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Allen & Unwin's experience of digital publishing

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The information revolution

When I was in primary school, we learnt about the Industrial Revolution. The message we children received was that the weavers and stockings were foolish to try to stand against the inevitable and desirable march of progress; you had to accept the inevitable and adapt quickly or you'd end up in the poorhouse.

We book publishers have been receiving the same message for years now. Since the dotcom boom in the late 1990s, the death of the printed book has been proclaimed in anticipation of an imminent takeover by multimedia, or these days, the way of the future is reader-generated online content. Apparently it won't take long before the book publishing industry goes the way of the music industry and is disintermediated into a shadow of itself. It's enough to make you at least a bit anxious.

I now know that when you're at the start of an industrial revolution, a very broad long term outcome may be discernable, but it's often not nearly as obvious what particular steps you have to take to stay out of the poorhouse. I have also learnt that you have to peddle faster to maintain your position in the traditional industry that still brings in most of the income, while simultaneously finding time, energy and funds to make speculative investments in new opportunities that may become the future, or may just be dead ends. It's a juggling act.

The weavers couldn't stop the factories setting up with big looms, and if they wanted an income, it meant working on those looms for lower wages and moving to

a slum in one of the burgeoning Midlands cities. Fortunately for book publishers, we have better and more accessible options. Deep industrial change creates opportunities for organisations that are nimble and far-sighted – with a little help from Lady Luck.

Engaging in digital publishing as an independent Australian publisher

We can talk generally about what book publishers are doing in electronic publishing, but actually our industry is much more varied than, say, commercial music publishing. Australian publishers can be tiny cottage operations or large corporates; specialists or generalists; independent or a branch of a multinational; an offshoot of another kind of organisation or a dedicated book publisher.

Allen & Unwin is the largest Australian independent publisher, a medium-sized company, with a wide ranging trade list including children's picture books, young adult titles, commercial and literary adult fiction, as well as a broad array of black and white and illustrated non-fiction titles, and a small academic list. I've been asked to explain Allen & Unwin's digital publishing as a case study today.

Most of the Australian branches of multinational book publishers are obliged to rely on the digital publishing policies and investment strategies of their parent companies in the US or UK. As an independent publisher at what former prime minister Paul Keating called the 'arse end of the world', Allen & Unwin has to make its own plans, and to do so with limited access to the main networks and suppliers in the big English language markets in the US and UK.

Allen & Unwin has been paying close attention to the development of the internet since the mid-1990s. We've taken a steady, organic approach to digital publishing, out of necessity as much as anything else. We don't have the funds or the market

muscle to shape the way the industry develops internationally. In most cases we think we will do best if we aren't the initiators or first adopters, but next in line.

This is not the case for all publishers. We have watched another Australian independent become international leaders in electronic publishing. **Lonely Planet** has been highly innovative in their use of the web, and in taking advantage of collaboration with other industries, for example producers of Global Positioning Systems. As a travel publisher they faced much earlier and larger threats to their business from the internet than Allen & Unwin has yet faced, and as a specialist and niche publisher they have also had opportunities that a general trade publisher with a broad list simply doesn't have. For example, Lonely Planet was able to set up standardised digital workflow and content management processes to a much greater level of sophistication than is possible for a publisher which deals with a wide range of book types, from illustrated children's books through to reference titles. Lonely Planet is also able to target its website to a very specific audience: travelers, and to develop a highly interactive, community-oriented site. By contrast, Allen & Unwin's website has to be many things to many people.

In the mid-1990s **multimedia** was all the rage and Allen & Unwin dipped its toes in to this area with several small multimedia products, for example a Thai language learning program on CD-Rom, and a floppy disk with business development tools in the back of a bestselling small business textbook. It was a painful process and we learnt that the numbers weren't going to work unless you were publishing highly commercial products for schools or some other large market.

Our multimedia experiments showed us that if we were going to engage in electronic publishing, we were likely to do better if we **leveraged our existing investment in print book content** rather than try to develop unique electronic titles.

The back end

In order to leverage our existing content, we had to make major changes to our back end operations. By the mid-1990s we had quite efficient production and sales databases, but the title metadata was inconsistent. We had an existing agreement with our main typesetter about archiving digital book files, though it turned out they weren't actually doing this systematically or in a format we could readily access.

