company’s sales through its app and iTunes stores. He found that for the more than 200 million iOS devices that have been sold, more than 14 billion apps have been downloaded in the past 3 years. As of June 2011, Dediu found that music from Apple was being downloaded at a rate of 12 million each day, apps at about 30 million per day, and iBooks at about 500,000 daily [www.asymco.com/2011/06/07/songs-books-and-apps-what-do-the-three-media-types-tell-us-about-the-future-of-consumption]. (See Figure 1 below.)

In this interesting graph, Dediu compares the media downloads for music, apps, and now ebooks during their first months of availability. From his analysis, the growth of ebooks has been at a far faster rate than for either apps or music. If trends like this hold, 2012 may, indeed, prove to be the year ebooks and other types of e-reading become the dominant publishing medium.

Try Online, Buy Online, Stay Online — The User Experience

A recent market study on consumer electronics refers to the “insatiable appetite for connectivity — internet and mobile” that drives industry and consumer preferences today. Whether in music, movies, communication, information, conventional shopping, or books, online has overtaken other methods of acquiring consumer products and services. IBISWorld’s Janet Shim notes, “As online shopping becomes more popular, retailers are expanding the products they carry to include common household goods like CDs, DVDs, books, clothing, footwear and groceries.” This is due to the development of PayPal types of secure transaction systems and the “increasing ubiquity of internet access, particularly broadband.” Shim believes the industry will continue to grow by 2016 “at an average annual rate of 9.6% to total $310.1 billion.” Cloud storage systems allow for instant access without concerns for storage or other issues.

Pricing and access to ebooks remains an issue, especially for libraries; however, today ebooks are easily found online through major publishers, aggregators, apps stores, and other consumer outlets. Increasingly, we are seeing attempts to move ebooks into other sales channels as well. Walmart, Best Buy, and other retailers have made ebooks available through their online stores. Given the established apps process and ease with which ebooks (as well as apps) can be acquired, loaded, and accessed online, this appears to be the channel of choice for the future. In particular, companies promoting hardware as an e-reading device, creating an online presence — and linking users through social media or other means — have made the process a standard. Google, Apple, and Amazon are primary examples of companies which have done an excellent job in connecting users to their sites and engendering repeat business.

The value of these interactions is extremely important to these companies. As Frost and Sullivan points out in “Age of Digital Analytics,” its 2011 market study, we are in the midst of a “predictive analysis revolution” in which “data streams and the under-
standing they bring will transform how business is done on a global scale. Combined, it represents a profound change in how marketing, advertising, communications, supply chains, value chains, processes, transactions, and deals are going to be accomplished” [www.frost.com/prod/servlet/segment-toc.pag?segid=9849-00-0E-00-00]. In 2009, Cisco’s Internet Business Solutions Group estimated that these stores of data on customer activities online will produce, in the coming decade, the “informational equivalent of nearly 100 million Libraries of Congress per year” [www.cisco.com/web/about/ac79/docs/Top_25_Predictions_121409rev.pdf].

Legal Issues Remain to Be Solved

The legal wrangling over Google Books continues. Class-action lawsuits against Apple and book publishers — at last count there were at least 15 in the courts in the U.S. (some also including Amazon) — charge — among other things — that the companies colluded in setting prices of ebooks from the big six publishers. These publishers adopted an agency type of pricing their books to better control the prices charged by distributors and booksellers. The suits charge that Apple and the publishers fixed the general price at $9.99, which has created customer expectations and limited the ability of publishers to individually set prices based on the determined value of each product. This type of control is also at issue in Britain. With the cases expected to be tried this year, expect to hear much more about ebooks pricing in 2012.

Publishers remain very wary of selling ebooks to libraries. In the past, libraries would make up for lost sales revenues by buying multiple copies of best-sellers upon release, as well as buying other copies later to replenish damaged stocks. With ebooks, many in the publishing industry feel their intellectual property is being handed over to an entity whose purpose is the free distribution of that content — something that scares them deeply. This unease will continue in 2012 as the industry sorts out the issues underlying electronic information.

