The Impact of Digital Books upon Print Publishing

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Abstract

This paper examines the concrete impact of digital publishing upon print publishing. The remarkable growth of the Internet is at the core of this impact, as the Internet forms the backbone for much of the digitization of print publishing, from commercial promotional efforts to e-book readers to alliances with education. Additionally, this paper offers short-term speculations—grounded in specific current developments—of the continuing effects of digital publishing on print publishing.

Some of the views offered by this paper are quite speculative. This is unavoidable, as digital books are of course quite new in the context of publishing generally. Notwithstanding, the effects of digital books upon print publishing are real, and we will provide concrete examples of these effects. Additionally, we will attempt to make judicious predictions about these effects in the future.

In our view, the 800 pound gorilla in the room of this discussion is the Internet. Obviously, it makes little sense to discuss digital books outside the context of the Internet. Therefore, it's worth noting that in the year 2001, Internet usage, according to the United States Commerce Department, hit 54 percent. In other words, 54 percent of Americans were using the Internet. As we'd likely expect, younger people represent the largest fraction of this upswing in usage; in fact, the report states that 48 million Americans between age five and age 17 use computers (the figure represents 90 percent of that population group) The upswing in usage represents an increase of 26 percent from the year 2000.

Additionally, the so-called "digital divide" narrowed substantially. For instance, Internet use by the nation's poorest citizens (an income of less than $15,000 a year) rose 25 percent a year from December of '98 to September of 2001. By comparison, the most well-to-do Americans (in this study, defined as earning more than $75,000 a year per household) went up during the same period by 11 percent a year. This general rise in usage is visible through other measurements, too. The Commerce Department stated that between August 2000 and September 2001, Internet usage use for Hispanics and blacks rose at respective annual rates of 30 and 33 percent. For whites and Asians, the growth rate was 20 percent.

Americans living in rural areas are using the Internet in greater numbers, too. From 1998 to 2001, rural users went up 24 percent each year, and as of 2002, 53 percent of rural residents use the Internet.

There is little question that the numbers will increase steadily for several years to come. Economic realities no doubt play are large role in this matter. According to some reports, fully half of all jobs held by non-college graduates require the daily use of the computer. These figures—quite impressive by any rational measure—should be borne in mind in the midst of pessimistic talk about the so-called "dot-bombs" and the general (alleged) cooling of interest in the technology sector of the economy generally. The fundamental point here is that Internet usage has grown very dramatically.

The relevance of these figures becomes clear when we take a look at one concrete example of the digital books effect upon print publishing. According to a February 6 report posted on *Yahoo! Finance*, print publishers have embraced the Web as a promotional tool in a new (for the print publishers, that is) way: posting sample work online. This development is hardly shocking for those familiar with digital books: typically, the only way to obtain digital books is through Internet usage, and of course the Web is virtually the only publishing channel e-publishers have. And of course, some print publishers have offered full titles, in fits and starts, for the last few years. However, the print industry has seized upon the Internet's especially strong promotional potential, and this recognition was without doubt hastened by the development of e-publishing itself.

Quoting from the *Yahoo! Finance* report:

"Posting of excerpts began around five years ago with online book retailers like Amazon.com requesting them from publishers to help stoke sales in the then brand new medium…'Prior to the Internet, there really wasn't any good mechanism to get portions of a book, interviews with a particular author or a look at the table of contents,'' said John Corcoran, an analyst who follows the Internet for CIBC World Markets in Boston…links help steer readers to "marketing candy" like excerpts or biographies and question-and-answer interviews with the author. It's marked a dramatic change from the time when many books were sold by bookstore browsers. Web browsers are becoming a much bigger part of the industry's pitch."

The report goes on to note that publishers and "even authors themselves" are embracing the Web's unique promotional activities. With a few well-placed

hyperlinks, publishers and authors can draw consumers into a quite rich virtual reality of text and—of course—promotional offers.

An interesting detail of the *Yahoo! Finance* report is the reference to "around five years ago". It was back then—roughly 1997—that online book retailers wanted actual text (excerpts) online for consumers. However, as anyone who has paid close attention to the online duopoly of Amazon.com and Barnes and Noble knows, the significant use of excerpts has only recently become a common practice. In fact, as the article notes, print publishers have been quite reluctant to post work online. No longer. Again, quoting from the article:

"I would say both publishers and authors feel that putting a percentage of the book online for people to read and get a taste of it is a great promotion for the book and really helps sales," said Jessica Carter, an executive in charge of online promotions at the publisher Alfred A. Knopf in New York.

