

Books, Bytes and Business

THE PROMISE OF DIGITAL PUBLISHING



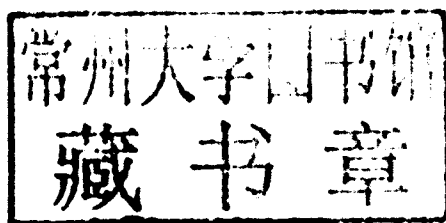
**Bill Martin and
Xuemei Tian**

Books, Bytes and Business

The Promise of Digital Publishing

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BOOKS, BYTES AND BUSINESS

List of Abbreviations

ABC	Australian Broadcasting Corporation
B2B	business to business
CAL	The Copyright Agency
CGML	Common Ground Markup Language
CMS	content management system
CRM	customer relationship management
DOI	Digital Object Identifier
DRM	digital rights management
eBooks	electronic books
ePub	electronic publication
HTTP	Hypertext Transfer Protocol
ICTs	information and communication technologies
JSON	JavaScript Object Notation
MMOGs	Massively Multiplayer Online Games
MMORPGs	Massively Multiplayer Online Role-Playing Games
MOB	Mobile & Online Business Innovation Lab
NAICS	North American Industrial Classification System
OECD	Organization for Economic Cooperation and Development
ONIX	Online Information Exchange
PDA	personal digital assistant
PDF	Portable Document Format
PC	personal computer
POD	printing on demand
R&D	research and development
RDF	Resource Description Framework
REST	The Representational State Transfer
RSS	Really Simple Syndication, Rich Site Summary
SaaS	software as a service
SMS	Short Message Service
URL	Uniform Resource Locator
W3C	World Wide Web Consortium
XML	eXtensible Markup Language
XML-RPC	XML Remote Procedure Call

Preface and Acknowledgements

This book is about business in the knowledge-based economy. It is concerned with how businesses are affected by and are responding to global changes in markets impacted upon and frequently driven by changes in technology. Whatever the industry, the trends are familiar and include globalization and the rise of industrial conglomerates, and the continuing incidence of mergers and acquisitions. They also include the networking of businesses and markets, the growing practice of outsourcing and shifts in the distribution of resources and production. These trends are all reflected in the emergence of new players, new products and services and new forms of competition.

As arguably the first such manifestation of the categorization, book publishing provides an ideal setting for the study of challenge and opportunity in knowledge-intensive business. As one of the oldest industries in the world, and based upon the first of the great technological breakthroughs, the invention of movable type, book publishing is currently experiencing fierce levels of competition, extreme financial pressures, restructuring and the threat of technology-induced obsolescence. When to these are added the challenges posed by new and potential entrants to the market, the emergence of new products and services, of new ways of doing business, including trading in virtual markets, and the vulnerability of traditional business models, the suitability of book publishing as a context for researching the emergence of knowledge-intensive business becomes all too apparent.

This book had its genesis in a three-year government-funded research project into digitization in the Australian book publishing sector which was completed in December 2008. The findings of this original research were then applied to an examination of the book publishing industry as a whole, based upon an analysis of the relevant global literature as contained in hard copy and electronic sources.

Structure of the Book

The book begins with an introduction and is followed by three parts entitled respectively 'Books', 'Bytes' and 'Business'.

Chapter 1: Introduction

This chapter provides an overview of the book publishing industry, its structure, the major players involved and key trends and innovations, not least in value chains and business models.

Part I: Books

This first part looks at key trends in book publishing. In particular it focuses upon the restructuring of markets and organizations, and on those radical shifts in consumer behaviour that are calling into question the very survival of the book as we have known it. It is comprised of two chapters:

Chapter 2: The Business of Book Publishing

Chapter 3: Book Publishing in the Digital Age

Part II: Bytes

This part looks at the role of technology in book publishing and the resulting implications for the industry. These implications range from production and editorial-type activities through to the emergence of electronic formats and a new generation of reading devices. The spectrum of technologies covered includes the familiar, such as the internet and World Wide Web, and the perhaps less familiar in the form of a set of potentially disruptive semantic technologies. The current stage of technological development in book publishing (as in knowledge-intensive industries in general) can be captured conveniently and succinctly in the term 'digitization'. Although clearly a label which is open to a wide range of perceptions, digitization now permeates the argot of business in much the same way as other terms such as globalization, disintermediation, niche and virtual. As employed here, it signifies not only advances in digital technologies and their applications, but also their impact on industry and society. This part contains the following chapters:

