

Transition and transformation

The impact of digital technology on the U.S. book industry

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Agenda

Background

- The size and shape of the U.S. industry
- Noteworthy trends

History

- First digital wave: 1970 +
- Characteristics, pioneers and impacts

Today's scene

- The contemporary digital wave
- Characteristics, impacts and issues

Conclusions

- Where do we go next?

What is BISG?

- Founded in 1977
- Not-for-profit corporation
- Based in New York City
- Three full-time staff members
 - Executive Director
 - Associate Director
 - Office Manager

A small selection of members



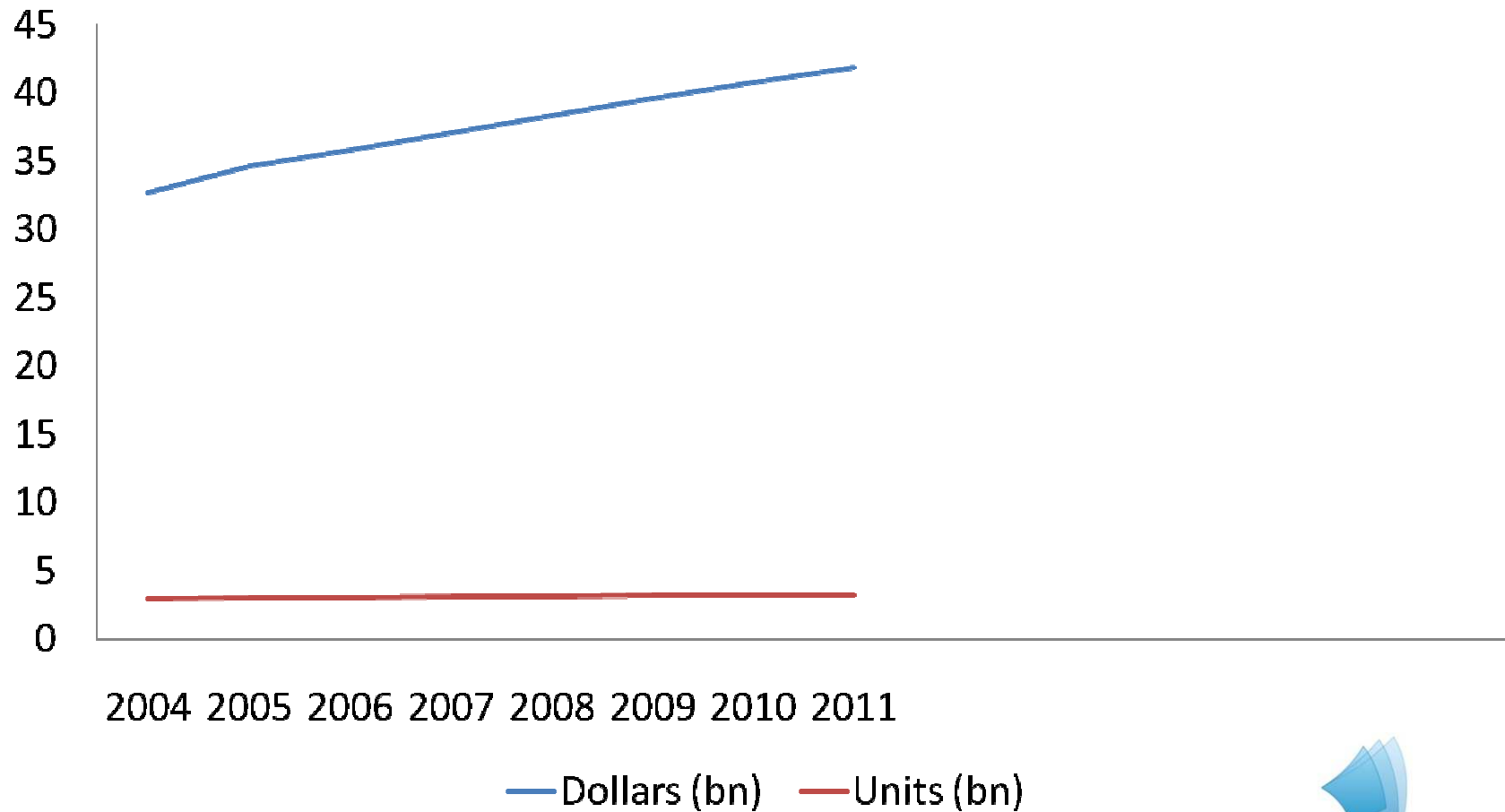
Our mission

“Working to create a more informed, empowered, and efficient book industry.”

