Digital Publishing & Online Retailing

How is the 'digital revolution' affecting the evolution of the Australian Book Industry?

By Amy Tipper

On Behalf of the Unwin Trust 2008

Contents Page

1. Introduction

The book industry in Australia is growing steadily, up 4.3% in volume terms and 4.8% in value terms from 2007 to 2008 (excluding Harry Potter). The market is worth AUS$1.21 billion with 61.3 million units being sold across the 483,000 ISBNs that were registered as selling at least one copy in 2008.[1] Even in the UK, where the book market without the influence of JK Rowling is only just flat year on year, 236.9 million books were sold, generating sales of £1.773 billion[2]. In a difficult economic climate this is a pretty healthy picture and it suggests that people are still reading despite the Chief Executive of Apple, Steve Jobs, rejecting the idea of a bespoke Apple e-reader by saying 'It doesn't matter how good or bad the product is; the fact is that people don't read anymore'[3].

However, with advances in technology and changes in the way people are reading, the book industry is about to face one of its biggest ever evolutionary challenges. Digital technology is starting to impact on the world of books with bespoke electronic reading devices mimicking a printed book by using e-ink to provide a non-flickering, easy to read screen, and adding features such as being able to store multiple books at one time, search functionality and even allowing wireless internet connectivity in some cases. Mobile phone and software companies are creating programmes to allow users to read digital content on other multi-functional handheld devices and increasingly people are turning to the internet for information rather than to a book.

In addition, reading habits are changing, especially amongst young people. It is likely that people actually read more content than ever before, thanks to the increasing amount of time being spent on the internet. In fact, children specifically are watching less television, preferring to surf the web for games and videos, where they have to process words in order to get what they want. Clearly though, this is not the same as reading a novel. The younger generation is used to getting information at the click of

---

[1] Nielsen 2008 Topline Report by Shaun Symonds, General Manager, Bookscan Australia, January 2009.

[2] The Bookseller Review of 2008, compiled with information from Nielsen's Bookscan's Total Consumer Market by Tom Tivnan, Catherine Neilan, Philip Stone and Graeme Neill in the Bookseller, 23 January 2009.

[3] Steven P. Jobs, Apple CEO at the Macworld Expo, January 2008, quoted in the New York Times, 27 January 2008.

a mouse, attention spans are shortening, ‘text-speak’ is the norm for written communication and competition for entertainment time has never been higher, with movies, music, TV, computer games, social networking sites and the internet in general, all providing attractive alternatives to the humble book.

These factors are combining to create a situation which will require significant adaptation of the global book industry in order for it to continue to survive and thrive. Retailers will need to become more responsive to a more demanding consumer, publishers will need to adapt content and strategy to stay relevant in a digital age and authors will need to become more proactive and accessible to their readers to compete with free online content. More specifically, in Australia, a country of vast distances, populated by large numbers of early adopters of technology and heavy book buyers, the opportunity to combine reading with technological advances could instigate revolutionary change in the fields of publishing and bookselling.

When I approached the Unwin Trust with the subject of digital publishing and online retailing in Australia as my project proposal, I didn’t realise the sheer scale of the undertaking. Although both the online and digital aspects of the industry were more underdeveloped than I expected given the Australian propensity to embrace technological advances as well as books, as my research progressed, I began to realise that the opportunities and challenges for a digital future in Australia were much more compelling that the specifics of the technology. With that in mind, my main aim in the report is to analyse the present situation of the general book industry in Australia, with a central focus on digital publishing and online retailing and to hypothesise on how developments in these areas will affect the evolution of the industry. Of course, the subject is globally relevant and the implications of the potential changes to the industry are not just limited to Australia. Since I work in the UK, it will be useful to compare both territories, especially as digital publishing is a key focus for Penguin, my current employer. That said, unless otherwise stated, the views given are my own and do not represent the views of Penguin.