One investment we made early was to improve our title **metadata**: upgrading our databases and changing our data management culture to make sure we entered full book titles, blurbs and so on. We adopted the international standard for book title metadata, ONIX, soon after it was announced. This has paid off in many ways: we could access complete book title details when we developed our website; we could produce catalogues and leaflets more efficiently; and we didn't have to make major changes to our internal systems in order to be one of the founding publishers with TitlePage, the unique Australian price and availability service for booksellers.

We watched the ebook file format battles in the hope that the industry would swing one way or another so we could make an informed decision about how to handle our **in-house archives**. Yet no format seemed to be a clear winner and by about 2000 we realised we had to make a move. At that time our choice was between adopting a company wide overarching XML or maybe even SGML coding system at great expense like some of the academic journal and book publishers were doing at that time, or to take a cheaper, interim approach. We opted for the latter, and asked our printers to routinely supply PDF files for our archive, and we also tried to obtain files for key backlist titles. We also set up a systematic archive for cover files with standardised high resolution files and proper labeling with the book's ISBN.

More recently our main typesetter has been supplying us with the '**web-ready PDF**' format we need when we supply our books to ebooksellers. For books typeset

elsewhere we do the conversion in-house: it takes 10-45 minutes per book (depending on the complexity of the book). At this stage we're just supplying ebooks in PDF format and we haven't invested in conversions to the full range of ebook formats that are used in the retail ebook market (these include: Microsoft's .lit format, Palm Pilot and Mobipocket) because we have to go to international suppliers for this and it's not cheap, and we don't think retail ebook sales warrant this expenditure yet. Library ebook suppliers all accept web-ready PDF.

In the future we will probably need to place all our book archives with an **external digital warehouse**, as international publishers like HarperCollins and Bloomsbury have done recently with Libré Digital. These book warehouses store titles in a standard XML base file and spin off conversions into different formats. We're hoping prices will drop soon to a level that is affordable for us. Maybe the new Adobe Digital Editions software will become the international standard and reduce conversion costs.

It turns out that developing a systematic archive of all the books we have published over the past few years has many **benefits** that have very little to do with digital publishing. For a relatively low initial investment we can now reliably access files of our books to provide to media for publicity, to international publishers for international rights sales, to authors for new editions, to Amazon for their Search Inside the Book function, for short reprints, and for when we want to switch printers for a reprint. In fact for several years the changes we have made to the back end of our systems for ebook publishing has brought financial benefits well beyond our electronic publishing program.

Contracts

Another major step we took was to change our publishing contracts. We followed the recommendation of the British Publishers' Association to regard an ebook as another edition of the book, and separate from other kinds of general electronic rights sales. We also decided from the beginning that the much-vaunted royalty of 50% initially offered by Random US for ebooks was unrealistic, and that ebook economics were going to look like the economics for print book sales which typically attract a lower royalty.

We were one of the first Australian trade publishers to change our author contracts to include ebook rights, and I had some very lively discussions with authors and agents, who were understandably anxious they might lose control of their content online. We had to explain that we couldn't afford to offer a royalty of 50% because it actually costs money to create and manage ebooks, and that they aren't somehow costless products as easy to handle as flicking a document to a friend by email. Increasingly it is understood that booksellers will only deal with publishers and it is our responsibility to manage the files.

Ebook royalty rates now seem to be moving towards some kind of standard, with several major international publishers offering around 15% of their net receipts for ebook sales, though international agents expect more (or still try to withhold ebook rights entirely from Australian publishers).

This is only one of the contractual challenges thrown up by electronic publishing but I don't have time to discuss more of them here.

Selling Ebooks

Having invested in our back end systems, we wanted to sell our books as ebooks, and we needed to be able to demonstrate to authors and agents that they were going to earn some income from having given us a licence for ebook rights.

Broadly speaking, at present there are three main ways to sell electronic book content, and Allen & Unwin is now active in all three areas:

1. **Ebook retail and library supply:** eg: Netlibrary, Questia, Ebrary, Ebooks.com

We have been dealing with these for some years now. The library market, especially for academic books has been the most important ebook market for some time, but retail sales have been steadily improving.

2. **Digital aggregators:** supplying libraries eg: EBSCO; or Books 24/7 which offers an online subscription library to corporates.

Aggregators sell licences to book collections. Returns to publishers can be better than for the first category of ebookseller, but publishers who hold world rights to their titles and publish in series or reference do better. Allen & Unwin is at a disadvantage here because we're very active in selling international rights, and our list doesn't have depth in many specific subject areas attractive to these libraries.

