

The Business Side of the E-book

18th Fiesole Collection Development Retreat

Sven Fund

Fiesole, April 6, 2016

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?



Evolution of the E-Book market in three waves



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)

The advent of the E-Book was primarily technology-driven and not a commercial invention



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

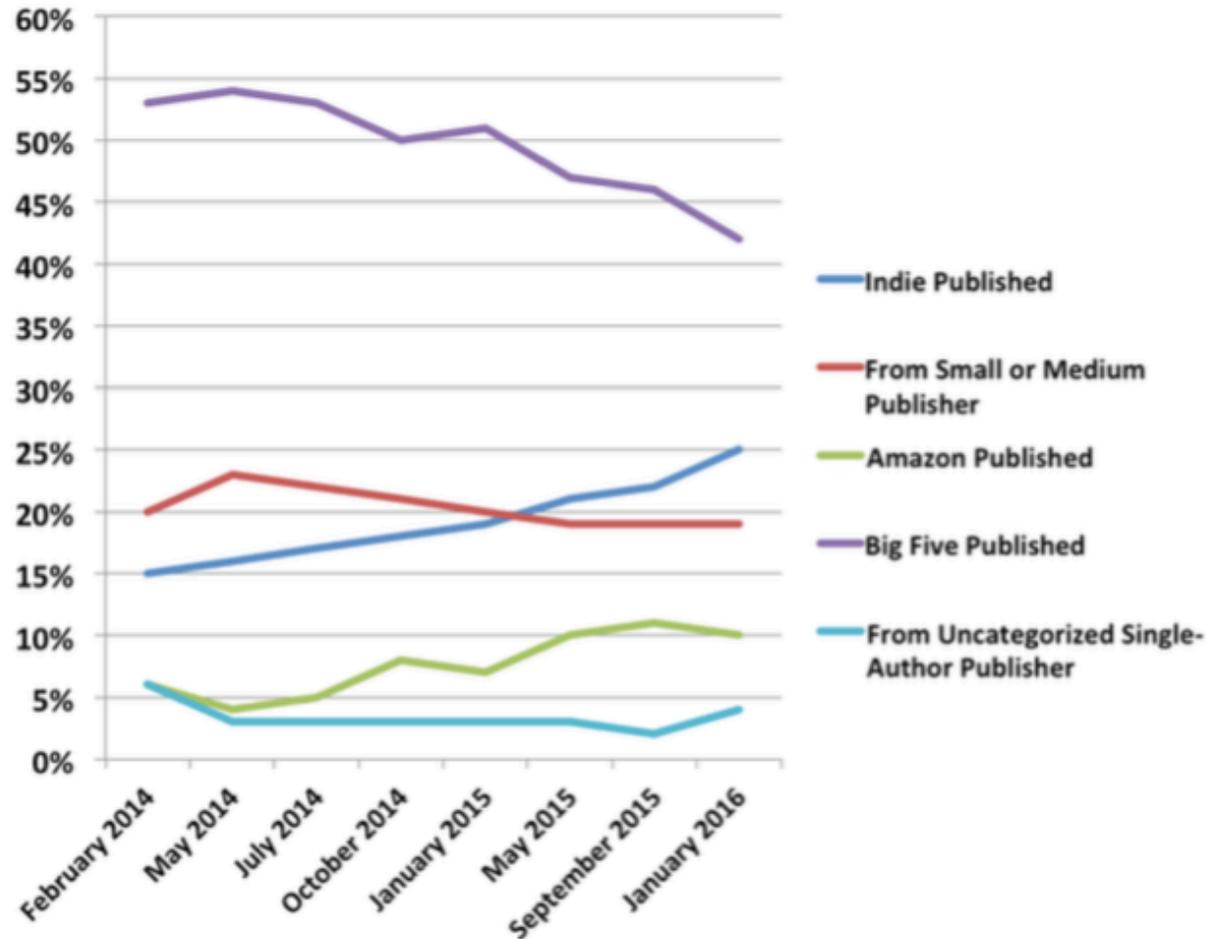
- Continued cost and effort to sustain two acquisition lines with very different drivers for the identical content type (print and E-Book)
- Stable share of approx. 25-30% of the acquisition spending in major research libraries
- Models like Patron Driven Acquisition and Short Term Loan have changed 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?

