

Electronic Reading Devices

Come of Age

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### Abstract

Electronic Reading Devices (ERDs) have become successful products, and so have the ebooks read on them. However, ebooks have been around for decades, and ERDs initially met with commercial failure, even after substantial investments from computer hardware makers, software developers, and publishers at the turn of millennium. While many free ebooks were then available, a lack of new, popular titles appears to have dampened interest in both commercial ebooks and ERDs. But, in the mid-2000s, Amazon tried an alternative business model for selling both ebooks and ERDs. By discounting many new publisher titles for its Kindle reader, Amazon was able to establish a substantial population of Kindle owners. This model made the ERD itself a highly profitable product. However, the Kindle also provided constant Internet connectivity to its electronic store front, making it easy for Kindle owners to purchase more and more titles. This model proved successful for both Barnes and Noble's NOOK reader and for Apple's iPad.

## Electronic Reading Devices Come of Age

Electronic Reading Devices (ERDs) appear to be changing the way consumers access and publishers produce reading materials for popular consumption. The 2010 sales figures for ebooks show that these products can now compete financially with their much older print counterparts, both books and magazines. For example, Amazon, which has thrived as a print book vendor operating on the Web (<http://www.amazon.com>), recently reported far more ebook sales for its Kindle reader than hardcover sales (Duglin Kennedy, 2010, p. 15). For brick-and-mortar Barnes and Nobles, the ebook sales for its NOOK reader represented the brightest part of 2010 financial reports (“Barnes & Nobles,” 2010). Apple, finally, on the same day it released its iPad, also delivered to new owners 250,000 ebooks from its online store (“Apple Announces,” 2010). Given that ebooks have been available since the 1970s, albeit mostly for free or niche purposes (Stafford, 2002, p. 22), their newfound ability to generate significant revenue from mainstream publishing markets appears connected to recent developments in portable ERDs, especially their ubiquitous connectivity to online booksellers and improved compatibility with a large pool of downloadable, low-cost—but current—titles.

### Early Portable Ebooks

Although most first-time purchasers of ebook titles are probably also making their first acquisitions of specialized reading devices, Dearnley and McKnight (2001) have noted that “portable Electronic books have been produced since 1998” (p. 66). By the turn of the millennium, in fact, the offerings of portable readers included both a variety of specialized ERDs and a growing number of personal digital assistants (PDAs) equipped with ebook software. Writing in 2002, Steve Grant identified “two handheld devices truly suited for serious ebook reading”: (a) the REB 1200, “a handheld ebook”; and (b) the goReader Tablet PC, which was “3-

ring binder size,” seemingly “a PDA on steroids” (p. 52). Also in the early 2000s, other portable electronic reading options became available. Palm Computer, a popular PDA maker, established Palm Digital Media to distribute ebooks for its Palm OS (Reid, 2002a). Microsoft, while not producing its own reading device, provided a version of its Microsoft Reader for Pocket PCs made by its partnering hardware vendors (Stafford, 2002, p. 22). Multimedia software-maker Adobe, finally, was not left behind. The company, which had an established track record of advanced document creation software for desktop computers, also provided its own version of ebook reading software for Pocket PCs (Dearnley & McKnight, 2001, p. 66). And, like Palm, Adobe started its own ebook distribution unit, which was called Adobe Digital Media (Peek, 2005, p. 18). The growing sales of ebooks for these various electronic reader platforms (“E-Book Sales,” 2003) seemed to support the idea that portable electronic books were not, as Grant observed that some industry analysts speculated, “just a flash in the pan, an idea whose time came and went” (p. 50). No doubt the early ERD makers felt confident about their footholds in the portable ebook market.

Ultimately, however, the exuberance for portable ebooks in the early 2000s quickly died out, as marked vividly by the absence of Palm and the more specialized ERDs listed above from recent accounts of ebook successes. A variety of causes are cited for the decline in interest, but many concern the lack of availability of new, copyrighted content during the early 2000s. On one hand, Simon and Schuster touted 1200 ebook titles in 2002, including a variety of bestselling authors (Reid, 2002b); on the other hand, Barnes & Nobles’ online storefront was cutting ebook offerings (Reid, 2002a). The comparative dearth of mainstream ebook offerings was, as Peek (2005) noted, partly because “digital rights management software gave [publishers] the willies” (p. 17). She also observed that Adobe, even after making headway with its standardized PDF

platform, decided to unplug its online Adobe Digital Media store. By mid-decade, publishers and investors alike seemed to lower expectations for ebooks as profitable competitors to mainstream print publications.