3. **Licensing electronic book content**, often to non-book customers, eg: corporate websites, consumer websites. This is the most lucrative but can be hard to access and systematically develop, particularly for a medium or small sized publisher unable to employ staff to specialise in this kind of sales.

At this stage our ebook revenue is steadily growing from a small base, and this seems to be the experience of most trade publishers. Commentators often regard all

ebooks as the same, but looking at them in different market categories helps explain market dynamics:

1. **Research and education:** School and university students consume enormous amounts of content and increasingly expect to find it online. This is why university libraries have been eager purchasers of ebooks, and why academic publishers have had most success in this area so far. Interestingly recent information indicates that students are not actually using ebooks much in libraries yet, even though they can access them from home. Given university students are touted as 'digital natives', this suggests that the shift to electronic book content delivery is not just a matter of publishers getting their collective acts together.

Students and everyone else are accustomed to online content for educational and research purposes being available at no charge to them. We're very curious to see whether Google is able to generate income from book content when it expands its Book Search program into a retail book content sale program in a few months.

2. **Entertainment:** Understandably the entertainment and trade part of the ebook market has been slow to get off the ground as the printed book is still a pretty effective technology in its own right. We haven't yet seen an ebook reader to rival the iPod for music, and it's not at all clear whether Amazon's forthcoming new device, Amazon Kindle, will fill the gap. We want to be prepared if and when this market takes off.

It's clear the ebook market is still very immature and we don't yet know if and when it will become very substantial. There are also a few other challenges lurking in the background, one of which is ebook rights for **internal illustrations** in books.

Like many publishers we've been removing images from ebooks where the author or we haven't obtained rights. However this is becoming a problem: libraries are asking for images to be retained in ebooks, and Amazon.com wants to work with a single electronic file for its full range of offerings, ie: Search Inside the Book, Print on Demand, ebooks. If we want to participate in Amazon's Print on Demand program in the US, all internal images have to be retained or we can't put the printed book into the market, yet if we want to participate in their ebook program, at present we can't afford to pay for the rights for the images, if we want to be kosher.

A survey we did a few months ago showed that Australian galleries, photo libraries, museums and other major collections of images regularly used in books don't make a distinction between general electronic rights and the right for an image to appear in both print and ebook editions of a book. As a result, the rates they charge are unaffordable and maybe the publishing industry will need to lobby image banks collectively about this.

Online promotion

The web offers wonderful new opportunities for promoting books, but the trick is that publishers also have to maintain most of our traditional offline promotional activities. Stretching the marketing budget ever further can be a challenge for an Australian independent which needs its locally published titles to compete with the multinationals which can amortise their online marketing efforts for major titles across several markets.

Penguin has developed a presence for itself in Second Life, HarperCollins and Random are offering so-called 'widgets' to bloggers and people who want to recommend a book on online. It's still unclear whether these will have much impact on book sales although they are certainly popping up in blogs around the world

now. Smaller publishers won't necessarily be able to compete in Second Life, but we can aspire to widgets.

At present our main investment in online marketing is our company **website**. From its first version in the mid-1990s it has been through several upgrades and our latest major upgrade will be completed in a couple of months. We have one of the richest and most complex websites of any publisher operating in Australia, with content including: title details for every book we publish or distribute; a facility for individuals to purchase books online; dedicated sites for media (with downloadable author photos), booksellers and international rights; and support sites for key academic textbooks.

Our website has saved a lot of staff time. Booksellers now know they can go directly to the site when they want cover images for a newsletter or blurb copy for newly released titles. Journalists can access key information without needing to bother our busy publicity team.

Our website upgrade will include a completely new design and improved ordering function. It will draw on book subject categories to generate dedicated mini-sites for a much wider range of subject areas than we feature on the current website.

Online ordering from our website and promoting the ebook edition are strategies we're using to try to capture the so-called '**long tail**' market for books. We're not attempting to compete with booksellers here; we're just making sure that people can access the book if they really want it. We charge a postage and packaging fee, so the price to the customer is always higher than the bookshop price.

Over a year, we're not selling a large quantity in total and the pattern is sales of one or two copies for many different titles, including a significant proportion of deep

backlist titles, rather than large sales for current bestsellers. The challenge however is for our warehouse, which is accustomed to dealing with wholesale customers and has to adjust its workflow for orders from retail customers. Needless to say these 'long tail' individual orders carry a higher handling cost per copy sold than wholesale orders, something which is usually not mentioned by commentators enthusiastic about the potential of the long tail market.