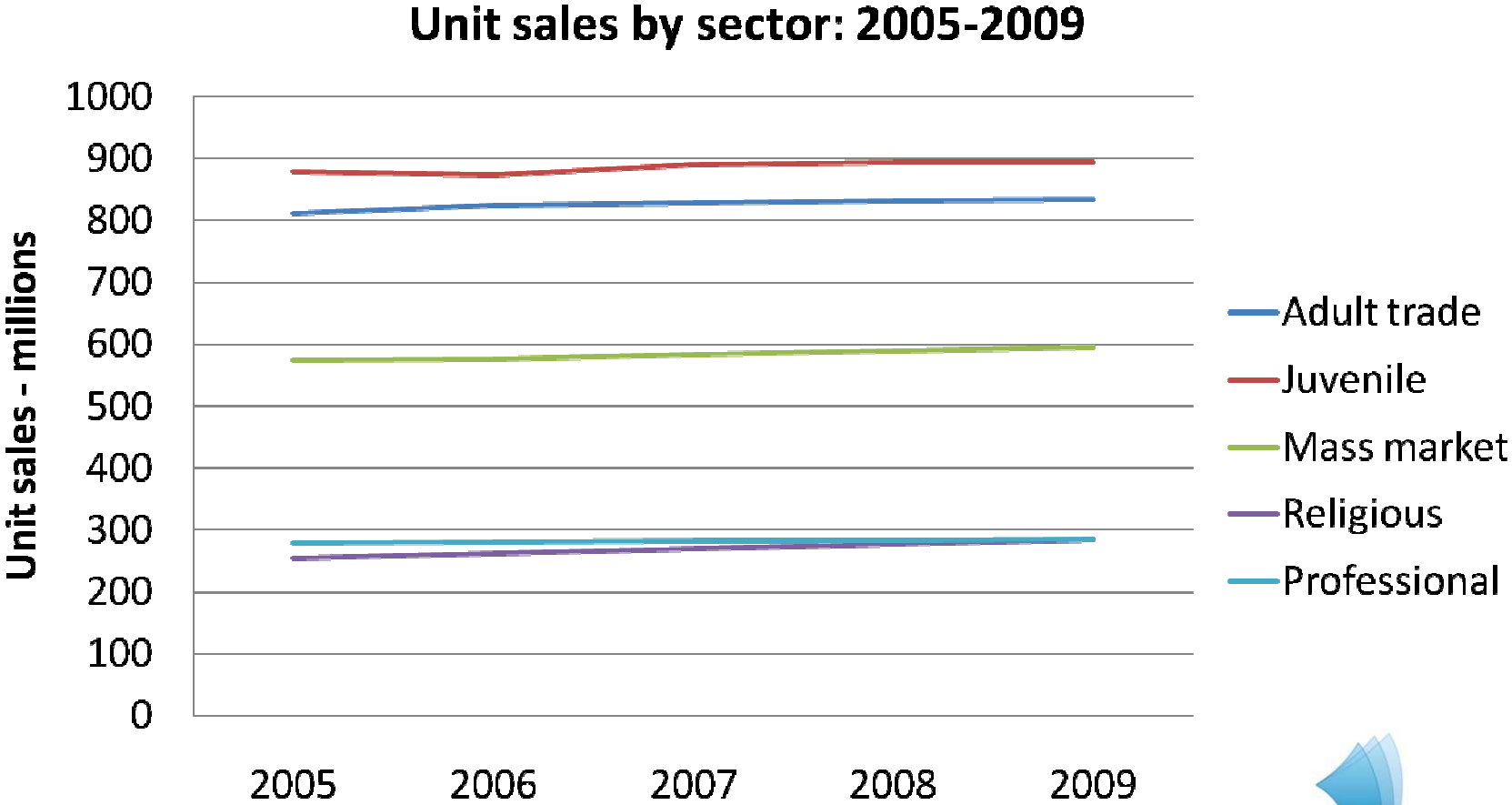
U.S. market size - 2008

- Book sales: \$40.32 billion
 - *Book Industry TRENDS 2009*
- Audio book sales: \$331 million
 - 21% of sales from digital downloads
 - Audio Publishers Association (30 reports)
- E-book sales: \$793 million
 - *Book Industry TRENDS 2009*