Source: Wischenbart, Global eBook Report 2016, www.global-ebook.com



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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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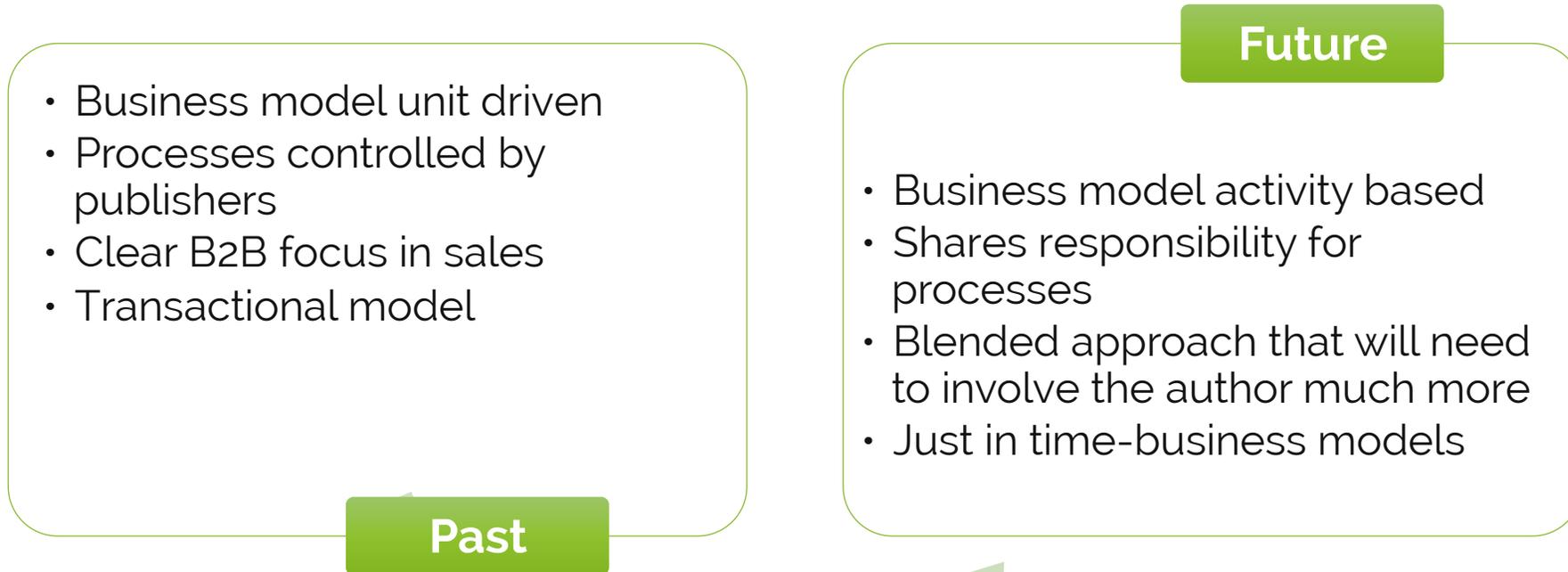
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As a result, new business models are emerging



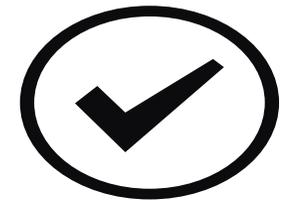
Publishers will need a new self-conception to master digitality – as will librarians



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.

EXAMPLE



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

Strong and Positive Community

- A community of positive, helpful and striving authors who give each other feedback
- Sets higher quality standards organically

Quality Inspection Before Publishing

Users can post unlimited stories on their profiles. But for a story to appear on the categories and search, it has to:

- ☑ Pass our automatic grammar check
- ☑ Be approved by an ambassador if it passes our minimum quality guidelines

Algorithms Spotlight Great Content

Algorithms and Data Scientists analyze data to detect patterns even based on small readerships. Example variables:

- Stickiness: Time between reading sessions
- Read-to-Recommendation Ratio
- Personal reading session length deviation
- Notes, cites



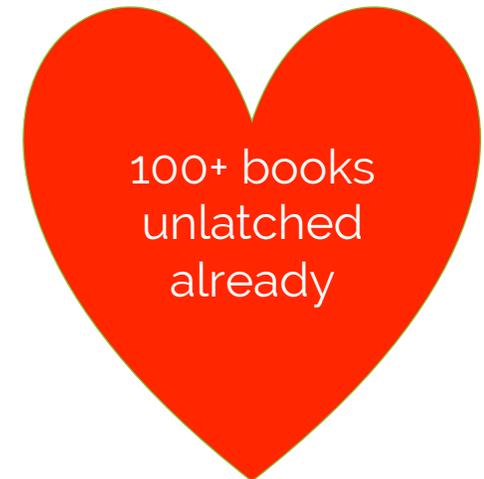
Difficult to envision this for academic publishing?