We have also been experimenting with some other forms of online advertising for individual titles, such as banner ads and Google adwords.

Targetting communities

Allen & Unwin is also taking advantage of our long experience of **direct marketing** to individuals and retailers with specialist interests in the academic market, and also in areas like military history and natural history. We have established contacts and mailing lists and we are now developing ways of promoting books to them beyond straightforward emails notifying them of new releases.

We have been using our website to target niche reading communities for some years, with support websites for subject areas such as Mind, Body, Spirit, Military History, aspiring writers, and crime fiction enthusiasts. We have also developed sites for some popular authors.

We also use our website to gather email addresses for customers wanting to hear about new books in a particular area. We send regular newsletters to readers interested in a variety of areas including various fiction genres, biography, politics, food, health, sport, art and design, teaching, and Mind, Body, Spirit.

We're using a variety of web strategies for **publicity**. We approach influential bloggers about newly released titles in their areas of interest, in addition to seeking

coverage from mainstream media. We also produce promotional footage such as MPEG grabs of authors talking about their book for our electronic sales kits for booksellers, which we then upload onto YouTube.

We have made direct deals with **associations** which sell books in specialised areas online. However we are conscious that it takes time to develop relationships with online communities: to do the research, approach them, and develop a tailored deal. For small quantity sales for a single book this is not always an efficient use of time, whereas it's much more effective if you're publishing many books in that subject area and can return to the same contacts time after time.

We also encourage our authors to use the link we provide to their book's details on our website to promote their book to their networks, including the ebook edition.

Piracy

Books are not victims of nearly as much online piracy as music, but there's no room for complacency. Anyone can scan a printed book and upload it, and it's possible budding software geniuses test their skills on ebooks with digital rights management. We regularly find digital copies of our book *Interview Skills that win the Job* on file sharing websites around the world and each time we have to contact the site manager to ask them to pull it down.

Around the corner

I'm flagging four issues which we're speculating about at present.

The Australian book trade does not yet have a functioning commercial **Print On Demand** (POD) service, which means we are losing out on opportunities to exploit long tail sales. Lightning Source is clearly doing excellent trade in North America and UK and it's a pity they haven't yet set up in Australia. One of the reasons they haven't is that we don't have a wholesaler like Bertrams or Ingrams in this market to provide economy of scale in distribution.

POD is clearly not a huge revenue generator for publishers because the lack of economy of scale in printing means a publisher doesn't earn much on each individual copy sold. However it all adds up, and at the moment the Australian book trade is losing business overseas (for internationally published titles which could be printed here by POD).

A functioning POD service would also enable Australian publishers to offer **Large Print** editions of their books. Those big readers, the baby boomers may not want to admit their eyes are fading, and we know they don't want to be seen dead with something called a 'large print edition' in their hands. But maybe there's a viable market niche in what we could brand 'easy reading' books, and we could test this market at minimal risk using POD.

There's been a lot of talk lately about rising sales for **audiobooks**, especially downloadable MP3 audiobooks. Historically only really big US and UK publishers could afford to produce their own and we've licensed audiobook rights for our titles to specialist audiobook publishers like Bolinda. Some medium sized publishers now say they want to produce their own audiobooks, but audiobook sales will need to increase significantly before this would be viable in this market.

Finally, **user-generated content and audience participation**. We know mainstream media has lost its monopoly on news and analysis, with ordinary punters having their say on blogs and uploading compromising footage on YouTube. This is not just a challenge for newspapers and TV. Wikipedia is serious competition for sales of *Encyclopedia Britannica*, consumer health advice sites are competition for our consumer health books, and we can't assume that free content online is poor quality. We know Pearson is running a wiki for management content, and that Simon & Schuster US is trialling MediaPredict as a device for collective online manuscript assessment. There must be something interesting we could do!

In conclusion

From the beginning, Allen & Unwin has been willing to experiment in digital publishing and I think this attitude has served us well. The organic approach Allen & Unwin has taken has meant we've been able to keep our overheads relatively low while still positioning ourselves well in relation to international and local competitors, for a publisher of our size and type. We know we still need to be alert to the constant developments in the field, and we know that we won't always be able to keep up with the big boys. But hopefully we'll keep ourselves out of the poorhouse.