2. The Australian Book Industry Today

Before launching into an analysis of where the Australian book industry is with regard to digital advances, it is important to understand the market as it is now. Reading and books are part of the Australian culture and despite only having a population of 21 million people, Australia is the world's third largest market for books,[4] with more bookshops per capita than anywhere else in the world. As quoted in my introduction, the market is growing, albeit at a slow and steady pace, but Malcolm Neil, CEO of the Australian Booksellers' Association, believes that there isn't much growth left in physical books because 'if an area (in Australia) can sustain a book shop, it's already there, and sometimes more than one'.[5]

2.1 Health and Wealth

Despite this, the majority of people that I spoke to were very positive about the state of the book industry and it is clear that the scourge of heavy discounting on books that is so prevalent in the UK, threatening the health of the industry (an estimated £500 million was given away in discounts in 2008, much of which was on 'must-have titles'[6]), is not as widespread in Australia. However, I don't believe that this is necessarily a strategic decision by the retailers to try to make as much money out of the product as possible when it is first on the market and in demand, which is what most other industries do. Customers will pay for newness and exclusivity and understand that the older version will be reduced in price once the next model is available to maintain sales of both. Why this doesn't happen on books is a constant source of frustration for me, although in my past life as a buyer, I was guilty of perpetuating this activity due to the constant pressure to compete for market share.

In my opinion, there are several reasons why Australian booksellers are not prone to the high levels of discounting seen in the UK. Firstly, the supermarkets, the biggest discounters in the UK after the collapse of the Net Book Agreement in 1997, are not such big players in the Australian market. The majority of the supermarket business in Australia is tied up between Coles and Woolworths, reducing competition, and

[4] Victoria Nash, Digital Strategy Manager, Pan Macmillan Australia, Interview 12 January 2009.
[5] Malcolm Neil, CEO, Australian Booksellers' Association, Interview 16 January 2009.
[6] 'Crunch Time in UK' by Liz Thomson in Publishers Weekly, 16 March 2009.

from my experience, the megastore type outlets do not exist in the same way as they do in the UK. This means that space is at a premium in store, so giving it over to a slow turning product line with a complicated supply chain does not make commercial sense. Without such price sensitivity driven by these players, the pressure on the high street retailers and independents is reduced. Furthermore, a number of Australian publishers mentioned that they have learnt from their UK counterparts' mistakes, believing that they have 'shot themselves in the foot' by conceding to the high discounts demanded by the supermarkets to drive volume sales and becoming reliant on that volume to hit their sales targets going forward.

Secondly, since around 40% of all books sold in Australia are international books distributed by local publishers, giving huge amounts of extra discount to retailers to price promote often isn't feasible due to incredibly tight margins. Finally, there is no Australian arm of Amazon (although Australians are able to order from both the .com and .co.uk sites), which in the UK, is the other side of the supermarket thumb screw that is squeezing the high street to drive deeper and deeper discounts in order to maintain market share.

2.2 Where Are The Sales Going?

This may all change with the current Productivity Commission inquiry into introducing parallel importation, which could lead to cheap foreign imports competing on price with Australian published titles. However, right now, the market appears relatively healthy, with chain bookshops (mainly Angus & Robertson, Borders and Dymocks) making up 53% of the market, Discount Department Stores (DDS - mainly Target, Kmart and Big W) taking 24.8% share and independent bookshops a not insignificant 22%.[7]

2.2.1 Independents, DDS and Chains

It was interesting for me to see that independent booksellers are still thriving in Australia, when in the UK, they make up just 7 or 8% of the market and all signs are pointing to their demise in the face of the ever increasing buying and selling power of the supermarkets and Amazon. The Australian independents are surely protected to

[7] Nielsen Mid Year Review 2008 for Penguin

some extent by the lack of Amazon and the lack of a supermarket selling books seriously such as Tesco in the UK, but as already noted, they do have to contend with the high discounting of the DDS on the front list titles. Where they win out is on the backlist range titles, as unlike the UK where Tesco, Sainsbury's, Asda and even Morrisons stock a range of titles as well as the hot new releases, the DDS really do focus solely on the bestsellers so the independents can win more of the sales from the avid readers.

It also became clear relatively early on in my trip, that there are social and cultural aspects feeding into the success of independent bookselling in Australia. From my experiences in Melbourne and Sydney, and from conversations with other people living in these cities, the majority of Australians have the attitude that local businesses should be 'given a fair go' and that most people root for the underdog. In fact, there is a well known Australian mentality about the 'tall poppy syndrome', where if someone becomes too successful and big for their boots, they are chopped down to size.