The *Yahool! Finance* article notes, in little more than passing, that e-books are more directly associated with the Internet, but states that the current crop of e-book readers is not yet currently acceptable. There is, in our view, some truth in this claim, although we add an admittedly subjective aside: the currently available RCA REB 1100 is in some ways better than a print book. It's usage is very intuitive and the reading experience pleasant. But again, this is a subjective response and should probably not bear too much weight of analysis; we add this point to suggest that e-book readers have enormous practical potential and will grow far better in the next one to two years (more on that claim later).

But to return to the "five years" ago notion: some e-book publishers have been online prior to 1997. Granted, most are recent arrivals. However, Boson Books—a commercial venture--has been online since 1994. Other early commercial online publishers include Bibliobytes (1994) and Diskuspublishing (1995). Prior to commercial efforts, individuals and collectives made work available online, often for academic use. Of these, Project Guttenberg—which began back in 1971 (!)--is the most well-known. We should also note early innovator Eastgate Systems, which published a hypertext work in 1987. Our point here is fundamental to the topic at hand: the impact of digital books on print publishing. Understandably, there was an early resistance to the very idea of digital publishing (largely due to fears of copyright violation, which is obviously a legitimate concern); now, the mainstream publishing industry uses digital approaches in a limited but fundamental way, mostly through offering excerpts and hyperlinks. As of 2002, of course, print publishers are offering full e-books (mostly through Adobe Reader, MS Reader, and Gemstar formats), though the number of titles remains quite small (as a quick scan through available e-titles at Powells.com makes clear, for example). Still, the impact is very visible, and it's growing.

Marketing efforts are obviously important. However, when we hear the phrase "Digital Publishing" we typically think of more than promotion. In one important context, the impact of digital publishing on print publishing is especially noteworthy: education. The advantages of digital publishing in education are numerous: textbooks can be quickly revised; supplementary materials can be made online; students can "interface" (sorry for that terrible verb) with the now ubiquitous online courses; and as a practical matter, students would not have to lug around several pounds of books to class.

One commercial venture, GoReader (goreader.com), now offers a PC-based reading tablet. GoReader has assumed—for some good reasons, probably—that a digital book reader makes a lot of sense in the context of education. After all, education at both the K-12 and secondary levels has worked hard for several years to become fully "wired," and the next step quite logically could be an e-book reader. The device itself weighs 2.4 pounds, and at 10.4 diagonal inches, its VGA screen is large. The device is also expensive: the base unit is $1,150. Clearly, the price must drop by at least half before it becomes even potentially attractive, as a practical matter, to students and schools. The needed price drop is probably inevitable—the history of electronic devices makes this clear. The company itself hopes to reduce the price to a more affordable $400.00. Of course, such a device will be acceptable only if textbook publishers are ready to provide content.

goReader does have some potentially powerful allies; for example, it has recently partnered with Texas Instruments to create a classroom platform. The goReader will provide the tablet and TI will provide the wireless capabilities to produce a fully wired classroom. goReader has also signed an agreement with Harcourt Brace Jovanovich College publishers. Early indications are that the agreement will focus upon business and science titles for the goReader, with more titles in technical fields coming later.

The goReader and its agreements with TI and HBJ (and Addison Wesley, another college publisher) are potentially powerful forces in educational publishing. Nobody can predict, of course, the odds of goReader selling enough units to become commercially viable. However, there's no question that much of the high-tech infrastructure has already been established in the context of education. For example, its commonplace to find fully wired classrooms in colleges and universities, with full Internet access at each student workstation. Therefore, the notion of a reading tablet to complement the workstation looks like a logical next step. And, to the degree that press releases reveal corporate plans, HBJ is, for one, fairly serious about digital books. In a joint press release between goReader and HBJ, Harcourt College Publishing's President Ted Bucholz says, "The goReader offers a great way for students to smoothly transition from printed books to electronic textbooks without

forcing them to compromise how they interact with the course materials." The interesting phrase here is "smoothly transition from printed books to electronic books." The phrase is not without ambiguity, but at the very least it suggests a considerable emphasis on digital publishing, as opposed to offering digital content as a second-tier supplement to printed textbooks.

The relevance of digital publishing in the context of education is quite clear to commercial publishers such as Boson: assuming that goReader (or a similar effort) takes hold in education, then the meaning of "textbook" will be quite different for those students who receive a wired education. If a student associates "textbook" with a reading tablet, then it's plainly not much of a stretch to predict that the broader term "book" itself will mean something substantially different than it does today.

The activity of digital publishing in education dovetails cleanly with our earlier cited statistics about growing Internet usage in America, especially among the young. Again, the nearly ubiquitous Internet is the backbone of the impact of digital publishing on print publishing, and as the Internet grows, will remain so.

