Agenda

**How it all started: E-Books in academic publishing – and in academia**

From digitization to digitality

The next stage: Commercialization of the publishing process

Can the E-Book kill the book?
The advent of the E-Book was primarily technology-driven and not a commercial invention.

2000-2004
Technology-driven
• Technology driven: Microsoft launches the Microsoft Reader
• 2002: Significant content production, first started by Random House and HarperCollins

2004-2009
In quest of a business model
• 2004: Google Books library project
• 2005: Springer Ebooks as first offering of large-scale packaging
• Evolving infrastructure (suppliers, vendors, customers)
• Mass proliferation of E-Books

2010-today
Maturity
• E-books are a significant portion of revenue
• Impacts preceding model (i.e. print on demand)
• Experimentation at the margins of the field, but not in the core business model any more
• Cannibalization through more advanced models (Open Access, STL, PDA)

Evolution of the E-Book market in three waves
Inside publishing: How the E-Book has changed the business already

- E-Book has proven to be a problem solver for early movers, offsetting declining print sales, allowing them to grow sales above market average
- Almost all publishers have adopted E-Books as part of their core business, share of 15-25% of book sales by now
  - Larger publishers show a higher digital share
- Heavily backlist-driven
- Simultaneously, E-Books became a catalyst for change in the P-Book business
  - Increased pressure on volume
  - Print on demand as standard technology to offset higher risk through inventory
  - Growth of direct sales forces in larger publishing houses
  - Continued industry consolidation

Publishers have capitalized on the E-Book as a new medium, with mixed long-term results
E-Books in libraries: Accelerating industry transformation

- Continued cost and effort to sustain two acquisition lines with very different drivers for the identical content type (print and E-Book)
- Stable share of approx. 25-30% of the acquisition spending in major research libraries
- Models like Patron Driven Acquisition and Short Term Loan have changed the ecosystem
  - Loss of control over the acquisition process
  - A revival of the middle man?
- Libraries and Publishers together have by now developed standards of how to offer E-Books (even if they are not sufficient)
  - Technical formats
  - Distribution models
  - Metadata

E-Books have come a long way – and changed the way libraries and publishers do business
E-Books: Changing the market structure altogether?

- Significant shifts of market shares away from established players to non-traditional ones
- Self-publishing by academics the next big thing?

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Digitization and digitality – two different things

Digitization
- "Add on" product calculation
- (industrial) production primarily for physical distribution
- Digital product added at the end of the production cycle
- Low level of product interactivity

Digitality
- Digital is the core product (e.g. backlist packages)
- Challenges about rights
- Focus on discoverability to master massive supply
- Price differentiation based on functionality
- Changing role for the middleman

E-Books in the past and those in the future will be very different things
Digitality will dramatically change book publishing – yet another time

Ubiquity of research content (vs. scarcity and high barriers to content in the past)

Library
- Access over collection building
- No need to purchase “just in case”
- Discoverability of content paramount
- Organizational issues (decentral vs. central budget allocation & purchasing)

Publisher
- Reduction of printing cost (approx. 20% of production cost)
- New models (chapter-based selling, bundling, flatrates)
- Multi-platform approach instead of control over distribution channels
- Metadata and format management becomes key

While E-Books have already changed academic publishing quite a bit, the most significant changes are still ahead
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As a result, new business models are emerging

**Past**
- Business model unit driven
- Processes controlled by publishers
- Clear B2B focus in sales
- Transactional model

**Future**
- Business model activity based
- Shares responsibility for processes
- Blended approach that will need to involve the author much more
- Just in time-business models

Publishers will need a new self-conception to master digitality – as will librarians
Inkitt.com: Predicting bestsellers through reader analytics

1. Authors write and share stories on Inkitt.com.

2. Within 24 hours, technical quality is approved (grammar, formatting, cover picture resolution etc.) and the story is free to be read on Inkitt.

3. By analyzing the reading patterns of initial readers, the algorithm can predict best sellers and identify the best fitting demographic for marketing the story.

4. Well-performing stories are sold through all possible channels: eBook, Print, Audio Book, Movie, Merchandise, Games etc.

While the “publisher” serves as a service provider, the author drives the process out of self-interest
In next generation publishing, quality assurance is key

<table>
<thead>
<tr>
<th>Strong and Positive Community</th>
<th>Quality Inspection Before Publishing</th>
<th>Algorithms Spotlight Great Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A community of positive, helpful and striving authors who give each other feedback</td>
<td>Users can post unlimited stories on their profiles. But for a story to appear on the categories and search, it has to:</td>
<td>Algorithms and Data Scientists analyze data to detect patterns even based on small readerships. Example variables:</td>
</tr>
<tr>
<td>• Sets higher quality standards organically</td>
<td>✓ Pass our automatic grammar check</td>
<td>• Stickiness: Time between reading sessions</td>
</tr>
<tr>
<td></td>
<td>✓ Be approved by an ambassador if it passes our minimum quality guidelines</td>
<td>• Read-to-Recommendation Ratio</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Personal reading session length deviation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Notes, cites</td>
</tr>
</tbody>
</table>

Difficult to envision this for academic publishing?
Knowledge Unlatched: Changing the game by making full use of digitality

- Starting point: Books and journals are still very different in academic publishing – why?
  - DOAJ: 11,522 journals listed
  - DOAB: 4,438 books by 150 publishers listed
- Concept of combining crowdfunding elements with the pledging for a larger corpus of titles to unlatch as much content as possible
- Cooperating with both libraries and publishers to help them transform books from print based and purchase based to digital and open
- Expansion of model to
  - Book archives (at lower prices)
  - Journals

New players have emerged to focus on one particular issue in the quest of how to transform business models around books
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Threats to the (E)-Book ecology – old and new

Natural Enemy of the P-Book
- Inventory
- Title overproduction

Natural enemy of the E-Book
- Pricing
- Discount strategies
- (Low) usage

So far, there has been little external threats to the (E)-Book – but that could change soon
Piracy as a threat to the business model – traffic of 5 European piracy Websites 09/2014-03/2016

- Piracy sites are in Europe among the top 100 websites by traffic
- Significant increases in usage in a stalling E-Book market
- Use patterns are maturing: professionals download pirated titles in large amounts
- German piracy site had 6.5 mn unique visitors in Dec. 2015

Piracy has become a “second market” for ebooks, and it appears scientists are making considerable use of it

Sci-Hub: The last chapter of the E-Book BUSINESS? The Napster moment?