Knowledge Unlatched: Changing the game by making full use of digitality

EXAMPLE

- 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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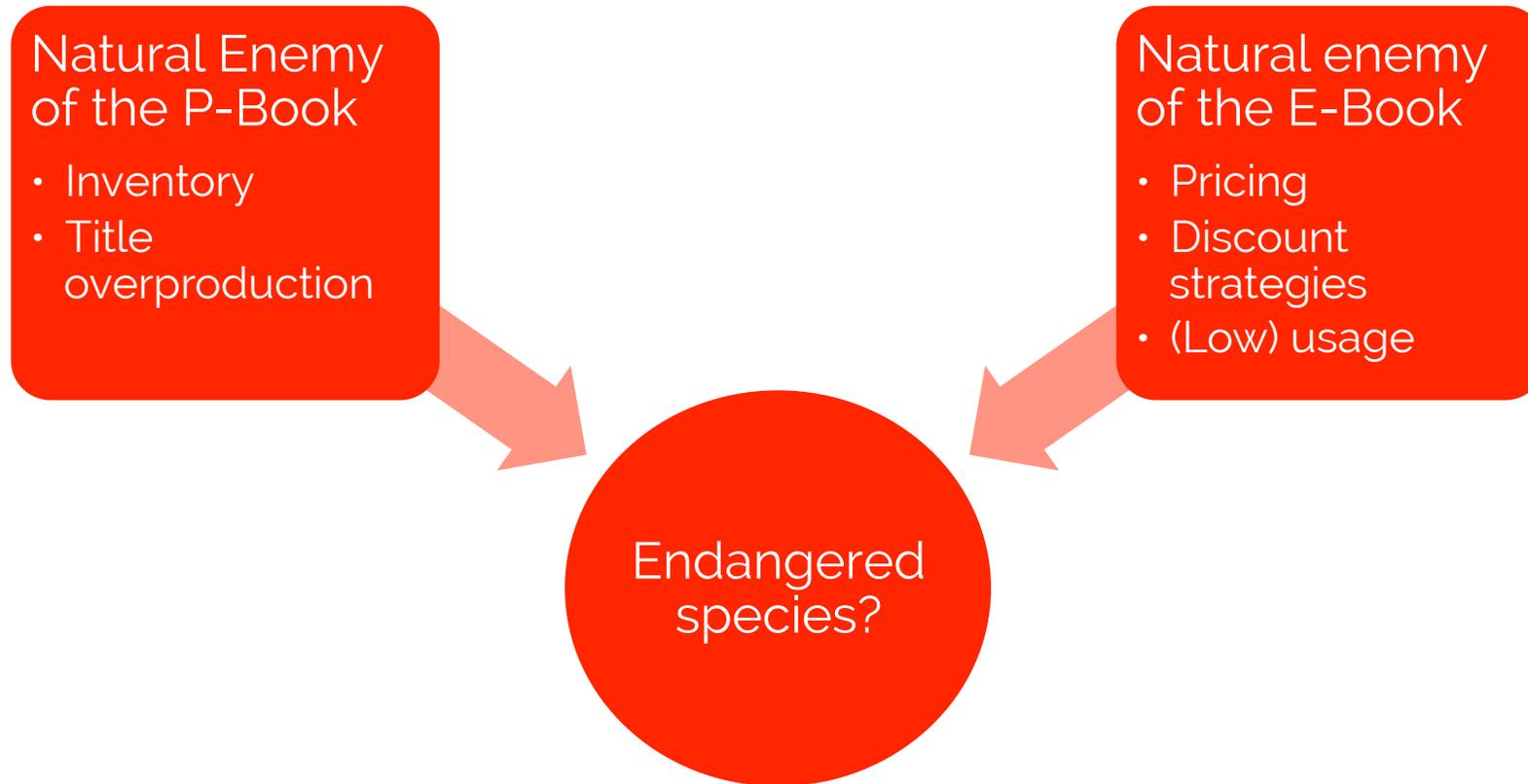
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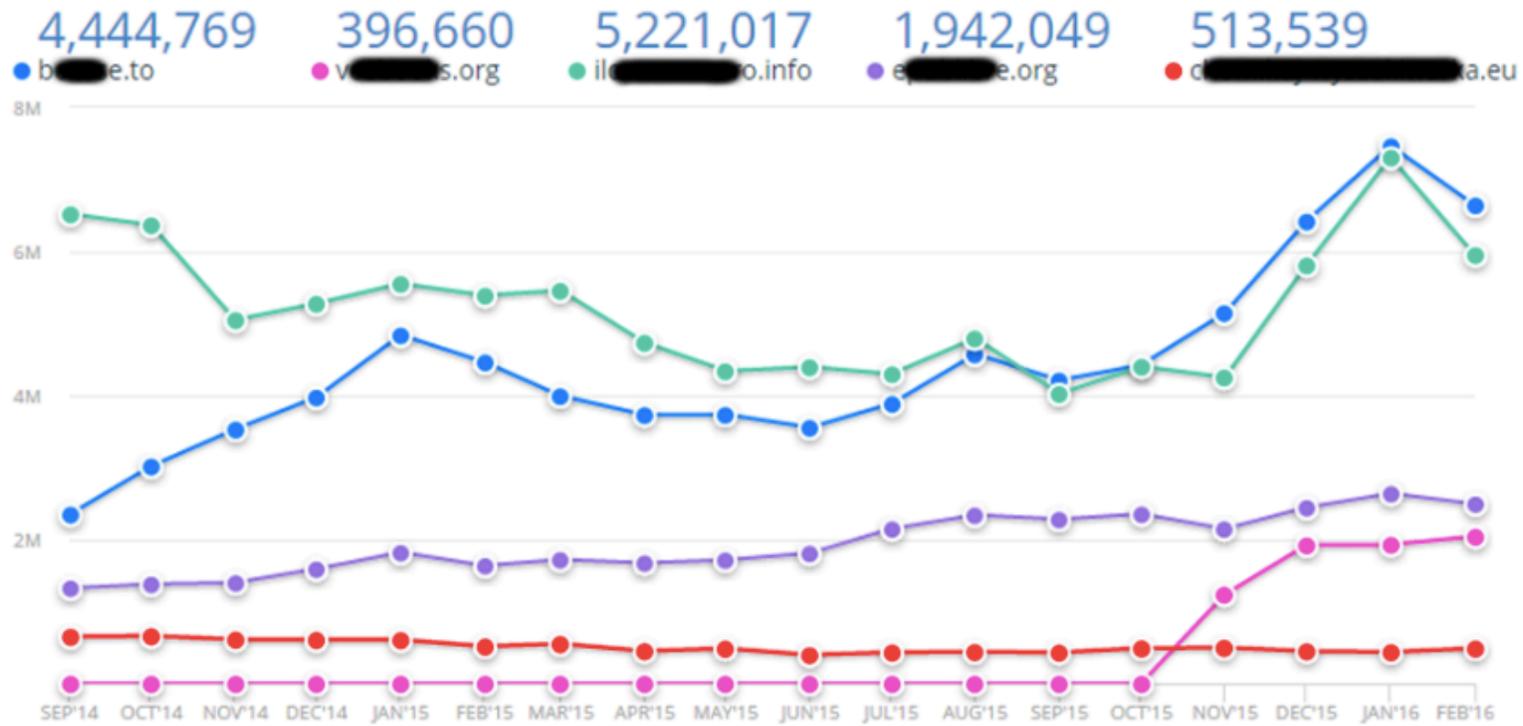
Threats to the (E)-Book ecology – old and new