Digital publishing has affected educational print publishing—indeed changed it—in other ways, too. For instance, the academic monograph has been revitalized by digital publishing. In a December 2001 *Journal of Electronic Publishing* (www.press.umich.edu/jep) article, Marshall Poe of Harvard University writes of his efforts to publish his The Russian Elite in the Seventeenth Century: A Quantitative Analysis of the "Duma Ranks," 1613-1713. The very title dramatically announces the intensely esoteric nature of Poe's work. In his article, "Print Monograph Dead; Invent New Publishing Model," Poe explains that he made the usual rounds with the work, sending the manuscript to several academic publishers, some of whom responded with polite rejection letters. Eventually, Poe printed his work in Adobe Acrobat form, where the work found an obviously quite small but enthusiastic audience. Later, the work was published via the print-on-demand (POD) method, and it's now available in both e-form and print form. Poe's book is an example of a growing model we see in publishing: the convergence of e-publishing and print publishing, a convergence made possible by a high-tech mindset to publishing; more on that later, too.

Thus far, we've noted concrete—as opposed to merely speculative—effects of digital publishing on print publishing. The effects are on-going, and predictions about their future shape are of course very difficult to make. Difficulties aside, we can still offer the following speculations…speculations that are based upon very recent developments in the commercial e-book field.

In 1998, Boson tested one of the first 200 Rocket eBooks (later purchased by Gemstar and sold by the RCA brand name). Boson was obviously especially interested in the appearance of a dedicated e-book reader; the Rocketbook impressed us. The product was very well designed and comfortable to use. The current crop of RCA products continues to impress us, especially in terms of design and readability.

As of this writing, RCA offers two "dedicated" e-book readers: the REB 1100 (black and white) and the REB 1200 (color). The RCA products most closely mimic a paper book; the very shape of the device suggests a paperback with the cover and the first several pages rolled back at the spine and pushed behind the rest of the book. The RCA devices are based upon a proprietary format; the format produces a very readable text, but its insular code is a potential liability. Indeed, if the RCA products have a glaring weakness, it's to be found in the proprietary format rather than the actual product design. The product would almost certainly be more popular if it could read books formatted in either the MS Reader or Adobe Reader formats, but that scenario is not on the horizon as yet.

And it is in this very point of clashing formats that we see an ongoing problem: for practical reasons, many consumers simply do not accept a product that, while attractive in physical design and very easy to use, simply cannot read an acceptably wide variety of titles. On this point, the digital publishing industry should take further note of the obvious: readers of print books have no worries about "formats." Consumers simply purchase the book and read it. Until the RCA can handle a very wide variety of titles in a variety of genres, its strong potential as a consumer success story will remain just that: potential, albeit untapped. Naturally, matters would change if the device handled, say, the MS Reader format.

Competing with the RCA products are the Franklin eBook Man and the Hiebook e-book reader. The Franklin product is, in our view, most suitable for reading brief amounts of text; reading books on the product is rather difficult, partly because of the relatively small screen and partly because the screen itself suffers from glare that makes sustained reading difficult. Additionally, the Franklin product is hamstrung by the relative lack of available content. It has not established the partnerships established by Gemstar (and of course, Gemstar itself has not established sufficient partnerships with publishers). Despite these flaws, the product is very interesting because it provides a glimpse of what e-book readers might become: multi-purpose devices. The Franklin product is, fundamentally, a PDA with a larger-than-usual screen; it has fundamental PDA capabilities such as note-taking and appointment book; it can also play audiobooks formatted in the Audible format. The Franklin products (of which there are three models) have been an important force in driving down the cost of e-book readers. Additionally, according to some reports, Franklin will offer an e-book reader that sells for around fifty dollars. We have no information about this proposed product and so can say nothing about it, although we do note that this aggressive drop in price will attract more consumers' attention, if not their actual wallets.

A product somewhat similar to the Franklin is the Hiebook, although we offer the caveat that we've not actually seen a Hiebook and therefore must depend upon

industry news. According to one recent review of the product (appearing in the November 20, 2001 issue of *It.MyCareer.com.au*), the Hiebook compares favorably with the RCA in terms of screen quality; additionally, the Hiebook plays MP3 files and can also function as a PDA. Therefore, like the Franklin product, the Hiebook is a multi-purpose device, but it apparently has a more usable screen. Crucially, the company is working on a cross platform support that will allow consumers to read titles in the MS Reader and Adboe formats. If the company is successful, the Hiebook will almost certainly emerge as the e-book reader device of choice: it will offer consumers a far wider range of titles than heretofore available for handhelds; additionally, its MP3 and PDA-like functions will provide additional incentive for consumers. Just in passing, we note that the multi-function trend is emerging in other consumer markets, such the new breed of cell phones that function as PDAs.