Peter Lothian, CEO of Collins Booksellers, who see themselves as pseudo-independent booksellers, since all 65 franchised stores manage their own budgets, inventory and so on, believes that there is genuine resistance to the American chain mentality in Australia. In his opinion, this results in Australians preferring to support independent businesses, especially bookshops and cafes. In fact, just before I arrived in Melbourne, Starbucks had announced that they would be shutting 70% of their Australian stores, leaving only 23 operating in the whole country, which would be located only in the Melbourne, Sydney and Brisbane central business districts (CBDs). The fact that the independent coffee shops were so strong was one of the main reasons for making this decision according to retail analyst, Barry Urquhart.[8]

Most of the independent booksellers I spoke to believe they are able to keep their customers because of the in-store experience they offer, with well informed, helpful staff, a broad, interesting range of books and a local feel to the shop itself. Without exception, they felt that their biggest competition was online retail, especially

[8] 'Hundreds of Jobs Lost as Starbucks Shuts 61 Shops', by Daniella Miletic, Tom Arup and Daniel Emerson in .theage.com.au, 30 July 2008.

Amazon, and all of the interviewees understood the importance of having a website, although some more than others! In fact, Mary Dalmau, manager of Readers' Feast said her sales hadn't been cannibalised when Borders opened up in the vicinity but she was aware of the detrimental effect on sales of not having the shop's whole inventory available to buy from the website.[9] Mark Rubbo from Readings was of the same opinion; he's worried about losing market share, not to discount department stores who only stock a limited range, or to the chain retailers who he thinks have become homogenised, but to Amazon, especially if they set up in Australia formally.[10]

I don't necessarily agree that there is no place for the high street chains in Australia, especially since even excluding Collins, over 40% of sales go through their tills every year, the biggest slice of the book industry pie. In fact, of all retailers I spoke to, chain retailer Dymocks seemed to be the most forward thinking and proactive, especially with regard to digital and online opportunities. Also, with Angus & Robertson having bought Borders, once they have smoothed out early teething problems with the consolidation, they will command around 25-30% market share, which will make them a very powerful presence. However, like the independents, it is the threat of the online retailers that worries them the most, and all of the main players plan to develop their websites and digital capabilities in the next 12 months, about which I will go into more detail later in the report.

2.2.2 Online and Amazon

Perhaps surprisingly, based on the Nielsen market share figures quoted earlier, it would seem that the bricks and mortar retailers shouldn't be too worried because the retailers operating solely online (mainly Booktopia, The Nile, Fishpond and Seekbooks) are fighting over less than 1% of the market. Jethro Marks at The Nile believes that Australia is around 5 years behind the UK, where online retail is the only channel growing consistently. This could be down to the fact that there is no local Australian Amazon and retailers operating solely online have only just started to establish themselves but it could mean that there is potential for the online book market in Australia to grow rapidly over the next 5 years. This is backed up by Jethro

[9] Mary Dalmau, Manager, Readers' Feast, Interview 13 November 2008.
[10] Mark Rubbo, Manager, Readings, Interview 6 November 2008.

already reporting 600% year on year growth in sales and traffic[11] and Tony Nash at Booktopia also showing a very healthy 139% sales increase.[12]

As I mentioned, there is no physical presence of Amazon in Australia. However, everyone I spoke to recognised that despite this, Amazon is Australia's largest online retailer. Predictions of the level of sales going through Amazon.com and Amazon.co.uk varied from AUS$100 million to AUS$200 million per year, with fluctuations according to exchange rates making both the books and the freight more affordable for Australian consumers. Malcolm Neil suggested that if we were to include these sales, the online share of the market would be more like 6-10% than the 2% he estimated it was without them.[13] There are a number of reasons why Amazon are not operating in Australia, which I will go into later on in the report, but needless to say, even as it is, the local Australian retailers are right to be concerned about Amazon's growing influence and its inevitable impact on consumers' expectations of price, service, availability and range. Furthermore, if the growth curve for online retail in Australia follows that of the UK, any retailer not maximising their online capabilities could be left behind.