U.S. book sales 2004-2011

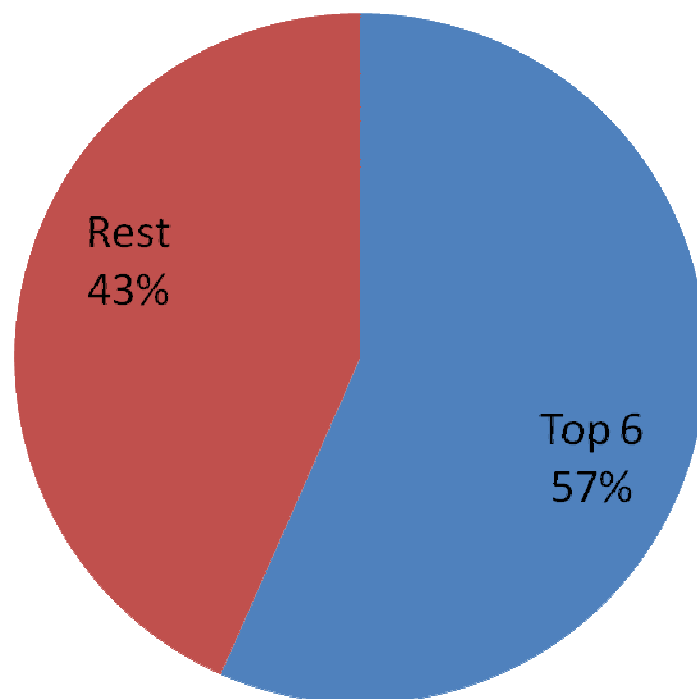


Book sales by sector



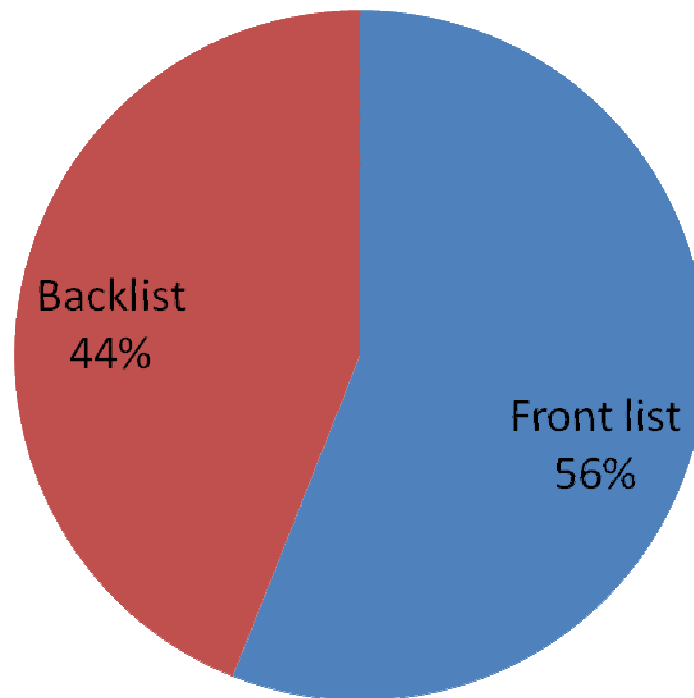
Increasing consolidation

% units



A frontlist-driven book industry?

