

## UK Market Blog: Digitisation Series

### Introduction

This series of twelve blog postings were written between September 2009 and February 2010 and were intended to help Canadian publishers understand the state of the digital marketplace in the UK and, if possible, enable them to take advantage of market opportunities.

There is no sense in which this small snapshot in time can be said to tell the whole truth about the past six months in the industry. The digital landscape is constantly on the move and the perspectives change too. We have seen those perspectives shift even in this short time. What seemed to be big events have already diminished in importance and small happenings have come with hindsight to have been of greater significance.

What is clear, though, is that the UK is not at the epicentre of the book trade's promised revolution. There is plenty of enthusiasm for digital – maybe too much – but there have been very few spectacular experiments or interesting initiatives. The goliaths of the digital industry are not based here.

This does not mean that we have been inactive. Our publishers have digitised content, reinvented production workflows, done deals with digital intermediaries or hardware manufacturers and agonised over the threats to territoriality and copyright. However, the mass market for digital book content has not yet caught fire; and there is little sign of its doing so at the moment. The next few months, which will see Apple's iBook store and Google selling content, may begin to set the bandwagon rolling. We shall see.

### Digital Publishing in the UK

Peter Kilborn | 09/28/2009

This first post on digital publishing in the UK must inevitably be in the form of an overview of the current situation here. That's not an easy thing to do, given that it is necessary to separate the hype from the reality.

So first, the hype. The UK book industry has undoubtedly joined the international obsession with e-books. All the major publishers have invested in digital asset management systems of more or less sophisticated kinds and done their deals with digitization and conversion houses. Some are experimenting with new workflows to assist in bringing digital products to market, while digitization of backlist titles continues apace. There is evidence everywhere of initiatives to exploit 'the long tail' as e-books or in print on demand programs.

The reality, however, is more sobering. There is little real evidence yet that a sustainable market for e-books exists. Published sales growth rates are impressive but start from such a low base as to be meaningless. Sales of e-readers are increasing but there is nothing to indicate that we have reached the much-touted 'iPod moment'. Like you, we don't have the Kindle - there is still, it seems, no suitable wireless network available to supply the download technology – and this puts us in a fundamentally different place as far as e-book exploitation is concerned from the US situation. Amazon is a powerful force in the UK marketplace, the dominant online bookseller by a substantial factor with around 15% of the total books market; and with an innovative product such as Kindle known to be in the wings, it is unsurprising that the attempts made by the land-based retail chains - Waterstone's, WH Smith and Borders – to seize a commanding place in the market have lacked lustre, though Waterstone's have made strenuous efforts to promote the Sony e-Reader.

The e-book revolution, then, is still waiting to happen, and it would be a rash prophet who would predict how things will develop and when: there's no shortage of digitized content (but not nearly enough titles to make e-books a plausible substitution for the printed article), a supply chain still in the making, a lamentable lack of good metadata to enable discovery, no clear policies on pricing, no automatic granting of e-book rights by agents and authors - not even to mention the impact there may be on the trade in general from the outcome of the Google settlement.

This is well exemplified in a blog by Philip Jones on the Bookseller website on the day of the publication of the new Dan Brown. 'I'd have thought,' he writes, ' that the launch of the biggest book of year as an e-book on the same day as the printed edition might prove a useful test-case for the immediate future of digital reading here.'

On the previous day (14 September), he discovered that of the main e-book sites only WH Smith even provided a buying option, but refused to allow a download until the 16th, the day after publication. Borders seemed not to know anything about it. Even Waterstone's did not make it available until well after publication day had begun; and when they did sent out mixed messages about price: 'Having been coy about the e-book price for the past two weeks, Waterstone's today lists it as expected at £9.49 [the recommended price is £18.99], the same price as the hardcover. Oddly though, it gives a list price of £11.86, so the offering is only a 20% discount.'

All these subjects will be featuring in future posts, I have no doubt.