The Special Case of University Presses

“University presses are mission-driven, in a way that commercial publishers aren’t, and always have to balance innovation and investment against the mission of their universities,” explains Sandy Thatcher, retired director of Penn State University Press. “The amount of funding that their institutions can invest in the presses dictates how much risk they can take. If they know the university is going to be there to help them out financially, they can take more risks; without that certainty, they have to pull back. Many universities, in this economy, are pulling back their support today.

“This is true as well for smaller presses with respect to ebooks,” Thatcher notes. “The presses that were able to get out in front of this in terms of licensed, subscription-based programs — giants like Oxford University Press that had huge numbers of titles much in demand by libraries — have been able to set up their own ebook systems, but most smaller presses are in a similar position as university presses.

“For university presses, I think it’s going to come down to figuring out if this new model of ebook aggregation, built on the success of Project MUSE model for journals, will work out for ebooks,” Thatcher explains. “[At] Penn State, we couldn’t afford the cost of setting up an ebook publishing system. Yet it took less than 5 years for our press to make the transition and for two-thirds of our revenue to come from the Project MUSE compared to print — and I wouldn’t be surprised if that figure wasn’t closer to 85% today from MUSE ebooks and 15% from print.”

What Thatcher sees as the real challenge here is patron-driven acquisition (PDA) programs and their impact on aggregation systems. “The answer to that will depend on how many publishers make their titles available outside these aggregations as individual titles.” The more granular you make patron options, he says, the more the bottom line is impacted for university presses. “ebrary, Ingram’s My iLibrary and others are offering other options for university presses.”

continued on page 49
But, he asks, how will PDA impact this? Will it undermine the aggregations or work along side-by-side of the aggregations? “I’ve long been a proponent of moving in the direction of Open Access for monographs,” Thatcher concludes. “And it’s my feeling that if the aggregation model doesn’t work, then the next logical step is to move to an Open Access model for university presses monographic publications. On the journal side, we’ve seen so many try to build off the PLoS model. The whole mission of university presses is to disseminate scholarly knowledge as widely as possible.”

**E-Readers — The Device-Sive Issues**

E-readers continue to be released; however, the Amazon Kindle, Barnes & Noble NOOK, and Kobo Vox overwhelmingly dominate the marketplace for full-color, specialized e-reading devices. Amazon's December 2011 launch of a Spanish Kindle is indicative of the move of ebooks into the larger global market now that the American market appears to be highly profitable. Building on the success of the Nintendo Wii console, the company has announced plans for a newer model gaming console, Wii U, which is rumored to include an Apple-like apps store that will include ebooks. Will reading books translate well to a gaming system? The company is still developing its strategy, but the possibilities this brings to redefining information and entertainment are very interesting.

Moving collections and storing information in cloud-based systems are taking hold as well. This is the basic strategy behind ebook and e-reader access platforms. The Amazon Print Magazine Subscription Manager, announced in October 2011, is yet another effort to manage and control the virtual content that subscribers amass as they move to electronic access.

For the present, ebooks will continue to be made available on a variety of e-reading devices. Eventually, standards and access issues will shake out, but the marketplace is probably too unstable to see any change in the coming year.

**Publishers Plan for an Uncertain Future**

“With ebooks, everything is being driven by the consumer market and the academic [market] has followed after that,” notes Esposito. “By 2010, trade publishers all saw that they had a special set of issues to deal with for ebooks and began to change their internal workflows, working with EPUB (major companies were all on the standard committees even before that) too and began to examine their internal operations for adjustments for the move to digital publishing.

“In 2011 we saw the reorganization of sales departments for all the major publishers to accommodate ebooks,” Esposito continues. “For academics, things lagged for a lot of reasons: Many are nonprofits so they don’t have the money to invest in these shifts.” In Esposito’s opinion, the major distributors — Apple, Amazon, Barnes & Noble, Google and Kobo — were slow in addressing the special issues that academic presses have to deal with. Instead, they were all much more interested in attracting the latest best-sellers. And there is one more reason for this lag according to Esposito: “Many scholarly books have complex page makeup — charts, graphs, pictures — that present special challenges not handled well by the current standards.”

Mike Shatzkin believes that “even the most sober industry observers are seeing revenues exceeding 50% from ebooks in the next two or three years, which would mean that substantially more than half the units of these books are selling electronically.” Much of this will be coming from backlists, “a major publisher doing $600 million and up (of which there are six) almost certainly has triple-digit millions of sales in its backlist, which is increasingly shifting to digital.”