- Sci-Hub hosts "all" research articles ever published by now – for free, conveniently organized and in violation of copyright.
- No measurable impact of Elsevier’s legal action so far.
- Many researcher don’t show moral problems in using the resource.

- Books not covered in a significant way so far.
- Impact on books could be much worse than on journals.

Sci-Hub is a model, which is only possible in digitality – which does not make it legally nor morally acceptable.

Profile

- Launched by Alexandra Elbakyan.
- Approx. 48 mn research articles.
- All fields and publishers authoritatively covered.
- 220,000 full article downloads within 24 hrs (Feb 2016).
Turning to the last page...

...reading is still sexy (and needed, in other cases), but publishers will be forced to re-invent their business models now and address the reality of digitality.

Thank you for your attention!

Source: hotdudesreading.com
Office surrounded by bookcases full of specialist legal books, as it's a sign they are out-of-date, inefficient, and costly. Consequently, modern lawyers were quick to adopt e-books, a move that was made easier due to their familiarity with working with other digital research resources such as LexisNexis and Westlaw. However, despite lawyers' quicker adoption of e-books, they tend not to access their e-books for professional purposes with an e-reader device. Outsell's 2014 end-user survey of US legal professionals shows that 85% of legal professionals prefer to use a desktop to access legal content, which is more conducive for keeping the workflow in one place when drafting documents or carrying out legal research tasks.

Professional E-Book Market Size and Growth

As shown in Figure 16, e-books accounted for more than $2.5 billion of professional book sales in 2014, or approximately 20% of the segment's book total worldwide – compared with 14% in 2010. We expect the professional e-book market to achieve revenues of well over $3 billion by 2017, representing approximately 28% of professional book sales. This growth will come at the expense of print sales, which are forecast to show a steady decline through 2017.

Worldwide E-Book Market by Segment


Outsell projects that the market for education books will remain flat with a 0% CAGR from 2014-17, while consumer books will experience a CAGR of 1.8% over the same period, and professional books will experience a 2% CAGR decline. At the worldwide level, none of these markets will show much if any growth – which is unsurprising given the maturity of each of these markets. However, this conclusion discounts the dramatic change happening a layer below this macro level, where in all three markets print sales are flat or declining and digital solutions are on the rise, as shown in Figure 6.
### Top 10 Book Publishers

<table>
<thead>
<tr>
<th>Company</th>
<th>Total 2013 Book Revenues ($m)</th>
<th>Total 2014 Book Revenues ($m)</th>
<th>Growth %</th>
<th>2014 Market Share %</th>
<th>% Digital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thomson Reuters</td>
<td>1,412</td>
<td>1,345</td>
<td>-4.8%</td>
<td>10.4%</td>
<td>25%</td>
</tr>
<tr>
<td>Reed Elsevier</td>
<td>1,271</td>
<td>1,182</td>
<td>-7.0%</td>
<td>9.1%</td>
<td>22%</td>
</tr>
<tr>
<td>Springer Science &amp; Business Media</td>
<td>876</td>
<td>827</td>
<td>-5.6%</td>
<td>6.4%</td>
<td>22%</td>
</tr>
<tr>
<td>Informa</td>
<td>638</td>
<td>674</td>
<td>5.6%</td>
<td>5.2%</td>
<td>22%</td>
</tr>
<tr>
<td>China South Publishing &amp; Media Group Co., Ltd</td>
<td>447</td>
<td>516</td>
<td>15.3%</td>
<td>4.0%</td>
<td>9%</td>
</tr>
<tr>
<td>The McGraw-Hill Companies</td>
<td>506</td>
<td>489</td>
<td>-3.4%</td>
<td>3.8%</td>
<td>24%</td>
</tr>
<tr>
<td>Wolters Kluwer</td>
<td>417</td>
<td>389</td>
<td>-6.7%</td>
<td>3.0%</td>
<td>26%</td>
</tr>
<tr>
<td>Editions Lefebvre-Sarrut</td>
<td>383</td>
<td>364</td>
<td>-5.0%</td>
<td>2.8%</td>
<td>20%</td>
</tr>
<tr>
<td>John Wiley &amp; Sons</td>
<td>382</td>
<td>340</td>
<td>-10.8%</td>
<td>2.6%</td>
<td>24%</td>
</tr>
<tr>
<td>Sdu Uitgevers BV</td>
<td>301</td>
<td>280</td>
<td>-7.1%</td>
<td>2.2%</td>
<td>21%</td>
</tr>
<tr>
<td>Top 10</td>
<td>6,635</td>
<td>6,406</td>
<td>-3%</td>
<td>49.4%</td>
<td>22.0%</td>
</tr>
<tr>
<td>Others</td>
<td>7,250</td>
<td>6,552</td>
<td>-10%</td>
<td>50.6%</td>
<td>17.2%</td>
</tr>
<tr>
<td>Total Market</td>
<td>13,885</td>
<td>12,958</td>
<td>-6.7%</td>
<td>100.0%</td>
<td>19.6%</td>
</tr>
</tbody>
</table>