## **“E-Myths”**

Peter Kilborn | 10/07/2009

The Independent Publishers Guild (IPG) has over the last year or so initiated a series of Digital Quarterly meetings aimed at the sharing of information with its membership on digital matters. The IPG is in profile a grouping of fiercely entrepreneurial companies, large and small, which are loosely defined as outside corporate control. Its members, many of which are highly successful publishers in niche areas, have typically battled to find ways to sell their products outside the conventional trade channels; and its meetings are always rewarding in terms of the out-of-the-box thinking which is their gratifying characteristic.

At a recent event, David Attwooll, a veteran digital publisher from before such a term had been invented, presented an entertaining ten 'e-myths', debunking some of the current hype around e-books. His message was the sane appraisal that publishing is not defined by any particular delivery mechanism but existed to provide content or information to an interested audience by whatever means that audience required.

Here are the myths (and you can read them in greater detail on the Bookseller web site at <http://www.thebookseller.com/blogs/97286-my-favourite-digital-myths.html> and <http://www.thebookseller.com/blogs/97827-my-favourite-digital-myths-ii.html>):

- Content is king (context is everything).
- There will be an 'iPOD moment' for e-readers.
- Do nothing: no one's making any money (they are: Reed Elsevier have revenues of £3bn from digital publishing; and in the US – if not here - Kindle sales are growing to significant levels).
- We need to do everything ourselves (outsourcing of digital services is no different from outsourcing print or copy editing).
- You have to be a techie/under 25/a futurologist (you don't).
- We're all doomed!
- We're all going to be unimaginably rich.
- E-books cannibalize print sales.
- People read online in the same way as printed books (studies show that even readers of academic journals have a much less sustained online reading experience).
- You have to be big.

You could argue that there are some internal contradictions within these myths, but the message is clear: digital publishing is best viewed in the context of publishing in general and not as something which needs to be re-invented.

The meeting also included an informative rundown from Tanya Price from the Random House Distribution Division on the issues publishers of e-books need to address. These included the necessity to acquire electronic rights not just in a text but also in related illustrations and images as well perhaps as in fonts; the crucial role played by metadata in enabling discovery of digital products; and the timely reminder that digital editions are – unlike printed books – subject to value added tax, currently at 15% but scheduled to revert to its previous level of 17.5% in January. This inevitably distorts the issues around pricing raised in my last post: an £18.99 Dan Brown in printed form is a £16.50 e-book (£16.15 in January). The government takes the difference!

## The Kindle

Peter Kilborn | 10/08/2009

The excitement this week has been that Amazon is at last ready to bring the Kindle to Europe. By the time you read this we shall know if it's true.\* The UK is a natural market for Amazon, where it already takes a commanding share of the online retail market for books, but the wireless technology Kindle has used in the US for e-book downloads – certainly the reason for its remarkable success - has not up to now been available in the UK, let alone across continental Europe. How this will be resolved will come as a surprise to everyone.

Certainly this seems a natural time to be launching: at the time of the Frankfurt Book Fair and with Christmas approaching. The rumour has been fuelled by reports of recent meetings with the major publishers and a ratcheting up of the pressure from Amazon UK's Kindle evangelist Genevieve Kunst to persuade publishers to make their titles available.

What if it's true? As previously indicated here, the UK has been in a kind of limbo as far as e-books are concerned, waiting for Kindle. Waterstone's, Borders and more recently W H Smith have e-readers available to buy – and reasonable but not spectacular numbers have been sold - but the volume of downloads had been distinctly lacklustre. It is certainly possible that the much more user-friendly Kindle will grow the market very quickly, especially if it makes the process of buying and downloading content a simpler and more intuitive process.

There is concern here, though, about pricing policies: probably one of the most tricky issues facing the emerging e-book market. Clearly this will be dictated by Amazon in the end (and it's unlikely that publishers will hold out against it) but there must be anxiety that cheap e-books (that is, e-books priced well below that of a hardcover equivalent) will further undermine the value of the book market – although it is arguable that the levels of discounting in the marketplace have already done exactly that. And, as I mentioned in my last post, the fact that e-books are subject to value-added tax where printed books are not means that in commercial terms you can't make like-for-like comparisons in any case.