Adult fiction



U.S. e-book sales in 2008

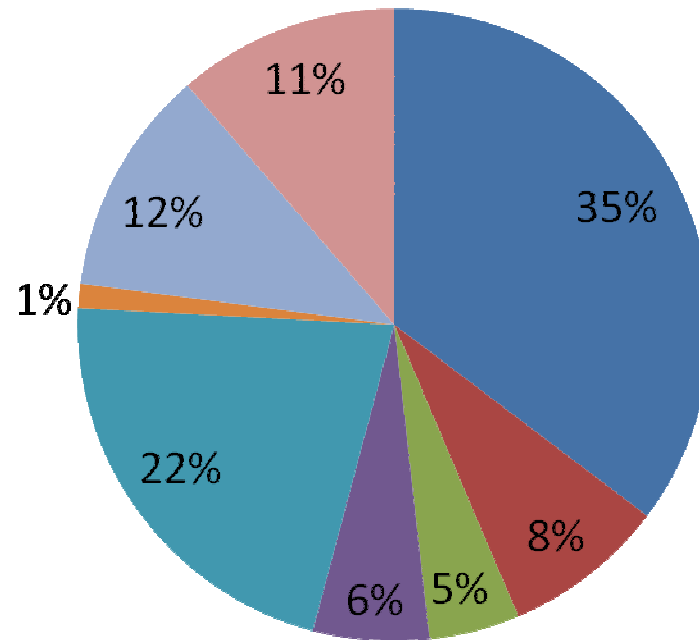
Category	\$ millions
Professional	451.0
EI-Hi	153.0
Trade	114.0
College	58.0
Religious	13.0
Scholarly	3.0
Total	793.0

A crisis in readership?

- Americans are reading less
- Young adults are reading fewer books
- Reading is a declining activity for teenagers
- American families are spending less on books
- Reading comprehension skills are falling
- Civic, economic, and cultural implications

Market sectors 2008

■ Adult trade ■ Juvenile ■ Mass market ■ Religious
■ Professional ■ Univ Press ■ ELHI ■ College



Market diversity

- Publishing is an industry of many sectors
 - Trade/consumer publishing
 - Academic and scholarly publishing
 - Professional publishing
 - Educational publishing
- Each sector is distinctive
- Technology impact has been different in each
- An industry of multiple transformation

Technology and content delivery



The first digital wave

- Large-scale database development
- Abstracting and indexing databases initially
- Full-text later
- STM disciplines dominant initially
- Gradual, slower involvement of humanities
- Aimed mainly at institutional customers
- Online delivery; physical media came later

First wave pioneers



First wave characteristics

- Database collections
- Subscription models; high prices
- High entry barriers
- Institutional focus
- Publisher-defined content
- “Push, not pull”
- Extension of traditional print models
- Mostly old, some new players

First wave impacts

- Revolutionized scholarship and research
- Improved access to specialist & rare content
- Computerized search and retrieval
- Transformed and opened up libraries
- Benefits to developing economies
- Limited impact on trade/consumer publishing

The second digital wave?

- Made possible by ...
 - Pervasive low-cost hardware
 - Pervasive broadband access
 - Inexpensive software
 - Standards (e.g. XML)
- “Anyone can be a publisher”
- Development of publisher-service companies

