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SNCR Research Brief: Publishing at the Tipping Point

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Publishing at the Tipping Point

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A convergence of factors, both long and short term, is pushing the publishing industry to a tipping point in 2009. Unlike past “watershed” years, this one is not just wishful thinking or a prediction about the impact of innovative technology. The changes we are seeing today are real and lasting. As a result, some publishers (and related businesses) may not survive — but the book world as a whole will emerge stronger and better in the future.

Preview:

- Economic crises are forcing publishers to abandon wasteful, outmoded business models
- Reading is growing, not shrinking, in spite of fears that younger people no longer care about the written word
- e-Books are growing, but printed books are NOT perishing in the process
- General bookselling is giving way to specialty marketing
- Online media are supplanting traditional print and broadcast media in book marketing

In the wake of the 2008 economic crisis, long-standing foundations of the mainstream publishing industry began to crumble. Chain bookstores struggled more than ever; major publishers put freezes on acquisitions and downsized staff; leading daily newspapers dropped their print editions in favor of online distribution.

These developments were not strictly results of the 2008 economic downturn. Instead, many of the book world’s woes were long-term weaknesses resulting from decades of wasteful, inefficient business practices. The collapse of the real estate, banking and stock speculation bubbles simply made the underlying diseases of the traditional book business more acute.

People outside the publishing industry are often shocked to learn that bookstores don’t buy books, but take them on consignment; that publishers knowingly overprint to achieve economies of scale, that wholesalers intentionally overfill warehouses; and that retailers greedily overstock stores, knowing they can routinely return any excess inventory without paying. These bad business practices, widely accepted for years in the book world, are wasteful, environmentally hostile, and unfair to both readers and writers. Perhaps most egregious of all, they’re simply inefficient.

Concurrently, new technologies for the delivery of reading material, both in print and digitally, have matured to the point where they are now effective alternatives for publishers to reach broad audiences. In addition, new technologies have also fostered changes in the behavior of consumers, and new ways for authors and publishers to reach readers. In combination, they point to a true sea change in the world of books.

- **Reading is growing, not shrinking, with 112 million ‘literary’ readers**, according to the NEA’s recent “Reading on the Rise” study. *But who is doing the reading? Aging Baby Boomers or Under-30 readers?* In the latter case, look for increasingly digital consumption in the years ahead... but for now, the market for book-length material appears secure, whether in print or digital.

<http://www.nea.gov/news/news09/ReadingonRise.html>

- **e-Books are growing but tree-Books are NOT fading.** Other studies suggest that there are inherent physical/cognitive differences between the way readers “interact” with paper, versus a computer screen. They conclude that e-Books will be slow to supplant tree-Books as a result. IDPF says that e-Book sales rose from about \$19M in 2006 to \$31M in 2007 (wholesale trade, not retail). Meanwhile, PW says sales of tree-Books rose 3.2% from 2006 to 2007 to \$25 B per year. (Much of the increase in print can be attributed to POD books.) e-Books are growing much faster than tree-Books, but still represent only a small fraction of the book market. The key point is that BOTH are growing, suggesting that they are NOT mutually exclusive.

The Myth of the Paperless Office, Sellen & Harper (MIT Press, 2001)

<http://www.unlimitedpublishing.com/paper.htm>

http://www.publishers.org/main/IndustryStats/indStats_02.htm

http://idpf.org/doc_library/industrystats.htm

- **Brick-and-mortar booksellers are struggling while online booksellers are growing.** Reading isn’t dying. tree-Books aren’t fading, but sadly bookstores are. Barnes & Noble’s stock has dropped from \$34 to \$17 from 2004-2009 while Amazon’s has grown from \$42 to \$64. Meanwhile, Google is poised to challenge Amazon — not just in terms of online reading, but also in print. Will these trends accelerate in the years ahead? In an era of economic downturn and high fuel prices, it seems logical that they will. The rise of online bookselling is important in terms of retailing, and *will also have a profound impact on the ways that publishers print, distribute and promote books.*
- **POD book publishing is growing**, while traditional bulk printing, warehousing, etc. are shrinking. POD eliminates the need for a costly initial press run, warehousing and returns. As a result, the publisher’s investment to get a new book in print is slashed, allowing POD publishers to take a chance on more new books. POD also gives publishers more flexibility to customize books for specialty markets without a major investment. The growth of POD is also increased by the momentum of online bookselling. Few bookstores stock non-returnable POD books, but they are easy to order online. POD printer LSI says its annual output has grown from 7M in 2004 to 15M books last year. The fate of publishers who continue to mass print and rely on conventional distribution and retailing may hang in the balance as warehouses and brick-and-mortar bookstores fade.