So, things may be about to change here; and it could be an interesting few months ahead. To what extent in the final analysis the impact of an e-book reading device will dictate the way people consume content is not yet clear. There are those who believe that e-readers are a distraction from the main issue; but a dominant player such as Amazon, with an established customer base and an innovative new way of delivering its content, is bound to send ripples through this market and perhaps mark a decisive digital moment.

If the rumours are true...

#### **\*Postscript**

The announcement was duly made – expectations had been raised too high for it not to have been - but it was very far from being a full-blown launch. It begs too many questions to be answered right now, especially whether it will indeed be enough to change the landscape of UK digital publishing. At first glance, the answer is no. First, the Kindle will be sold only via the Amazon.com site and shipped from the US at a dollar price of \$279. Potential UK consumers have been quick to note that there are substantial carriage costs to add to that, plus import duties, plus – apparently – a \$1.50 surcharge on each downloaded file. The wireless technology, based on AT&T's network, will work for many but not for all: some will have to download to a USB device before loading onto Kindle.

It seems probable that Amazon has done things this way to manage the expectations of the UK publishers who have agreed to make their content available. We know from experience that this is not the way Amazon normally launches potentially huge new developments and no doubt the Kindle will come properly to the UK in due course; but that moment does not seem to be now. I will report further when the dust has settled and the Frankfurt Book Fair has had its say.

## Current Issues

Peter Kilborn | 11/05/2009

Away from the glamour of e-readers and smartphones which tend to dominate the trade press headlines agenda, the industry has some hard thinking to do if digital is really going to become the dominant delivery mechanism for content, overtaking printed books, some say, within a few short years. Although some of the mechanisms of making books will survive unchanged – many editorial and production procedures, for instance – many won't. What about the warehouse extensions publishers have been so ready to finance in the last decade? What about the investments in additional shop floor space Waterstone's and others have made, acquiring more and more stores and more and more space to fill with – fewer books?

It may not happen. I gave a presentation at the International Supply Chain Meeting at the Frankfurt Book Fair this year showing how wrong digital predictions have usually been, particularly where timing is concerned, and I remain sceptical about the universal substitution of printed books by digital content. But if I'm wrong, and the industry is going to survive and prosper, it needs to be ready to cope with the consequences.

One of the big issues here is identification of e-books. The UK industry (unlike the situation in the USA) has by and large accepted the official International ISBN Agency's position that every digital manifestation should be assigned a separate ISBN, appreciating that this admittedly potentially cumbersome mechanism is the best way to trade digital products in the supply chain, enable them to be discovered using trade-wide databases and in a wider search context, and facilitate reporting back to publishers and to such services as Nielsen BookScan, the UK sales data agency. Despite this, there remains concern about 'metadata bloat' – the number of product records which may have to be maintained for a single entity - and the number and cost of ISBNs (for we have to pay for them over here) such a policy demands. Some publishers, ignoring the wishes and needs of their reselling partners, are assigning a single ISBN to an .e-Pub file even though that particular file is never going to be traded. This could prove an expensive mistake if the digital market doesn't develop in the way they expect.

Another issue is the standardization of sales reporting. At the moment resellers and intermediaries supply retrospective sales data to publishers in a variety of file formats and at irregular intervals. Whilst this may just be a time-consuming annoyance for the recipient publishers, who generally deal with them using manual processes, it is clear that as the number of intermediaries and the amount of traded content grow as they must if digital is to have a significant impact on publishers' revenues it will become an unmanageable burden unless

automated processes are established. The time to do that is now, not when the pressure becomes intolerable.

A third – and most contentious – issue is that of territorial rights in digital content, but that probably needs a post of its own...