“As publishers, you really have to consider that there might be a really large-scale acquisition that might lead to a large, structural change to the entire industry,” explains Esposito. “But you also have to think in terms of why people like your products. I think … what’s happening now is that these transformations are resulting in publishers becoming more aware of the distinctiveness of their own products. They are no longer in a position to muscle their way into some market; they have to succeed on the strength of their content, and that’s a big change. In the journals area, I think that some of the cracks we are seeing in the world of the ‘big deal’ is a similar sort of thing. No longer can a John Wiley or Reed Elsevier simply dictate terms to customers. There are just too many options out there.”

“Publishers of immersive reading can, at least in the short run, largely count on keeping the sales from readers they’ve always had,” notes Shatzkin. “The problem for these publishers will be keeping the big authors (at a sustainable royalty rate) if the business becomes largely digital and most readers can be accessed without the capabilities of a major company operating at scale. The publishers of the rest of the book output who have depended on the bookstore network would appear to have a far more onerous challenge. They have to
largely re-invent their product and perhaps their business models to get some digital revenue without any blueprint for success. In fact,” Shatzkin says, “there may not be a replicable template for how we satisfy consumers of much of the non-immersive content, which for hundreds of years has been presented in books. But the publishers of those books have no choice except to look for one. With increasing urgency.”

In Esposito’s opinion, “So far, if you look at the ebooks phenomenon, it's really full-text.” This is one reason why he believes there haven’t been many children's books in the format either. “All of that is changing, and because of investments made in the past two years or so, 2012 is going to be a year of affirmation of what people in the industry have known for a few years. In 2012, Esposito predicts, “ebooks will be mainstream.” He says the roots for this change were put down 2 years ago in the industry, but in terms of sales and public perception and acceptance, 2012 will see electronic become mainstream.

Amazon — The Retail Giant Continues to Lead in Bookselling

In the past few years, Amazon has acquired or created business units that push the company into new areas of operation: Lovefilm, which streams movies and television online by subscription; Kindle Store, which sells and promotes its e-readers and ebooks; its Kindle Owners’ Lending Library program, which allows Kindle owners who are also Amazon Prime subscribers access to one ebook a month — “with no due date” — for a flat $79 annual fee. There are also the Amazon MP3 Store, Cloud Player, and Cloud Drive, which compete with Apple’s iTunes and iCloud services.

Michael Souers, senior industry analyst with S&P Capital IQ, covers Amazon. He believes that in 2011, “Bezos and his management team focused largely on revenue growth and everything that can be used to drive customer loyalty and repeat business.” As a result, Souers says that Amazon grew 40% in 2011. He adds that he expects that figure to grow to 43% in 2012 in terms of revenues. “They’ve done a tremendous job in terms of driving the top line.”

Souers continues, “Their increased investments in technology investment, customer satisfaction, [and] projects like the Kindle Fire drew down their profitability last year, but these investments are key to their future growth,” He says Amazon’s efforts in the past year with international expansion, marketing, driving third-party sellers, and other strategies that it’s put into place in the past 5 years are really starting to come into fruition. “In a year in which the macro-economy remains extremely weak — customers don’t have a lot to spend — still Amazon’s market share is growing by leaps and bounds.” He adds, “If retail sales were up 5% or so, and Amazon is growing 40%-plus, this just shows how much they’ve been able to capture.” Souers is forecasting Amazon to be $49 billion by the end of 2012. “This is a huge company that continues to show incredible growth.”

In 2011, Amazon really stepped up its publishing efforts, hiring publishing insider Larry Kirshbaum to lead the New York-based operations. Amazon then bought some titles from children's publisher Marshall Cavendish which it plans to publish in both print and electronic formats. Amazon now has seven imprints and clearly intends to move full force into
The Big Four: Apple, Amazon, Google, and Facebook — Corporate Dominance in the World of Computers and Content

When you think of ebooks, you probably think of Apple, Google, and Barnes & Noble, as well as Amazon. For all of these companies, ebooks — along with other cloud-sourced media — have become a major priority and source of revenue.