See: *Print on Demand for Dummies* (BISG and Wiley & Sons, expected mid-2009)

- **New devices for digital reading (Kindle, e-Reader, iPhone, Android, etc.) are growing.** This trend will gain momentum as the amount of available reading material grows — especially the upcoming re-release of millions of older books by Google. At this time it's impossible to predict whether proprietary e-readers or open-platform multi-use devices (and file formats) will prevail in the marketplace. Just the same, foresighted publishers are already converting the files they use for printing to a variety of formats. The number of e-booksellers and titles available in digital form is now large enough to attract significant numbers of readers. This gives publishers a realistic incentive to offer both printed and digital versions of their books.
- **Wireless interoperability and “Cloud” computing are on the rise,** reinforcing the trend toward digital consumption of writing. Your home and office computers, portable devices and phones may be separate pieces of hardware, but will be increasingly interconnected. The new Kindle2 allows you to buy books using your home computer, but read them on your Kindle or iPhone almost automatically, without cumbersome file transfers.
- **More and more books are reaching readers through tightly targeted outlets, versus general publishing trade portals.** In 2009, some publishers still believe that “name” booksellers are the only way to reach a broad audience. But a landmark 2005 study by the Book Industry Study Group titled “Under the Radar” documented that “non-traditional” markets for books now total *at least* \$11.5B per year — almost half the size of the conventional book trade, and growing. Niche markets are often neglected by mainstream industry players, opening the door for publishers to bypass the discounts traditionally taken by middlemen, and retain more revenue. This trend toward “disintermediation” favors the smaller, non-traditional publisher, who is less reliant on conventional distribution and marketing infrastructure.
- **Online media are replacing traditional print and broadcast advertising as publishers focus on targeted markets.** A big part of Google's success in capturing a full third of all advertising dollars was accurate targeting; when a consumer searched for information about car theft, an ad for a security system was displayed. The same concept can be applied to popular social media: a user who works in law enforcement is likely to communicate with family, friends and co-workers who share an interest in crime fighting. As with the shift from general bookselling portals to targeted marketing, new media allow publishers to sell books more directly to readers, giving up smaller percentages to middlemen.

In combination, the trends above present a picture of an emerging publishing industry that is leaner and meaner, greener, and smarter than before. Relieved of the wasteful economics of the traditional publishing trade (overprinting, warehousing, remaindering, returns, etc.), the POD and e-Book based book industry of the new millennium will be more efficient and responsive to the specific interests and needs of readers. It will be more environmentally friendly, and more focused on creativity rather than commercial factors alone... to the benefit of everyone who loves the written word.

Resources

e-Book Conversion Services:

(Visit <http://www.idealog.com> for overview)

Calibre e-Book Management: <http://calibre.kovidgoyal.net/>

Code Mantra: <http://www.codemantra.com>

Ingram Digital: <http://www.ingramdigital.com>

Libre Digital: <http://www.libredigital.com>

e-Booksellers:

eBooks.com: <http://www.ebooks.com>

eBrary: <http://www.ebrary.com>

Follet: <http://ebooks.efollett.com>

Ingram: <http://www.myilibrary.com>

Net Library: <http://www.netlibrary.com>

Overdrive: <http://www.overdrive.com>

World eBook Library: <http://www.worldpubliclibrary.org>

POD Printing:

Blurb: <http://www.blurb.com>

Booksurge: <http://www.booksurge.com>

CaféPress: <http://www.cafepress.com>

CreateSpace: <http://www.createspace.com>

LightningSource, Inc. (LSI): <http://www.lightningsource.com>

Lulu: <http://www.lulu.com>

Replica Books (Baker & Taylor): <http://www.btol.com>

Research and Statistics:

Book Industry Study Group: <http://www.bisg.org>

Independent Book Publishers' Association (formerly PMA): <http://www.ibpa-online.com>

International Digital Publishing Forum: <http://www.idpf.org>

Society for New Communications Research: <http://www.sncr.org>

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