## **Piracy of Digital Content**

Peter Kilborn | 11/11/2009

Ever since digital delivery has come to be taken seriously by the publishing industry publishers have been desperate not to repeat the mistakes made by the music industry in allowing illegal file sharing to undermine its core business. The music business is superficially so similar to the book trade that there is a tendency to overlook the very obvious differences.

Nevertheless, piracy of digital content is a paramount concern – as indeed piracy of printed books in the developing world has been for many years – though sometimes it becomes unclear whether the concerns are about publishers' lost sales or the abused rights of authors and other copyright owners. The Publishers Association here has made the fight against piracy one of its core issues, working with local police authorities in India and elsewhere to bring a number of high profile and successful legal actions against pirates of printed material, and tracking down sellers of illegal digital material. It has set up a Copyright Infringement Portal on the web to enable members to report copyright abuse.

Last week Victoria Barnsley, chief executive of HarperCollins UK, addressed the All-Party Parliamentary Group on Publishing, a group of members of parliament interested in the media and copyright industries, supporting a government proposal to oblige ISPs to withdraw services from those found guilty of illegal file sharing. This is included in the Digital Economy Bill, which is intended to bring into law some of the recommendations made by Lord Carter in his Digital Britain report earlier in the year. Although the All-Party Group has no legal teeth and can in practice only lobby for the shared interests of its members, it is an obvious way for the industry to make its voice heard within parliament. Barnsley stressed the value of the publishing industry to the British economy, contributing an estimated £5bn to the domestic economy, and the need for copyright to be enforced, particularly in the digital space, if its strength was not to be undermined.

That the government is proposing legal redress against illegal file sharers is in some measure evidence that the industry is being heard. Nevertheless, it must be acknowledged that other media industries – music, film, and so on – are threatened to a greater extent than publishing. It is

easy to see how illegal downloading of a music track or a movie deprives legitimate copyright owners and licensees of a reward for their intellectual property and a sale of their product; books and their content don't make quite the same impact. How society or governments balance the force of the law (in something like the internet where enforceability is next to impossible) with the realities of daily life is a tough call. Publishers are obviously right to worry about piracy and to press for governmental and legal sanctions against it, but they are probably lucky their very livelihoods are not at immediate risk.

On another matter, there seems to be general agreement that the international launch of Kindle was not a mould-breaking event. There will be, as I predicted previously, a more significant moment when Kindle is supplied locally and competes directly on price with locally available readers. However, with growing indications that dedicated reading devices are not the future, it may be that Kindle won't have the same kind of success here as it enjoyed at launch in the US. As Kindle's USP – its wireless connectivity – becomes increasingly copied and probably becomes an essential requirement for e-readers, it begins to look as if the competing devices will have to measure up against the more basic criteria of overall functionality, operating efficiency, look and feel, and of course price. That isn't good news for the e-reader industry.

## **A mind numbing prospect**

Peter Kilborn | 11/25/2009

The Digital Publishing Forum of the UK Publishers Association held a seminar last week on legal issues for digital publishing, addressed by the well-known media lawyer Laurence Kaye and the PA's copyright counsel Hugh Jones. Unsurprisingly, high on the agenda was the future of copyright in the networked society. Perhaps more surprising was the greater degree of confidence apparently being shown by the UK government in the broad structure of present copyright protection. Much was made of the fact that the 'content industries' are the largest single contributor to the nation's wealth, especially after the financial services industry crumbled to dust in the banking crises of the last two years. Politicians and their officials have become fearful of undermining another of the UK's dominant industries.

It is widely believed outside the content industries themselves that copyright is dead, especially copyright in any kind of territorial context, as free content on the web becomes ever more available and ever more taken for granted by users. There has been a proliferation of official reports in recent years which could have given momentum to this assumption. But the Gowers Review of 2006 gave broad support to the principles of copyright – that creators and licensors are entitled to a reward for their labours – and the Digital Economy bill now before parliament, which I

mentioned in my last post, has emphasized the point by proposing sanctions against illegal file-sharers. A new publication from the Intellectual Copyright Office, entitled 'Copyright: the Way Ahead', further endorses the value of the existing system.