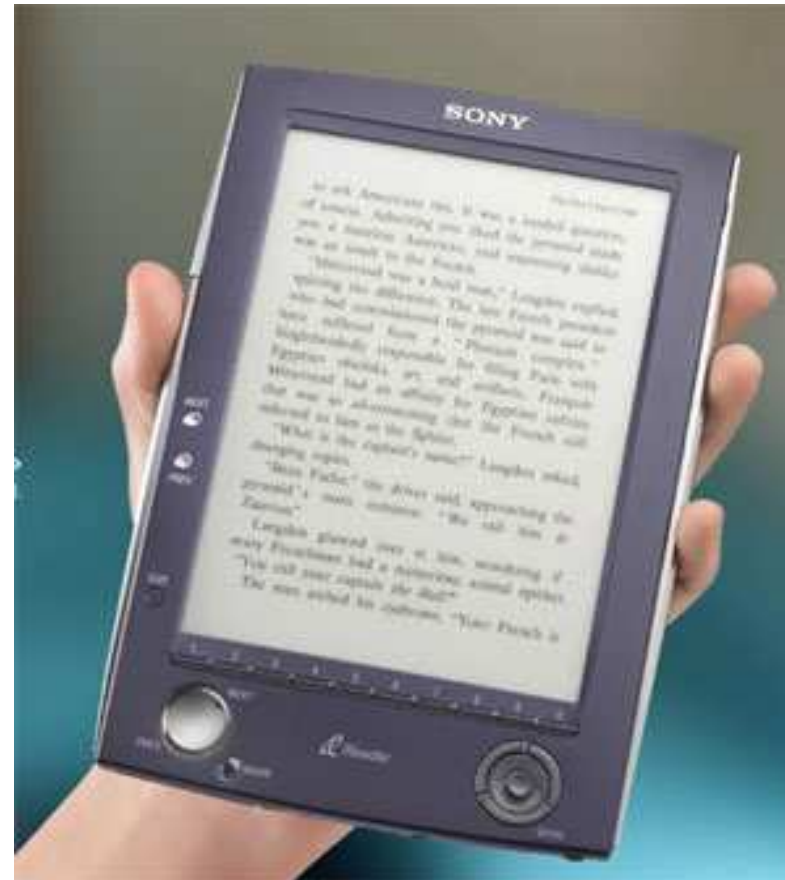
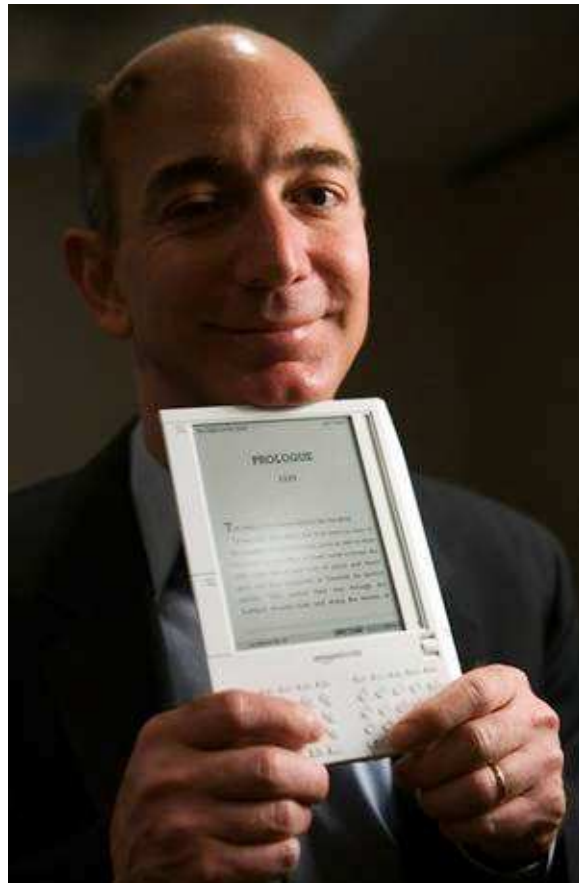
Characteristics

- Focus on the individual consumer/user
- Focus on full text
- Focus on “granular” content
- Focus on user-defined content
 - Influence of social networking sites
- Encompasses all types of publishers
- Many new players

Mass digitization



E-reading devices



Playing with giants

- Learning to live with Amazon.com
 - Dominance in “traditional” bookselling
 - The Kindle effect
 - Audio books and TTS
 - Booksurge and POD
 - Amazon as a publisher
- “Any book, in any language, ever published, in less than 60 seconds”.

Playing with giants

- Learning to live with Google
- Google Partner Program
- Google Book Settlement
 - 7-10 million digitized books (mostly out-of-print)
 - E-book sales program
 - Institutional Subscription Database
 - POD capabilities?

Key issues: quality and authority

- The question of authority
- “The wisdom of crowds”
- The role of the editor and the publisher
- Social, political, & civic implications
- Author-reader relationships
- Disintermediation
 - Publisher
 - Bookseller
 - Librarian

Key issues: content delivery

- New focus on “content”, not “books”
- Customer-driven content models
- Selling “fragments”
- Aggregation from different sources
- Aggregation from different providers
- Integration of personal and 3rd party content

Key issues: commercial models

- Learning from other media
 - Newspapers
 - Music
- “Getting rich by charging nothing”
- Will books ultimately be “free”?
- Cost of quality content
- Proliferation of new commercial models
 - Purchase, rental, ad-driven, subscription

Key issues: copyright and DRM

- Rules that describe how content may be used
- Mechanisms for rewarding content creators
- Tools for investment returns
- What are the lessons of the music industry?
- The influence of the search engines
- Standardized rights-expression languages