Chapter 4: Digital Technologies and Book Publishing

Chapter 5: Web 2.0 Applications and Book Publishing

Part III: Business

This part focuses on the nexus between recent developments in book publishing and the trend towards knowledge-intensive business. The impact of knowledge and related intangibles and of the potentially transformative power of digital technologies has resulted in new perspectives on the nature and focus of value in organizations, with particular implications for value and supply chains and business models. Earlier predictions of, for example, the widespread disintermediation of value and supply chains, have proved to be somewhat wide of the mark. Changes have occurred, however, including a shift in organizational structure from the lateral towards the networked form. Likewise there have been changes to the spectrum of business models, ranging from the traditional to the hybrid and, to a much lesser extent, the purely digital.

Experience has shown that, despite their undoubted enabling characteristics, digital technologies are only one piece of the organizational jigsaw. The key to business success continues to lie in the delivery of viable value propositions

to customers who are currently enjoying an unprecedented range of choice and degree of market power, while harnessing the power of technology where appropriate. Increasingly, these value propositions are grounded in the ability to convert information into knowledge and/or to combine the two in the search for competitive advantage, for market differentiation and for the creation of new products and services. In other words, there is real potential in the pursuit of knowledge-intensive business.

This part seeks to capture and synthesize this trend towards knowledge-intensive business by examining the changes and continuing trends in book publishing and the players, categories and niche markets involved. It will shed light on the sources of value in organizations, on effective responses to challenges and opportunities in terms of policies, processes, technologies and strategies and the possibilities in terms of value chains, supply chains and business models. Drawing heavily on in-depth interviews with book publishers in Australia and on the analysis of secondary data on the global publishing industry, it presents a set of generic models of book publishing at industry and sector levels. These models will be useful in an academic context, as well as in industry domains beyond that of book publishing. The part is comprised of the following five chapters:

Chapter 6: Knowledge-intensive Organizations

Chapter 7: Supply Chains and Value Chains in Knowledge-intensive Organizations

Chapter 8: Business Models in Knowledge-intensive Organizations

Chapter 9: Business Models for Book Publishing in Australia

Chapter 10: The Future of Book Publishing

Why Read This Book?

- The book is research related and, as it complements existing books in the knowledge-intensive business and business model fields, it is a useful addition to the literature.
- The detailed treatment of knowledge-intensive organizations and business models is set in the contexts both of our primary research into the Australian book publishing sector and of secondary research into the global book publishing sector and changes in markets and technology.
- Starting from our original research, the book contains a plentiful supply of business cases which have application across the management disciplines as well as within publishing.
- For anybody interested in business models, this book effectively combines the theoretical background with the practicalities of analysing and building models in a way that is applicable to a range of industries and disciplines.
- The book is written in a style likely to prove attractive to a wider audience, including academics, practising managers and students in such disciplines as business and management, publishing, information and knowledge management and information systems.

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Chapter 1

Introduction

Introduction

The idea for this book emerged from a three-year research project into the implications of digital technologies for book publishing in Australia (Martin and Tian 2008). In the event we realized that any such volume would be more meaningful if set in a wider context than that of Australian book publishing. Consequently, our treatment of the process of digitization in book publishing is set within the context of a global networked economy in which knowledge-intensive organizations have acquired an increasingly significant profile. Within the global markets that characterize this networked economy, the interplay between books, bytes and business is growing in both scale and complexity.

Book Publishing

The North American Industrial Classification System (NAICS) describes the publishing industry as a whole as one that produces a variety of publications, including magazines, books, newspapers and directories (NAICS 2007). It also produces greeting cards, databases, calendars and other publishing material, excluding software. The production of printed material continues to dominate the industry, although the marketplace now reflects the emergence of material in other formats, such as audio, CD-ROM, or other electronic media. Book publishing is different from other media sectors such as magazines, newspapers and journals. In dynamic markets characterized by great multiplicity in output, books are uncertain products that are also dependent on a high degree of creativity and individual attention. Understanding today's book publishing industry involves acknowledging the growing concentration of resources, the effects of globalization, the changing structure of markets and of channels to these markets and the potential impact of new technologies (Thompson 2005).