The speakers at the seminar, however, made it clear that there was still much to be done by the industry to shore up the fragile principles of copyright protection in the digital world without frontiers. There would be a need for industry-coordinated action and some positive proposals. The most helpful route appeared to lie in an extension to collective licensing arrangements to cope with the massive increase in the use of copyright material on the web and the distribution of revenues to copyright holders – and in making it more transparent and automatic. At the same time the industry may have to become more flexible in some areas, working with legislators to allow new exceptions to add to those which already exist for libraries, education and for disabled people.

Mass digitization is not just about Google, even if copyright holders outside the US have long realized that the Google settlement has repercussions for them too. A portal uncomfortably called Europeana ([www.europeana.eu](http://www.europeana.eu)) already exists within the European Digital Library and contains much copyright content; and the British Library is in the throes of a massive digitization exercise for its book and newspaper collections. The issue of orphan works (works where no known copyright holder can be traced) is being taken seriously in Europe; and European law does not currently allow orphan works to be republished without permission (by definition impossible to obtain). An EU project called ARROW is looking to link up various national databases containing information about rightsholders to create a Europe-wide source of information to those seeking permission to republish orphan works, and the Digital Economy Bill is expected to allow orphan works to be licensed under strict control by the government, with provision for payment should a rightsholder emerge. It is hoped that this may as a result of these initiatives alleviate the orphan works problem, a problem which existed only in a much diluted form prior to mass digitization.

All this is a long way from the glamour of e-readers and i-phones and the mass market dissemination of digital content; but it shows how complex the landscape has suddenly become and the issues the publishing industry must confront in the future. It must be remembered that, though these initiatives and the quest for legal clarity are taking place in the UK, or at best in the European Community, the same issues confront every country and every publishing industry, in the context of each legal system, case law and precedents. Meanwhile, the internet continues to operate largely outside the law, defying territorial boundaries and making local regulation next to impossible.

It is a mind numbing prospect.

## **Borders UK Closes its Doors**

Peter Kilborn | 01/19/2010

Since my last post in November, much of the trade talk has been around the slow and painful death of Borders UK (no longer a relation of the US business) which expired with the closure of all its forty-five stores two days before Christmas.

You might say that that's hardly a digital issue – no one is claiming Borders' demise is a direct result of digital competition – but of course in today's world everything is connected to everything else. The significance of this event lies in the changing pattern of publishers' trading and the end of a chapter in book retailing. Since Tim Waterstone changed the face of high street book retailing in the early 80s, we have had competition from excellent nationwide bookshops from Dillons (bought out of administration by Waterstone's), Ottakar's (acquired by Waterstone's), and Borders (now defunct). Now we just have Waterstone's as a dedicated bookseller and, even with a near monopoly, struggling to find a role. We still have W H Smith, of course, successfully doing what it does best, but not really a range bookseller.

It didn't take the death of Borders to say that Amazon is the big winner: they were a big winner already. They have a commanding share of the UK online market, and they have range, heavily discounted prices and outstanding customer service.

The Nielsen BookScan sales tracking service, which tracks in excess of 90% of all retail and online book sales, reported that sales held up well in 2009, with a volume decline of just 0.5% (1.2% by value). 235.7 million book units were sold at a cost of £1.752bn.

It's impossible to say, though, what these results reflect: the impact of the recession, substitution by e-books, or special factors like Stephenie Meyer and Dan Brown. But it's certainly a lot of books! What is clear, though, is that the impact of e-books on overall book consumption so far is next to negligible. Whether this will continue to be true as those people who unwrapped e-readers on Christmas Day start downloading e-books will take some time to emerge, but it seems unlikely that Christmas 2009 was any kind of watershed moment for digital content.

