Ebooks: Check out my scars

Lessons from the ebook “revolution” of 2000
About Rubicon

- Help high tech organizations create market-winning strategies
  - Since 1999
  - Practices: define, deliver, defend, optimize
Background

• Printing
• Editorial
  – Writer
  – Editor
• PostScript
• Technology
  – VP Marketing, Softbook
  – VP Product Planning, Palm
What I’ve learned...

- Publishing: Writers and editors make magic
What I’ve learned…

- Publishing: Writers and editors make magic

- Technology: “If you don’t eat your own children, someone else will.”
Summary

• There are still important barriers to ebook adoption
  – Availability, pricing, usage patterns, marketing
• Printed books may be the last things to go
• The economic structure of traditional publishing is unstable
  – The hard thing is predicting when
  – Punctured equilibrium
• Be prepared
Agenda

- Lessons from last time
- Implications for today
- Opportunities and challenges for the future
Ebooks, circa 2000

- Softbook
- Rocket eBook
- Go Reader
- Hiebook
- Franklin eBookMan
Great expectations

2001 ebook device sales forecast: 3 million to 7 million units

--Industry Standard, 2000
Great expectations

2001 ebook device sales forecast: 1-3 million to 7 million

Ebooks will have 10% of the publishing market by 2005

Andersen Consulting, 2000
Great expectations

“Paper's taken us about as far as it can go; we're on the verge of something new. Twenty years from now, 90 percent of everything published will be published electronically.”

Dick Brass, Microsoft’s head of ebooks, 2000

• What went wrong?
Issue 1: Not enough books

- The core customers for ebooks are reading enthusiasts
  - Want immediate availability of everything they want to read
- Books were slow to become available
  - Expensive to convert books
  - Publishers treated it like an experiment
Issue 2: Prices were too high

- Customer perception: An ebook is disposable
  - Hardcover pricing for a paperback product
- Why pricing was high
  - Protect bookstore channel
  - Protect hardcover pricing
  - Publishers were scared. “Avoid Napster.”
- High pricing + limited availability = strong reluctance to invest in a device
Issue 3: Usage patterns

• “Since they won’t buy a device, let’s put books on the thing they do carry.”

• Problems
  – PCs aren’t comfortable for long-content reading
  – Mobile devices are too small and have a unique usage pattern

• Smartphone & PDA = snacking

• Long-format, immersive reading needs a tablet
Issue 4: Not enough periodicals

- Magazines and newspapers are a better fit than books
  - Viewed as disposable (less price resistance)
  - Consumed in small chunks
  - Immediate delivery is a big benefit
- But…
  - Make no compromises
  - Advertising doesn’t work the same
  - Competition with free websites…
Who’s the most successful free publisher online?

What if they did an e-pub?
Issue 5: Marketing

• The right way to make a tech product:
  – Who’s the customer?
  – What compelling problem can I solve for them?

• The challenge: *For consumers, books aren’t broken*

“The reading device for the paperback is widely available for free (sunlight). This device can be used for other tasks as well.”

--S. David Mash, *The Death of the Book*, Mars Hill Review
The pitch

Say Hello to the Newest Kindle

**Slim:** Just over 1/3 of an inch, as thin as most magazines

**Lightweight:** At 10.2 ounces, lighter than a typical paperback

**Books in Under 60 Seconds:** Get books delivered wirelessly in less than 60 seconds; no PC required

**3G Wireless:** 3G wireless lets you download books right from your Kindle; no annual contracts, no monthly fees, and no hunting for Wi-Fi hotspots

**Global Coverage:** Enjoy 3G wireless coverage at home or abroad in over 100 countries. [See details. Check wireless coverage map.](#)

**Paper-Like Display:** Reads like real paper without glare, even in bright sunlight

**Carry Your Library:** Holds up to 1,500 books

**Longer Battery Life:** Now read for up to 1 week on a single charge with wireless on, a significant improvement from the previous battery life of 4 days

**Built-In PDF Reader:** Your Kindle can now display PDF documents natively. Native PDF support allows you to carry and read all of your personal and professional documents on the go.

**Read-to-Me:** With the experimental Text-to-Speech feature, Kindle can read newspapers, magazines, blogs, and books out loud to you, unless the book's rights holder made the feature unavailable

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Summary of the past

- There wasn’t enough content to justify buying readers
- There weren’t enough readers to justify converting content
- The books were too expensive anyway
- We weren’t solving a real problem for customers
Agenda

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- Implications for today
- Opportunities and challenges for the future
## Scorecard

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<thead>
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<td>Lots of devices</td>
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<tr>
<td>Marketing</td>
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- **Lousy**
- **Great**
### Scorecard

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- Lousy
- Great
Agenda

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Opportunity: Problems we can solve

• Short stories
  – Needed: An iTunes for short fiction (including micropayment)
  – Subscribe to an author: Next ten short stories for $10

• The backlist
  – It’s criminal
Challenge for periodicals: Beware the Horsey Horseless

- Page-formatted e-magazines
- “Our readers value the quality content that our advertisers bring to the publication.”
- Phantom value
  - MP3 vs. CD audio quality
- Challenge anything that was driven by the economics of printing and mailing
Challenge for publishers: Disaggregated value chains

“Show me a $5 billion market that you can turn into a $500 million market by taking out the middlemen.”

-VC at an Internet conference
Questions for publishers

- How much *reader-visible* value does our editing add?
- How much demand generation do we *really* do?
- Could an author get the same value through contract services?
  - How many software publishers are still in the market?
    - Outside of games?
- Do readers value our brand?
  - Versus the author’s?
- Do printed books go away? When?
Books: The Tipping Point

- When does it pay an author to go electronic-only?

- 100 books, $20 each

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<th>Percent of customers with reader devices</th>
<th>Rev Share 20%</th>
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Follow the money

- When about 25% of book buyers have e-reader devices, book publishing changes dramatically
  - It happens all at once
- The iPad brings the tipping point closer
- Competition between Amazon and Apple brings the tipping point closer
- When publishers raise e-book prices, they bring the tipping point closer
- But
  - Check out price erosion on the App Store
  - Likely outcome is a continuum (like music)
Remember

- **Ebooks probably aren’t at critical mass yet**
  - The big change will be later and faster than you expect
  - Watch for 25% penetration of tablets
- **Profound opportunities in short content and backlist**
- **Rethink the periodical**
  - An editorial staff detached from everything else
- **Questions**
  - What *genuine* problems am I solving for which customers? Authors or readers?
  - Is the value I add *relevant* and *visible* to my customer?
  - If not, where can I add value in the new ecosystem?
Let’s talk

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