A potentially interesting product, still in the prototype stage, is a reader that will likely be brought to market under the Philips name; it will, according to reports, use proprietary E Ink display technology. Of special interest to us is the device's display resolution, which reportedly is markedly superior to current devices; additionally, the device is reportedly very light, weighing in at only nine ounces yet featuring a seven inch screen (diagonal). The apparent display quality and light weight are obviously very positive developments.

The handheld market also includes PDAs (most notably the various Palm Pilots, the models of which are too numerous too list here). PalmDigital, a subsidiary of Palm, has recently entered the e-book market.   Early indications—rumors, really, that have no substantive place here—indicate that PalmDigital is selling a rather high number of titles. This is interesting if somewhat surprising news (again, if true); PDAs are good for many things, and some consumers do enjoy reading books on them, but for many consumers the reading experience will simply be too "cramped": PDAs are too small for many readers.

How have handhelds affected the print industry? At this point, the impact has been only moderate, as publishers provide relatively few titles for the handhelds. The lukewarm success of the handheld market is, in our view, not caused by an inherent flaw in the notion of e-book readers. The RCA products are highly usable at this very moment, just as their Rocketbook predecessor was.

The more fundamental problem is content availability; the handheld market will have an actual impact upon print publishing when the prices for the devices drop below one hundred dollars. That price drop would almost certainly encourage publishers to offer more titles for the devices. The print industry sees the impact of handhelds on the horizon, as Jack Romanos, president and COO, Simon & Schuster, makes clear in a December 7, 2001 *Publisher's Weekly* article*: "*There's not much for publishers to do right now except to get ready for the day when reader technology is perfected, is developed to the point where it

is a standard option, perhaps a hand-held device that will be bigger, more readable and more booklike, and at that point, our work begins. We have no choice now but to simply stockpile and convert the inventory that will be in place when the demand is there. Is it two years out, three years out, five years out? I'm not sure anybody knows."

Given the speed at which handhelds are evolving, Romanos's tentative speculations make some sense, although the "five years out" seems a bit pessimistic.

Our final example of the impact of digital publishing on print publishing is print-on-demand technology, commonly known as POD. POD is an interesting hybrid of high- and low-tech. It is already a major force in keeping titles in print that would otherwise go out of print—which is, of course, what e-books should also be especially good at. POD has, in some quarters, become something of a dirty word because its technology was loudly put to use by iPublish (owned by the behemoth AOL Time Warner), but iPublish closed its doors in December of last year. Additionally, such highly visible failures as XLibrius and iUniverse were glorified vanity publishers that used POD's new technology.

However, none of this alters the plain fact that POD is, for small and even midsize publishers, an increasingly sensible model. POD is not, as many believe, really a "cheap" method…it actually costs more per book than if the title in question were printed in large runs. However, for small and medium runs, the model is perfectly acceptable. Indeed, POD's great potential is that it can make available in short order a title that would otherwise never be available, or take weeks to track down through the labyrinthine used book market.

The print industry clearly sees the advantages of POD; in the afore-mentioned December 7, 2001 *Publisher's Weekly* article, John Sargent, President of the Holtzbrinck Trade Group stated*: "*I would say that in the short term, the print-on-demand aspect of the digitization of books is where the majority of the profit will be, and that has to do with infrastructure savings that come along with that. There are a lot of things that print-on-demand can do, where you can see some actual direct profitability."

Like e-book publishing's ability to place a title in a consumer's hand almost instantly, POD can deliver a work in short order (although not instantly, obviously). Here we see high-tech publishing's greatest attribute: speed.   And clearly, digital publishing makes POD possible (a title is stored in the form of digital files, cover and text).   The very notion of POD is inconceivable without the reality of digital publishing.

Now, regarding our own particular company, Boson Books, in the context of this topic: Boson has been in the fray since 1994 and brings a measured—perhaps at time grizzled—optimism to digital publishing. Boson is very much a philosophically-driven company: from the outset, Boson's goals was the democratic, global distribution of all kinds of books.   All of the major steps we've taken—signing on with distributors, saying "No" to other distributors, making books available in a variety of e-

formats, offering a handful of titles as POD's—are carefully considered means to that philosophical end. Especially important to Boson is the notion of global distribution of titles—the company saw in the Internet the ability to make connections with readers worldwide. Along the way, the editor at Boson has taken considerable pains to sign on authors that are worth reading—Boson's list of authors compares favorably with that of any small press (and we of course invite you to see for yourself).

Finally, having been around since 1994, Boson has in its own way affected the print industry, and therefore been an agent of the very change suggested by this paper's title.