2010 will undoubtedly be an interesting and challenging year for the publishing industry and it seems certain that 'digital' will continue to dominate the headlines. There may not be anything dramatic that marks out the end of the book trade as we know it: it will be the gradual growth

of digital alternatives to books and the appropriate strategic responses which will be the preoccupation of book trade executives.

## **A turbulent start of the year for Waterstone's**

Peter Kilborn | 02/01/2010

The Christmas season, blighted by the slow and messy death of Borders UK, has produced another casualty: Gerry Johnson, Managing Director of Waterstone's, has lost his job after presiding over an 8 percent drop in like-for-like sales over the festive period. Yes, this is a digital blog, but the long-predicted shake out on the high street is significant for a book trade which is seriously unsure of the direction it is heading.

Waterstone's is part of the HMV Group, a music retailer. How many times have we heard that the music industry is a disaster zone and that publishers must avoid the mistakes the music industry made in order to survive? Yet HMV stores had a remarkably good Christmas, albeit bolstered by the acquisition of a number of the better stores from the failed Zavvi chain and by selling games. The group is now diversifying into cinemas and live music venues; and Waterstone's has begun to look distinctly unglamorous by comparison.

Waterstone's has made many mistakes – not least its changes of mind about its commitment to an online presence (moving to a branded Amazon site and then feebly attempting to challenge Amazon by taking it back again) – and there is optimism that there will be a radical change of direction under its new management. But it cannot afford to go on losing sales at current rates, whatever the underlying reasons, so we shall see...

As far as digital publishing is concerned, it has been an eerily quiet start to the year. There have been no published figures for UK sales of e-readers or book downloads and that may in itself be evidence that neither were up to the most optimistic expectations. There is no indication that the availability of Kindle in the UK has made a significant impact. Despite all the noise around new e-readers – every electronics company apparently determined to have one of its own – they are mostly copycat devices, and prices are not falling to a level where a mass market is emerging.

There is in any case no sense in which the UK is at the centre of technical developments for digital publishing and the publishing world's eyes remain fixed on the major US players - especially Apple at the moment. It is

strongly rumoured that UK publishers are negotiating content deals with Apple for its long-awaited tablet. Content is what the UK brings to the digital party: as one of the key centres of English-language – and therefore world – publishing the UK is an extremely important focus. But at the moment this often tends to mean licensing of content rather than either the dissemination or the consumption of it.

## **Lackluster UK sales of e-readers and book downloads**

Peter Kilborn | 02/01/2010

I wasn't able to get to the Publishers Association's digital seminar this week, colourfully but rather puzzlingly entitled 'Blue Skies and White Clouds', but reports suggest that clouds – not necessarily only white – continue to stand in the way of unimpeded digital sunshine.

All the big names were there – the top publishers' digital directors, Google, Sony, Adobe, and an audience which outgrew the originally planned venue – and the conference focused on the usual problem areas which are part of the Publishers Association's core activity - interoperability, DRM and accessibility, and piracy – without reaching any easy answers. From the reports – and I wasn't there myself – it does sound as if the emphasis was on the bad news rather than the expectation that digital is going to be good for publishers.

The problems may come later but one hopes that they will be problems associated with success. First, the industry desperately needs a market for e-books and robust channels for supplying them. Publishers have invested heavily in digital infrastructures and in the digitisation of backlists – largely on the unproven assumption that there will be payback at some stage, but not any time soon - and the emergence of a genuine and sustainable market is critically needed.

We can't complain about a shortage of e-reading devices any more. Indeed it's arguable that a glut of dedicated e-readers is harming the market rather than helping it, causing confusion and cost to consumers, and certainly not showing any signs of driving prices down. Many of them, though, are not available or operable in the UK where, to make matters worse, there are few obvious retail channels for acquiring them. And all that is before we consider multifunctional devices such as smartphones or PCs.