Industry structure

The structure of book publishing can be variously perceived depending on the number and type of categories into which it is divided. Cheng (2004) categorized production according to consumer (or general) book publishing, covering a wide range of general interests; educational book publishing, covering schools and higher education; and professional book publishing, covering the areas of finance,

legal, medical, scientific and technical publishing. All categories are dominated by large conglomerates that are responsible for a significant proportion of sales (*Encyclopaedia of Global Industries* 2007). At the time of writing (late 2009) there are 20 global publishing companies with revenues of over US\$ 250 million. Allowing for various alliances and interconnections, some two-thirds of these conglomerates are located in Europe and the United States, with the remaining (Asian) third comprised mainly of three Japanese publishers (Wisichenbart 2009).

Although the power and significance of such conglomerations are facts of life, this is not quite the whole story so far as book publishing is concerned. Even at the global level, there is still a place for numerous smaller and independent publishers that survive and, indeed, remain profitable by focusing their efforts on niche markets (IBISWorld 2010, Pira International 2002). An excellent example is the Lonely Planet Company, founded in Australia but now owned by the British Broadcasting Corporation, and which in many ways has set the benchmark for publishing guidebooks for travellers.

The nature of book publishing

In order to understand what is happening in book publishing today, it is important to take account both of change and of continuity. The effects of change are all around us and are exemplified by conglomeration, the restructuring of markets and channels, rising costs and competition and the all-pervasive impact of technology. Continuity can be seen in the continued role and perception of book publishing as being somehow different from the general run of commerce and, notably, as regards the cultural significance of its products and services (Thompson 2005).

In seeking to fund and profit from the production of these cultural artefacts, book publishers are especially vulnerable to changes in the demographics of the customer base and to increasing competition for time between the activity of reading and other, mainly electronic-based activities. To some, the sheer social and cultural significance of books, another dimension to their special status among consumer goods, renders their demise unthinkable. However, it is clear that books and the practice of reading face serious and immediate challenges, and it is less clear that the industry is capable of responding in the necessary manner.

One area of concern involves the perceived tardiness of the industry's response to change in general, and to change involving digital technologies in particular. While it may still be too early to gauge the impact of the so-called 'digital revolution' on book publishing, it is also the case that much of the industry is involved to some degree with digital processes, whether the content is hard copy or electronic. There is, however, no substantial uniformity in approach, as each individual publisher has different requirements, characteristics and target markets, and hence they exhibit various levels of take-up of and involvement with digitization. What is clear, however, is that in the emerging digital environment, traditional ways of doing things will no longer be appropriate and radical changes will be required to ensure a viable, ongoing competitive future. Above all, publishers must now

accept that theirs is an industry dependent upon the ability to produce what the end-user wants rather than what the publisher can give to them.

The role of publishers

Book publishing is the process of commissioning, producing and distributing books for sale. Traditionally the key players in the production channel have been authors, agents, publishers and printers. The key players in the distribution channel can be separated into distributors (sometimes the publishers), wholesalers, retail stores and book clubs, libraries and printers (Keh 1998). The range of players in both channels has increased even in the context of traditional print-based publishing, and it continues to expand with the onset of digitization. In both these channels, the publishing company still serves as the centre of gravity and plays a pivotal role in moulding the process. This is despite continued predictions that the uptake of digital technologies would result in disintermediation of the value chain for book publishing, given that authors could potentially perform all the roles involved, from creating the content to marketing and selling the finished product. In other words, authors would have the ability to become publishers. As with many technology-related predictions however, this one has not eventuated to any serious extent, and for good reason.

With their long experience of and considerable expertise in the book trade, publishers continue to add a considerable amount of value to the book publishing business. Publishers are not just another partner in the process. Rather, they are the major risk takers in what not infrequently can turn out to be extremely marginal ventures. They are responsible for everything from commissioning the book, to its design and production, marketing, sales and customer service. Over time the structures of the industry and the relationships between the players have changed as the result of a range of both internal and external forces, which will be explored in Chapter 2.

Key Trends in Book Publishing

Over the past decade, the global book publishing industry has been on a kind of roller-coaster ride, frequently alternating between turmoil and stability. This has brought change and disruption to markets and distribution channels, to products and formats and to business processes and practices. Traditional publishing markets have expanded to include opportunities in niche and specialist areas, such as those involving professional, educational and scholarly communities. New distribution channels and supply chains have emerged with the advent of the internet, and book publishers are using their web pages to communicate with authors and to provide a growing range of products and services directly to end-users.

Internet sales of print books continue to rise, as do sales of eBooks, albeit at a slower pace. Inevitably, such developments will add to fears of channel conflict