Apple has iTunes for music and the App Store for apps, iBookstore for ebooks, and iAd, its advertising platform, as well as its hardware business, fueled by the amazing success of the iPad and iPad 2. Rumors of an impending major announcement at the end of January pointed to further development of its advertising, publishing, or media ventures. Notes Euromonitor International, “While Apple Inc has been successful in both computers and smartphones, it has not been able to make significant inroads into in-home electronics. This makes it vulnerable to competition from Google Inc whose Android 4.0 platform will likely be installed on internet-enabled TVs and set-top-boxes in addition to tablets and smartphones.” To expand its reach, Apple is testing out mini-stores within Best Buy stores in markets too small for a regular Apple store. The passing of Steve Jobs leaves the leadership of this consumer technology giant in limbo as Tim Cook finishes his first year in command.

IBiSWorld industry research analyst Mary Gotaas Nanfelt thinks Apple also has a strong future for ebook sales. “Many consumers are used to accessing iTunes regularly to purchase movies and music and are likely to at least browse ebooks while they’re already on the site.” As Nanfelt sees it, “With the rising popularity of the iPhone and iPad, the traffic to iTunes will only increase.”

“Like music and movies,” Nanfelt continues, “if consumers are demanding digital books, Apple will desire to be their one stop shop for their reading needs.” She believes, therefore, that the company will continue to increase its digital library and improve its products to attract ebook readers. “Apple is expected to continually invest in the ebook market. The popularity of ebooks can drive growth for their iPad and iTunes.”

books because — unlike, say, clothing — books were things that people would buy without needing to handle the merchandise. But his target wasn’t the big bookshops of the day such as Borders or Barnes & Noble. Bezos was thinking much bigger: He saw Amazon.com as the Walmart of cyberspace — a store that sold everything and catered for customers from cradle to grave. The retailing statistics for this festive season will confirm how quickly he’s getting there” (www.guardian.co.uk/technology/2012/jan/01/amazon-versus-the-high-street).

Daniel Lattev of Euromonitor notes that Amazon has been a champion of competitive prices and has already substantially affected at least one retail channel — media product stores. “The lessons are clear,” he says. “The longer retailers take to adapt to the reality of the highly connected and savvy consumer, the harder it will be for them to adjust later on. While bricks-and-mortar stores are taking time to react, Amazon is winning business.” And according to Lattev, what may be even more important in the long run is the fact that with its price comparison app, Amazon “is on its way to dramatically increasing its knowledge of the offline pricing landscape, a gap that it is currently filling in at little to no cost.”

We’re still in a time of great change. But, so far, the publishers of fiction and non-fiction that [are] delivered as straight text have had a relatively painless switch-over from selling 100% of their output in print to selling an average of more than 20% of it in digital form, with shares as high as 50% being reported on some titles in the first weeks after publication.”

—Mike Shatzkin, Idealog.com

EBOOKS HERALD THE FUTURE OF 21st-CENTURY PUBLISHING

publishing. Laura Hazard Owen, blogging at paidContent, notes: “Since Amazon will be not just selling the Marshall Cavendish picture books, but publishing them, it should be able to move quickly to release e-book editions and will not have to wait on the publisher to do so. And as publisher, it can sell the e-books exclusively through its site” [http://paidcontent.org/article/419-kids-on-kindle-amazon-starts-publishing-childrens-books].

As a company that is selling the Kindle at about or possibly even below cost, Amazon is working hard to extend the Kindle brand and to increase customer loyalty. Amazon reported that it sold more than a million Kindles each week in December 2011 alone. Clearly the Kindle brand is a power to be respected.

“When Jeff Bezos started the company in 1995,” The Observer’s John Naughton points out, “he focused initially on
On Jan. 19, Apple added another twist to the ebook evolution: an effort to “reinvent” textbooks. Announcing a suite of tools and resources geared to the K–12 education market, the company noted that “with 1.5 million iPads already in use in education institutions, including over 1,000 one-to-one deployments, iPad is rapidly being adopted by schools across the U.S. and around the world.” The company already has lined up three key educational publishers — Houghton Mifflin Harcourt, McGraw-Hill, and Pearson — in addition to its own development software (iBooks Author) and sales platform. This latest effort is interesting, given the economy and the complex system for acquiring textbooks in schools. It will be interesting to see how clearly Apple has researched the vulnerability of this market niche.