### **The Rise of Connected Electronic Readers**

Yet, just as many of the early ventures into portable ERDs were fading away, the broader portable electronic device industry experienced a paradigm shift, putting greater emphasis on the combination of cell-phone technology coupled with productivity and content-driven applications, the kind historically found on PDAs. While music vendors reaped the first benefits (e.g., iTunes), e-publishers and ERD makers soon also profited. De Young (2009) identified Amazon's 2005 release of both its Kindle 2 and iPhone reader "app" as the start of a new trend in ebook—and ERD—vending (pp. 144-145). According to De Young, Amazon integrated (through mergers and acquisitions) various components of the ebook trade, thereby reconstituting e-publishing:

[With the acquisitions from 2005-2009] Amazon became a reseller, publisher, mobile platform software developer, community networker, printer, and manufacturer. These acquisitions have given Amazon a balanced business portfolio and the ability to exploit, expand, and leverage their various businesses against one another. (p. 141)

With the Kindle 2, De Young observed, Amazon sought to "exploit" its vast access to content so that it could reap greater profits from the Kindle itself, an ERD with built-in wireless access to Amazon's ebook store, which sold titles at a low \$9.99 rate (p. 145). He calculated that Amazon even took losses on some titles having wholesale prices greater than \$9.99, just to increase sales of Kindle units themselves (p. 144). Customers, it seems, could justify the expense of the reader itself, because instant access to cheap new titles gave ebooks the feel of an impulse buy.

Of course, once readers have become comfortable with onscreen reading and also have

constant access to an electronic storefront, the ERD revenue stream can shift from the devices themselves to the easy-to-purchase book titles. As Amazon no doubt expected, in the hands of a critical mass of readers, the Kindle could offer premium titles too. By 2010, as Duglin Kennedy (2010) reported, Amazon's Kindle Store offered over 630,000 titles, more than 100,000 of which were selling above the discounted \$9.99 price; among the offerings were multiple bestselling authors logging a half-million Kindle copies each (p. 15). Even though readers had for decades had access to the vast offerings for ebooks representing classical, public domain works, given the growing comfort with onscreen reading of discounted titles, readers nonetheless spent substantial money on popular, new titles, the kind publishers rely upon for profitability. Many ERD consumers, especially those financially well-off enough to buy books on a regular basis, were also the kind who preferred the convenience ERDs offered busy, mobile professionals, who have constant Internet connectivity, but little time to go to the book store. Amazon had found a way to shift a substantial mass of paying readers—not to mention their dollars—to an ebook platform.

While not treated in De Young's (2009) account of Amazon's ebook successes, the recent recognition of ERDs as revenue-generating products for Barnes and Nobles and Apple, can no doubt be traced to a business model similar to that used by Amazon, one wherein readers hold both the electronic books and the electronic bookstores in the palms of their hands and, for a discounted price, can download any of millions of titles, many of them just released in print. In fact, the NOOK home page emphasizes all the features described by De Young as part of the Kindle success: direct, wireless access to a large amount of titles (over 2 million) and a \$9.99 base price (Barnes & Nobles, 2011, "The NOOK Advantage"). As most people know, however, Apple met with great success with its iTunes, even before Kindle became widely used as an ERD. Consequently, some may argue that Apple had already established a content-retial model,

one based on song downloads. This is a legitimate observation, but it must also be acknowledged too that, even with its success in music downloads, Apple did not see fit to release the iPad and promote it as an ERD until five years after Amazon set a benchmark for selling ERDs and ERD-friendly ebooks to the mass market. No matter who can be attributed with developing the business model, it is clear that ebooks must now be considered more than a novelty to bemuse early adopters of technology. Publishers can now make real money from their electronic titles, just as the ERD makers can from the devices themselves.

### **Conclusion: Print or ERD**

Whereas publishers were wondering whether to bother with ebooks in the early 2000s, now some are wondering whether to bother with print. Interviews with publishers at the 2010 Frankfurt Book Fair revealed that many see ebook reading as the future, even if print is not yet the past. Springer vice president Eric Merkel said about the near future, “You can still have print if you want it, but it’s not going to come out of a warehouse that we own” (as quoted in Kaser, 2010, p. 47). Your book could instead simply be just another download, as David Bowers of the Oxford University Press observed: “Now we’re creating apps that are a reflection of the printed physical book” (as quoted in Kaser, 2010, p. 47). In order for ebooks to become financial successes, ERDs themselves had to become the key commodity with ebooks just add-on features, like the games and productivity “apps” consumers can now purchase instantly at cheap prices.

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