New partnerships and models

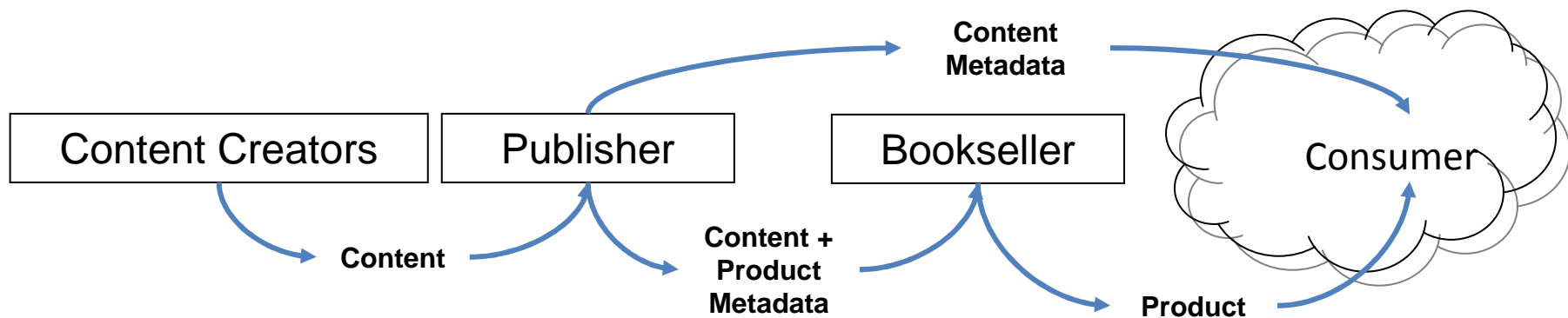
- Emergence of new sales channels
 - Social networking sites, blogs, author sites, etc.
- New channel partners
 - Search engines, micro sites etc.
- New service suppliers
 - Digital Asset Managers (DAMs)
 - Digital Asset Distributors (DADs)

Changing publishing models

Traditional Publishing Model

Bookseller owns customer

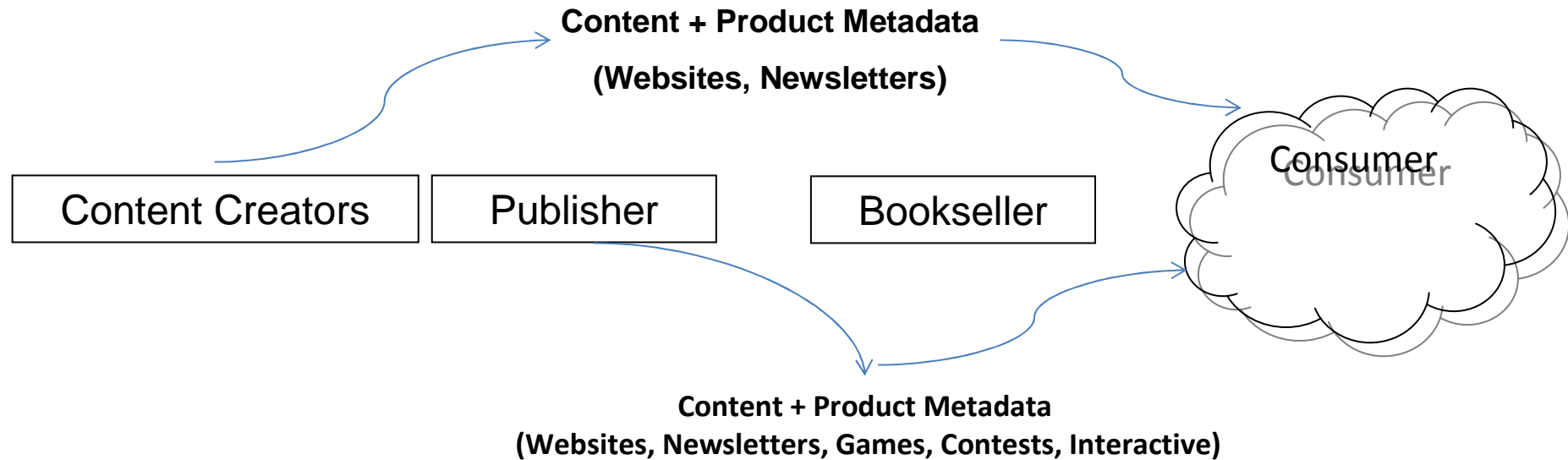
Publisher's contact with customer limited to advertising, author appearances