Google’s stated mission is to organize the world’s information and make it universally accessible and useful — and to do no evil. More than 95% of its income is from advertising. AdWords enables advertisers to present online ads relevant to search requests in the system. A year ago, Google announced eBooks as an online bookshelf where users can buy ebooks and store them — as well as other ebooks — in their cloud service for reading on their computer browsers, Android, and iOS mobile devices, and transfer them to any e-reader that runs Adobe Digital Editions.

Since Google doesn’t offer its own e-reader, it relies on Android-driven devices as its footprint into that market. This year the company faced antitrust suits, the move of Larry Page to CEO and Eric Schmidt to chairman, and the acquisition of dozens of startups to continue its quest for market dominance in its core areas. Google Office and cloud services have become standard in many businesses, universities, and nonprofits, as well as homes across the globe. Its Google+ social networking application, set to more directly compete with Facebook, has resulted in FTC investigations. The company still is fighting for Google Books and digitization in the courts with little hope for a quick resolution in sight.

Facebook, planning an IPO this year, is also on target to break the 1 billion mark for users by year’s end. Google+ is estimated to be at about 400 million by that time, but clearly Facebook dominates in this area. Mark Zuckerberg, at only 27, admitted in an October interview with The Wall Street Journal that he admires Google, Amazon, and Apple: “Because we focused so much over the past five or six years on building things that are going to have lasting value for people, I think we have a good shot at being placed in the same category as those companies.”

Although the company currently isn’t competing in the areas dominated by these other giants, Facebook is a powerhouse all on its own and, with an IPO guaranteed to succeed, will have its own war chest to work with to build its empire in whatever direction Zuckerberg & Co. hope to take it.

“Google and Barnes & Noble will keep investing in the ebook market,” explains Nanfelt. “Barnes and Noble has been somewhat successful with their NOOK but the manufacturing and advertising costs for this product line have negatively affected profit. Even if the company spins off the NOOK, IBIS-World expects Barnes and Noble will continue to offer ebooks.” She adds, “Like you mentioned, Google has already invested tremendously in Google Books.” She points out, however, that Google has run into some legal issues regarding copyright infringement, which has slightly slowed down its involvement in the ebook market.

Writing in Fast Company last October, Farhad Manjoo noted: “Amazon, Apple, Facebook, and Google don’t recognize any borders, they feel no qualms about marching beyond the walls of tech into retailing, advertising, publishing, movies, TV, communications, and even finance” [www.fastcompany.com/magazine/160/tech-wars-2012-amazon-apple-google-face book]. In addition to huge financial reserves, each company is “increasingly setting the agenda. Bezos, Jobs, Zuckerberg, and Page look at the business world and justifiably imagine all of it funneling through their servers.”

The Future of Libraries in the Evolving Information Ecosystem

For many of us in the profession, there is quiet (perhaps too quiet) concern about the future of libraries, the profession, and our jobs. Patron- or demand-driven acquisition plans hold the possibility of disassembling the carefully honed collections of major research institutions, replacing them with materials — electronic or print — chosen based on some algorithm or plan based on numbers of clicks or pages accessed, or time spent in some work (for ebrary, the magic number is 10 minutes), by users who might not have the slightest idea of the implications of what has been traditional in libraries for hundreds of years: the ability to freely browse collections with impunity. Few librarians wanted to be quoted on their concerns about the potential impacts of this in a time of tight budgets, but many believe this will adversely impact the work of professionals over the years to build collections.
of value to contemporary and future users. As one librarian noted, “I’m sure there must be ways to vet the selections better, but the system we are looking at here would be like having my seven-year-old do our grocery shopping.”

Newer library management and discovery systems are focused less on traditional cataloging and more on creating links to the broader ecosystem of information, relying on collaborative access networks to provide information support. “Sharing metadata and resources is great,” notes an Ivy League cataloger, “but the degree of collaboration and syncing needed across institutions is something that no one here has examined yet … this is the elephant in the middle of the room. I wish we were doing more study and analysis before moving so quickly in this direction. We are deconstructing systems with no real assurance of the potential success of the future systems we are betting the store on.”

Public libraries are closing, and all libraries are suffering under the effects of our lingering recession. However, even more serious, more ominous possibilities are out there as well. Just as epublishing is creating a major, disintermediating impact on the publishing houses, libraries find themselves in a potentially tenuous position as well.