There is, though, little evidence coming from the UK of any breakthrough in sales of digital content. They are growing undoubtedly, but from such a low base as to be meaningless. The

absence of statistics from device manufacturers, retailers and publishers itself points to an unflattering picture of digital consumption.

All hopes seem to be pinned on Apple and the long awaited announcement of the iPad. First reactions are that this will go down well with the many Apple fans out there and its bookish relationship with the iconic iTunes store will do no harm at all. However, there is some doubt as to what this product actually is: a tablet PC or a reading device. It may just be another reinforcement of the view held by many, including me, that multifunctional devices are the real future of e-reading. There may not be an iPod moment for e-books, but the increasing availability of textual material on a wide variety of different devices may in the end become some sort of tipping point.

Meanwhile the iPad has no immediate UK availability or price...

## **A Funny Old World**

Peter Kilborn | 02/16/2010

The intervention of Apple in the e-book market – though in all the hullabaloo you need to be quite sharp-sighted to see that that is what the iPad represents – has set the cat among the pigeons in more ways than one.

There is of course no iPad in the UK yet. Reports are that it will be here in March, but without the iBook store and probably without wireless connectivity, so it may be some time before it becomes a serious competitor to the existing e-readers. But at long last we know for sure that it exists and is a plausible and powerful alternative platform to Amazon; and that is enough to stir up excitement among publishers. It would be naive, though, to suppose that Apple will be content to do the publishers' bidding in a way that Amazon has so conspicuously failed to do in the matter of pricing, at least until this week's spat with Macmillan in the US.

What is interesting about the events of the last few days is how the thinking in the publishing world of the last decade has been overturned. Suddenly the talk is all of 'regaining control' of content, by pricing or by delaying e-book publication. Yet for the past ten years or so, publishers have been obsessed with the volume of books they have sold, regardless of the cost and the discount levels and with a complete disregard for the well-being of independent bookstores.

The book trade here is still overshadowed by the Net Book Agreement, which until 1995 gave publishers the legal right to set the minimum price for their books. Though by modern standards a restrictive practice it maintained equilibrium in the trade which was probably good for the quality and breadth of publishing output and maintained a reasonably level playing-field for chain booksellers and independents. Its passing, engineered by W H Smith in collusion with a handful of major publishers, had all sorts of consequences, good and bad: of which the appearance of price competition and the arrival of Amazon.co.uk were among the most notable. Books became discounted everywhere and bestsellers became available in the supermarkets; and publishers and booksellers engaged in a frenzy of price cutting which remains with us to this day.

Suddenly, though, what was pretty obvious to observers has now sunk in with publishers: that price competition is actually bad for them; and that higher prices, controlled by them, are necessary for the long-term health of the industry.

Other oddities have been cropping up too: for instance, twenty-two new e-readers launched at the Consumer Electronics Show in Las Vegas last month but none of them apparently bidding for market leadership by competing on price; and Waterstone's under its new management, having finally achieved its long-held objective of a virtual monopoly on the high street, talking of better range and better service standards – and by implication less discounting - rather than the 'pile 'em high, sell 'em cheap' philosophy which has prevailed under Gerry Johnson's regime. It's odds on that Waterstone's will now start selling off underperforming stores.

As our former prime minister, Margaret Thatcher, memorably remarked when ousted from power: 'It's a funny old world.'

## **Watch Out for Google**

[Peter Kilborn](#) | 02/16/2010

Nowhere is the iconic status of books more obvious - and more abused - than in the hands of the proselytisers for the Google settlement. An article appeared in a recent edition of the Guardian newspaper (though no doubt syndicated elsewhere) by David Drummond, Google's senior vice president for corporate development and chief legal officer at Google, which began 'If you love books and care about the knowledge they contain, there is a problem that needs to be solved.'