2.3 Publishers

Where it is easy to divide the bookselling companies in Australia into high street chain stores, online retailers, independent bookshops and discount department stores, it is harder to categorise Australian publishers as neatly. The majority of the big players have links to a UK or US publisher so would supply those books where they have Australian rights, as well as their own locally published titles and often they also act as distributors for small overseas publishers. The top four publishers in Australia, Penguin, Hachette, Random House and Harper Collins, all fall into this category and all have seen growth year on year. Allen and Unwin is the fifth biggest publisher and is one of three independent Australian publishers in the top ten. (Hardie Grant and Murdoch are the other two.) Again, excluding the Harry Potter effect, (Allen &

[11] Jethro Marks, The Nile, Interview 15 January 2009.
[12] Tony Nash, General Manager, Booktopia, Interview 13 January 2009. (Actual quote – we use Melbourne Cup Day (first Tuesday in November) as a yardstick for performance. In 2007 we had 180 orders on that day and in 2008, we had 480 orders.
[13] Malcolm Neil, CEO, Australian Booksellers' Association, Interview 16 January 2009.

Unwin distribute for Bloomsbury) all these publishers also grew in sales value from 2007 to 2008.

In a similar way to the UK, it is the top ten publishers who account for most of the sales, 73% to be precise, but there are independent publishers, like Spinifex, educational publishers like McGraw Hill and Pearson, and travel publishers like Lonely Planet, who are all poised to steal share in the future by proactively growing their digital business. In fact, several of the top ten publishers are relying on their UK and US counterparts to forge the way forward in the digital world, potentially leaving the path clear for companies like these or Allen & Unwin and Murdoch who do not have the luxury or restrictions (depending on how you look at it) of a larger sister company to drive their digital strategy on their behalf. Pan Macmillan Australia seem to be the exception to this rule amongst the top ten trade publishers, moving forward with its digital strategy much more quickly than the other multinational publishers.

So what is stopping all Australian publishers focussing on digital strategies as a priority? Before I look at individual cases, I think it's important to assess the overall situation with regard to digital opportunities in Australia.

3. The Digital Status Quo in Australia

When I told people that I was going to Australia to research a report on digital publishing and online retailing, a lot of the responses I got were, 'why Australia?' In fact, my interview with Margie Seale, Managing Director of Random House Australia, started with her asking me that exact question.[14] My response was, as it was to all the other people who asked me, that I am interested in why e-readers and e-books have not yet taken off in a country whose population is known for being early adopters of technology and where the 'tyranny of distance'[15] would seem to support the economic, environmental and convenience benefits of digital books.

3.1 A Chicken and Egg Situation?

Malcolm Neil's response to this question was that Australia wasn't in a chicken and egg situation because there's no chicken or egg in Australia yet, in other words, there's no content available, no e-readers and no demand or awareness of digital publishing in any meaningful way.[16] In some ways, I agree with him because the people that I spoke to outside of the book industry had never heard of e-readers or e-books, although they could see potential in them when I explained what they were. In spite of this, Dymocks have sold hundreds of iLiads (the e-reader they have stocked since November 2007) at $1000 each and 20,000 e-books have been downloaded from their website during this time[17]. Given that awareness is so low, this is not insignificant.

3.1.1 The Hardware

On the other hand, this level of sales is not industry shaking by any stretch of the imagination, so what is preventing real sales growth in the digital market in Australia? It could be down to the availability of the e-reader itself. There are four e-readers currently on sale in Australia, produced by iRex (iLiad) and Bookeen (Cybook), all imported by DA Information Services and available through Dymocks as well as through some other retailers on a much smaller scale. But at around $1000 each, the

---

[14] Margie Seale, MD, Random House Australia, Interview 10 December 2008.
[15] 'The Tyranny of Distance: How Distance Shaped Australia's History' by Geoffrey Blainey, Macmillan, 1977.
[16] Malcolm Neil, CEO, Australian Booksellers' Association, Interview 16 January 2009.
[17] Don Grover, CEO, Dymocks, Interview 15 January 2009.

price is so high that even the heaviest book buyers would baulk at it; it's the equivalent of buying over 50 books at the average selling price in Australia of $19.81[18], and that's before paying to download any content![19] With the average person only reading between 2 and 6 books per year, even in a country of committed readers, like Australia, this is clearly an unviable investment for the majority of the population.

However, the situation in other countries and with other types of e-readers is much more favourable. When Sony launched their e-reader at the more reasonable price of £199 (the equivalent of 12 books at the UK average selling price of £16.52) through Waterstone's in the UK last September, they sold 5,000 in the first month and over 30,000 in the key Christmas months of November and December. They sold 75,000 e-book downloads in Christmas week and sold more e-books than physical books via their website on Christmas Day.[20] This is in addition to the 300,000 Sony e-readers sold in the US since its launch in 2006 and the three million e-book downloads during the same time period.