“Let’s look at this scenario,” Esposito suggests. “Amazon buys out one or more ILS companies and decides to get into the internal library systems industry. Then, they flood the OPACS with Amazon metadata, evolving Amazon into the principal source of supply for ebooks into libraries. It could happen, and, to some extent, you wonder why it hasn’t happened.” Esposito says if Amazon did this, both the publishing side and the library side would be transformed. “Suddenly, you have Amazon sitting as an adjunct to every OPAC.” He concludes, “Today, no one really knows where this all might go. These major companies have very deep pockets and this wouldn’t be that much of a stretch from their stated missions.”

Who Will Control the Future?

Souers points out that Amazon at least has very deep pockets: “If you look at the company, they’ve tried to focus on revenue growth, customer loyalty, and repeat business over the past year, which allowed their profitability and margins to dip in 2011. But despite that, Amazon is a company that generated over $3 billion in operating cash, and we expect them to generate over $1 billion in free cash flow in 2012. They certainly have the money available at their disposal to invest in all sorts of businesses and to monetize that.”

Esposito believes the rumor of Google acquiring the Barnes & Noble NOOK is improbable. “It is likely that we will see college textbooks on the Apple platform this year in an enhanced way, and that’s a transformative change. You’ve got large consumer technology firms — Apple,
Google, Amazon — essentially reaching in and transforming media businesses. They are after movies, television, newspapers, magazines, and after a while, they get around to books. The transformation is that these large consumer technology companies are transforming the publishing business, and the challenge for publishers is that they less and less have control over their own destiny.

So for many reasons, watching the continuing evolution of publishing and information will be well worth the time and energy of information professionals in 2012. In his 2006 book *The Long Tail*, Wired magazine editor Chris Anderson famously noted: “When the tools of production are available to everyone, everyone becomes a producer.” As roles and values shift and change, what will become of an institution based on collections and operated on First Amendment principles? Harvard University librarian Robert Darnton is leading the Digital Public Library of America (DPLA) project, with the goal to “provide access to digital collections from libraries, museums, and archives in the United States” [http://cyber.law.harvard.edu/research/dpla].

“Scholarly publishing is different from trade — which makes something like the DPLA complicated,” Thatcher believes. “The trade side will be a much more difficult nut to crack. Major commercial publishers are already hesitant to get into ebook lending.” As Thatcher points out, trade publishers have much more serious issues to deal with compared to the scholarly presses. “For scholars, there is a peer-review process in place and there is real meaning to be published by a university press. For trade books, self-publishing is a direct threat [because] authors have options — they can make their own copies, can hire freelance PR firms or editing services or use the web itself to promote themselves.” This means trade publishers have to prove they have a real value-added service to add to the process. And, as Thatcher notes, “Publishers have been outsourcing a lot of the traditional publishing processes themselves. With self-publishing, authors get a much higher percentage of the profits than going with publishers.

“Today,” Thatcher continues, “there is also the pressure from companies like Amazon, which has just signed James Franco to publish his first book. The main reason you had to publish with a publisher in the past was because that was the only way to get into the big chain bookstores — well, look what’s happening to the big brick-and-mortar bookstores. I’m glad I’m not in the trade arena!”

Will Congress or the courts find a way to maintain a reasonable library-type of access to information in the 21st century? Will copyright and publisher concern for their rights permanently change the future role of libraries? Will users tire of dealing with the full bucket of information available over the internet and help redefine and fund roles for information professionals? This will be an interesting year as these issues continue to play out.

**Survival Will Require Your Best**

Movie houses are suffering from changes in the movie industry as well. After recent stories that attempted to explain why box office revenues were lower in 2011 than 2010, Roger Ebert provided some very eloquent thoughts focusing on user experiences, “must-see” movies, and other factors. “The message I get is that Americans love the movies as much as ever,” Ebert concludes, “it’s the theaters that are losing their charm” [http://rogerebert.suntimes.com/apps/pbcs.dll/article?AID=/20111228/commentary/111229973].

Today, publishers, bookstores, libraries, and other institutions are facing their own potential oblivion. The key to survival may just be to keep focused on your customers and available products and to seek efficiencies and continuous improvements. Whatever you do, do it better in the changing contexts of the times. ♦