Changing publishing models: web 1.0

Web 1.0 Model Shift

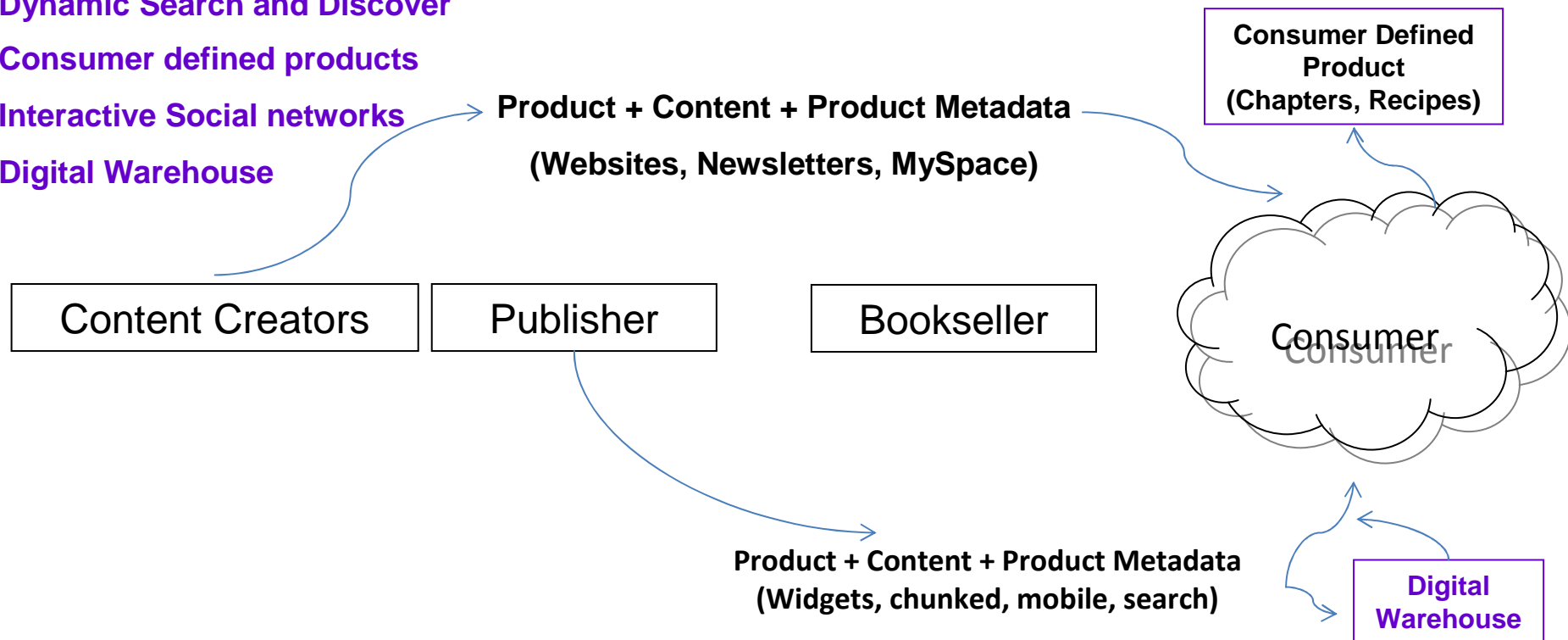
Publishers and authors make direct contact with consumers through online marketing



Changing publishing models: web 2.0

Web 2.0 Model Shift

- Publishers and Authors increase Consumer interaction
- Dynamic Search and Discover
- Consumer defined products
- Interactive Social networks
- Digital Warehouse



Lessons to be learned?

- Organize your content properly
- Publishing is a rights business
- Know tomorrow's readers: they're different
- Experiment continuously

Lessons to be learned?

- “Be willing to fail”
- “Think long term”
- “Be prepared to be misunderstood”
- “Be stubborn about the big things”

Conclusions

- A period of transforming change
- Seeds of transformation sown 30+ years ago
- Affects all publishers
- Some sectors are mature, many are not
- Revolutionizing access to content
- The reading experience is changing
- Raising fundamental questions about publishing: its purpose and future

Thank you.



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