The problem is that of 'orphan works', those numerous published titles which occupy the limbo between in-print and out-of copyright status. It comprises the substantial majority of titles published in the last hundred years that Google needs to digitise if it is to achieve its stated objective of 'organising the world's knowledge and making it available'. Much effort of various kinds is currently being directed towards this issue: technologically through growing numbers of publishers' print on demand programmes, and more practically through the efforts of the Book Rights Registry in the US and the European ARROW project, which hopes to identify rights holders by linking the databases of various EU authority file sources. The potential offer of money from Google for the right to digitise will also of course flush out a number of authors whose works have become orphaned.

However, Drummond's bland use of the words 'love' and 'care about' are a sneaky way of drawing the reader into Google's great conspiracy. Surely the chief reason why there are so many orphan works is that many of them are worthless: worthless to their authors and publishers as commercial opportunities; but also worthless in an absolute sense.

For twenty years between 1970 and 1990 I worked for one of the leading London trade publishers as production director and was responsible for producing many thousands of titles. Yet how many of those titles are remembered now and how many deserve to be? Just a handful: probably fifty at a stretch. The idea that the rest should be brought back from the dead and discovered by a new generation of readers is risible.

Yet the book as icon continues to exercise a powerful influence. In a later incarnation I became involved in a scheme which would have bookshop returns sent to a prison where it would be part of the prisoners' work to make them unsaleable by drilling a hole through them. The uproar that this proposal provoked focused almost entirely on the drilling of the hole, invoking parallels with Hitler's book-burning activities. Prisoners were already destroying CDs by the million and no one turned a hair.

So when you read David Drummond's closing sentence - 'Imagine if that information could be made available to everyone, everywhere, at the click of a mouse. Imagine if long-forgotten books could be enjoyed again and could earn new revenues for their authors.' - remember these are Google's weasel words and beware.

## **The Politics of Domination**

Peter Kilborn | 03/12/2010

Increasingly the future of digital publishing is being dictated by three or four organisations – Google, Amazon, Apple and maybe Microsoft - with a clear wish to secure market domination. It is not necessarily the same market they want to dominate, but the tactics employed are similar. The quandary for publishers here, as elsewhere, is how to deal with these so-called 'frenemies'. Publishers have something all these organisations want or need - access to content – and this makes friends of them. What they do with content and the terms on which it is licensed is liable to make them enemies.

Amazon and Google, in particular, are two companies with very different objectives and strategic visions. Amazon has chosen to force the market to its will: setting proprietary standards for Kindle, trying to impose pricing on the market, creating barriers to print-on-demand sales with BookSurge, developing an acquisition strategy which eliminates competition rather than produces gain in market share. Its 'defeat' by Macmillan US in the last couple of weeks in the matter of pricing of e-books still leaves it with higher per unit revenues than before.

Google has repeatedly denied any wish to be a bookseller. As we noted last time its altruistic-sounding mission is to 'organise the world's knowledge and make it available'. But despite its famously hippyish origins and working philosophy, Google exists to make money. It may not intend to make it out of selling books (not too much, at any rate), but it certainly intends to make it from dominating the market for search and the related advertising revenues; and that's why it believes it can justify the cost of digitising all those books.

Amazon uses acquisition, Google its confessedly illegal digitisation of out of print but in copyright library books, as land grabs to better their negotiating position when securing the flow of crucial content in the future. No wonder publishers are afraid.

This is the last in this series of blogs.

## **Conclusion**

The six months covered by this blog may seem to those who avidly follow the development of digital markets to have been relatively uneventful in the UK. However, although most of the digital action has been in North America rather than in Europe, we have seen some critical changes in the landscape for books: the emphasis moving away from Kindle and other e-reading devices, now it seems largely commoditised, and a growing acceptance that multifunctional devices such

as smartphones or the iPad are the way digital consumption is moving; seismic upheavals in the UK retail sector; the arrival of Apple as a potentially significant player in the future. What we have not seen here is spectacular growth in e-reading as an alternative to book-reading. We have not seen any sign of payback for publishers; nor have we seen much in the way of dramatic publishing initiatives. With hard times still here and still ahead, one wonders whether the industry is beginning to tire of its new toy.