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

Source: Wischenbart, Global eBook Report 2016, www.global-ebook.com



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

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)



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



Turning to the last page...



Source: hotdudesreading.com

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

Thank you for your attention!



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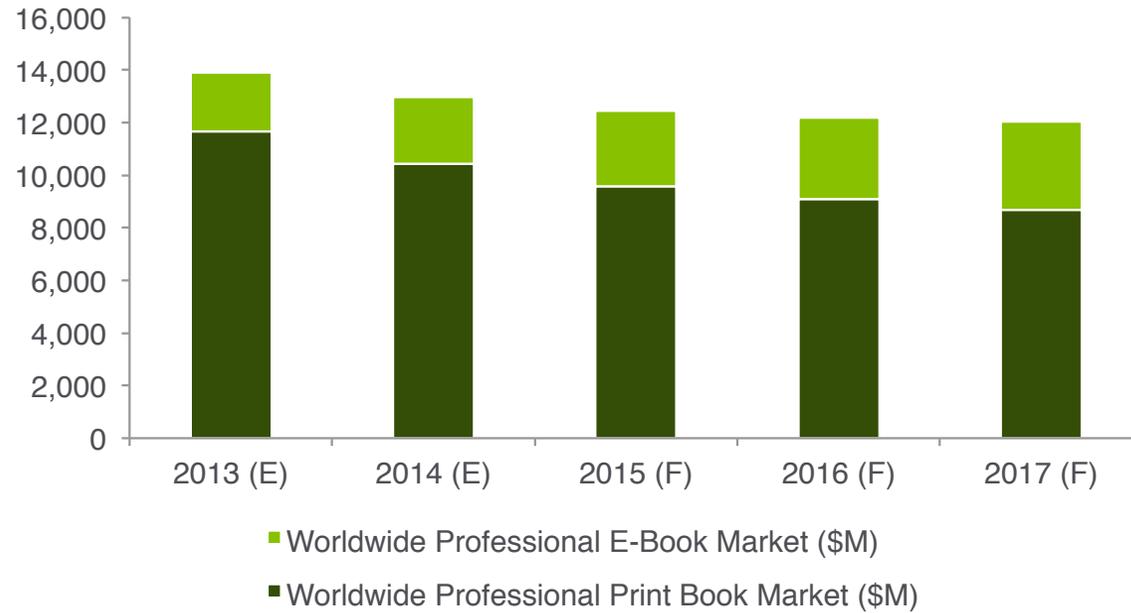


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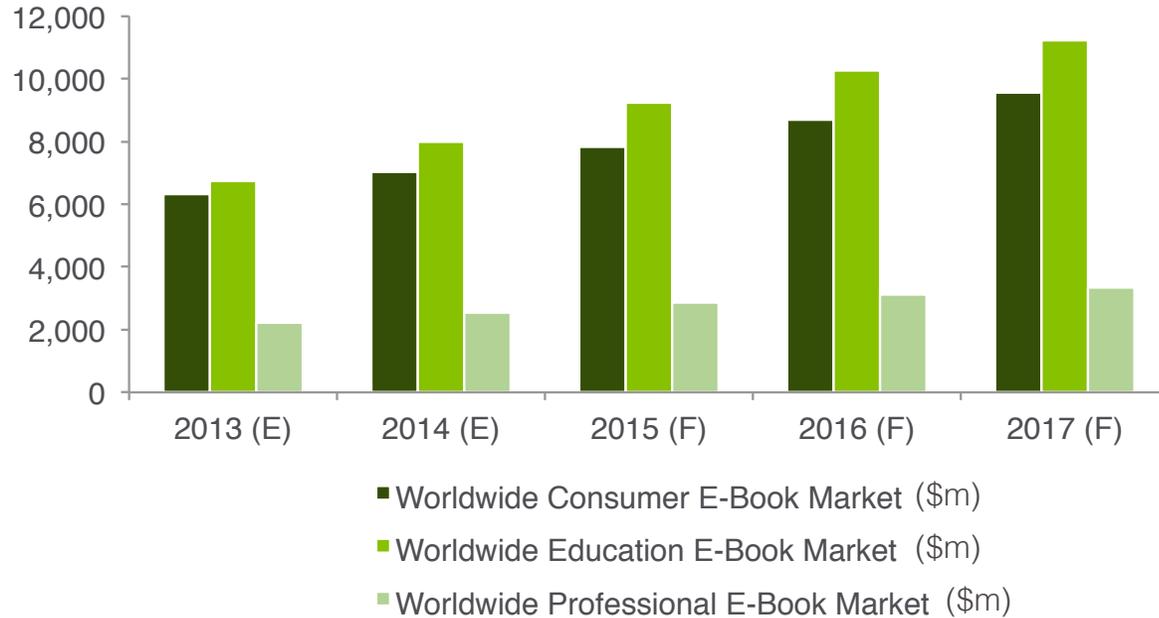
Professional E-Book Market Size and Growth



Source: Worldwide E-Books Market Size & Forecast, 2013-17, Outsell, Dec. 5, 2015



Worldwide E-Book Market by Segment



Source: Worldwide E-Books Market Size & Forecast, 2013-17, Outsell, Dec. 5, 2015



Top 10 Book Publishers

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

Source: Worldwide E-Books Market Size & Forecast, 2013-17, Outsell, Dec. 5, 2015

