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E-Books: Why Care?

The recent e-Book World conference in New York (November 6 and 7) solidified much of my thinking about e-Books. It's a hype-filled world that obscures the real meaning of what is happening. The pundits take too much time discussing whether "e-Books" themselves will develop into a market—whether we will "curl up in bed" with a printed book or an electronic device. The real issues are of course more subtle—the underlying distribution mechanisms, where or even when products will get printed, and what formats will dominate.

On the one hand, the hype seems to overwhelm the real business. Despite all the buzz, according to Jupiter and others, fewer than 100,000 dedicated e-Book devices have been sold. And while there are some numbers suggesting how big the market for e-Books might become, it was clearly hard for the publishers or booksellers on hand to repeat them convincingly. A number of people cited Andersen Consulting's projection of a \$2.3 billion market by 2005, and still others suggested that an increasing percentage of online book sales would be e-Books over time. But then some of the heavy hitters, like Barnesandnoble.com's Steve Riggio, seemed less sanguine, at least regarding the question of what percentage of his business would become electronic.

On the other hand, one has to take note of the keen interest from significant companies like Microsoft, Adobe, and Gemstar. One of the keynote speakers was the ubiquitous Dick Brass, vice president of the Emerging Technology Group in Microsoft's Business Productivity Division. While careful not to steal Bill Gates' (then upcoming) thunder at Comdex regarding the Tablet PC, Brass described the Tablet PC and provided some insight into Microsoft's continuing interest in the e-Book space. Regardless of the specific publishing markets, Microsoft is clearly betting on print largely going away at some point. "If that's ten years away," said Brass. "Maybe we should all go home for a few years." No one stood up and walked out at that point, including Brass himself. Judging from the projected 2003 delivery date for the Tablet PC, we can probably guess where Microsoft is placing its bets.

Wrong Focus?

Much of the focus on e-Books over the last year has been on the potential market, and whether said market will develop. There have been many tangents in this discussion, some of them substantive, some of them not. The conference itself helped to obscure the questions even more, as a great deal of the discussion was about how shabbily publishers treat writers, what a terrible job publishers do in their core business, and where the margins are and who should get them. It was left to the audience to get past some of the generalities

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and ask questions on specific publishing markets, such as education, professional, and reference.

When the conference did focus on technology, it was almost in passing (“Oh yes, make your e-books available in the formats used by Microsoft, Glassbook [now part of Adobe] and Gemstar.”) There was little discussion, or thought seemingly, of which formats or readers might be better—which might preserve or improve on the print formatting, add features, or otherwise maintain or perhaps improve on the reader’s experience.

Fear of “Napsterization”

At several points in the conference, the question of Napster came up. On the outside, the publishers made the point, perhaps quite correctly, that the industry had avoided “Napsterization” because they have been willing “to participate”—to come up with legal means of distributing and purchasing electronic product. Interestingly, this was being said as the very question of Napster was being resolved; on the first day of the conference, Bertelsmann Music Group (BMG) had announced some clarifications to their recent investment in Napster, making it clear that Napster will either develop some kind of charging mechanism or lose BMG’s support and face prolonged litigation. Fans of Napster see this as “selling out,” of course, but publishers likely saw it as the forces of good triumphing.

The disposition of Napster, and the underwhelming sales of e-Books though, leave the industry back at Square 1, or maybe Square 1.1. Over and over again, speakers at the conference made the point, “We don’t have a lot to go on yet.” As noted above, even the big top-line numbers seem fuzzy to publishers, and there are many other data points that need to be developed. What markets will adopt earlier or later? College campuses seem to be an early adopter, but so also do professional libraries. What will the price point need to be, for both the device and for the individual titles?

One interesting thread was introduced and suggested, but not fully explored. Will there be an explosion in the sale and distribution of professional materials, such as books and articles for engineers, scientists and other professionals? Among my clients, professional publishers have clearly seen a rise in at least the percentage of their product that is being sold electronically, if not an overall increase in the top line. But they are also just beginning to develop channels for their electronic selling, and their presence on the web is not where it could be. As they hone these channels and bolster their presence, how much will the top line grow? And if the new business is in higher margin electronic products, doesn’t this suggest a healthier business for them going forward?

But the numbers were few and far between. Perhaps the speakers should have turned the microphones toward the audience. The buyers were there—librarians, bookstore executives, and distributors. With the exception of luminaries like Riggio from Barnesandnoble.com, that part of the publishing world wasn’t really heard from.

So Why Care?

The short answer is, “Care because Bill Gates cares.” Gates used his Comdex address this year to introduce the aforementioned Tablet PC. While everyone agrees it may be nifty, the overall reaction to the keynote has been, well, skeptical. Over the last several years, Gates has used Comdex to both reaffirm the preeminence of the personal computer and to trumpet Microsoft’s growing commitment to the Internet. Some observers see the Tablet PC as a quirky departure, even though Microsoft’s spin is that the Tablet PC is the ultimate device for the .NET platform.

But Dick Brass’ keynote during e-Book World suggested a more specific focus for Microsoft watchers and for anyone interested in e-Books. Having introduced the Pocket PC a year ago and seen its clear limitations, Microsoft now offers the public a glimpse at the next generation, but then tells us it is at least 2 years away.

What do we do in the meantime then? Dig in and solve the practical problems. Print is not going away today, or tomorrow, or the next day. But electronic distribution is on the rise, and only practical matters of distribution, formatting, screen real estate, and the experience of the reader bound it. It’s time to delve

into these questions, get specific answers, and develop the potential solutions. “e-Books” in and of themselves are merely the flashy New York cousins to the huge and growing family of published products that are moving steadily to electronic distribution.

Impact on the Content Management Market

If you accept the argument that e-Books are suggestive of larger changes in the production of electronic products, then it's worth noting a few other potential threads.

- A clear consensus at the show was that publishers need to be ready to at least produce three formats for the e-Books—PDF for Glassbook/Adobe, .LIT for Microsoft (essentially a variant of Open E-Book (OEB), and OEB itself. On closer inspection, publishers likely want to be ready to do more. NetLibrary has proven to be an attractive partner for publishers, and they have yet another format. As a result, publishers will be spending money on one of two things—conversion services or repositories that will allow them to create and manage content in a neutral format (read: XML) and produce the multiple formats they need. Look to a mix of both.
- Another clear consensus is that Digital Rights Management is crucial. You better have, at minimum, a secure server and clearinghouse capabilities, together with a mechanism for ensuring copy protection and appropriate management of rights.
- While not quite a consensus, close observers all arrived at two conclusions—niche publishing may well benefit the most from e-Books, and contextual marketing is the new medium. Speaker after speaker made the point that you need to bring the material to the reader. If there is a web site on osteoporosis, for example, be ready to sell your book on osteoporosis there and not just back at amazon.com. This bodes well for companies like DigitalOwl.com, that are starting to make a strong argument for exactly this kind of niche placement.

Book publishers have traditionally been loath to make capital investments related to production and manufacturing. A favorite, but inaccurate analogy during the show was, “We don't own the presses, so we don't need to own the means to produce e-Books.” But the presses, they seem to forget, are the means for replication and not for original creation. Publishers better own the means of original creation, or their very purpose comes into question. Technology companies in the content management market should hone a new message to these publishers: their options are to create the e-Books themselves or have someone do it for them. Either way, new opportunities abound.