Dymocks' sales figures pale in comparison to these incredible volumes, especially in such a short period of time, and I haven't even mentioned the Amazon Kindle, which according to analysts has sold around 500,000 copies in North America (the only territory where it is currently sold) since its launch in November 2007. Although Amazon does not reveal its sales figures, Kes Nielsen, Director of Books Supply for Amazon.co.uk, did tell me that where a title has an e-book and a physical book available, the e-book version is now selling at a tenth of the rate of the physical book.[21] These figures could have been even higher had they been able to maintain supply of the Kindle, which sold out within hours of its launch. Furthermore, on 9th February 2009, Amazon announced the next generation Kindle 2, at the same price as the original, but with improved screen display, longer battery life, faster page turning and the new application of being able to turn itself into an audio book and read the text out loud. Amazon has also just announced a new iPhone and iTouch Kindle App

[18] Nielsen 2008 Topline Report by Shaun Symonds, General Manager, Bookscan Australia, January 2009.
[19] N.B. Dymocks are now selling a $600 Cybook Gen 3 Reader.
[20] Waterstone's Supplier Conference, January 2009.
[21] Hitwise Intelligence, 2 February 2009.

to enable Kindle books to be downloaded and read on these devices too, which will have a huge impact on the number of people who can access Kindle books.[22] Although revenue is estimated at around US$153 million, which is less than 1% of Amazon's US$19.2 billion sales, analysts believe it is profitable[23], and some estimate that it will grow to 4% of total sales in 2009.[24]

New devices like Fujitsu's FLEPia e-book reader and the Samsung touch-screen Papyrus reader are coming onto the market all of the time but there are also many other ways of accessing and reading digital books. The iPhone/iPod Touch e-reader application, Stanza, has been downloaded by over 575,000 users across 70 countries since July 2008 and averages 40,000 e-book downloads a day.[25] Google has 1.5 million public domain books available on its Book Search service, which in early February 2009, became available as a mobile service so that the scanned books can be accessed on a mobile phone, then in mid March this year, the deal was signed with Sony to make about a third of them available on the Sony e-reader. Author Andy McNab's audio book company, GoSpoken, as well as Barnes & Noble's new Fictionwise arm will shortly be providing an e-book application for the 50 million BlackBerry users worldwide and the Nintendo DS, a popular games console for both older people with its brain training games and for children, can now be turned into an e-reader by using a £17.99 cartridge, which comes ready loaded with 100 classics.

To put this into context, we could compare this early start of the e-book revolution to the transformation of the music industry by Apple. Apple, the producer of the iPod, which has become a world wide phenomenon, sold 378,000 iPods in its first year of operation (2001). In September 2008, the figure stood at 173 million iPods sold.[26] It would not be an exaggeration looking at the figures above to imagine that currently 1 million people either have an e-reader or have an e-reader application on their handheld device. Therefore, if we apply the same level of growth as the iPod, and bearing in mind that there are at present 3 billion handheld devices in the world, we

[22] 'First Look: Amazon Launches Kindle iPhone App', The Digital Content Blog, guardian.co.uk, 4 March 2009.
[23] 'Amazon's Kindle 2: No iPod for Books', by D. Macmillan in BusinessWeek.com, 10 February 2009.
[24] Mark Mahaney, Citigroup analyst, quoted in 'Kindle Economics: Five Reasons to Buy Amazon' by Mark Fidelman, seekingalpha.com, 2 April 2009.
[25] Galley Cat blog, 3 December 2008.
[26] http://en.wikipedia.org/wiki/iPod

could see over 450 million e-readers or e-reader applications in operation by 2015. This may be a glib prediction and there are other elements at play that will be investigated further on in the report, but it would be fair to say that the majority of the devices currently on the market are intermediate technologies or stop gap solutions and that the panacea for the e-book has yet to be discovered. However, based on these figures, it appears that the demand for e-books is there, albeit seemingly not in Australia.

3.1.2 Content Availability

It could simply be down to the fact that there isn't an affordable e-reader in Australia, especially since sales and awareness of e-books have definitely been ignited by the presence of the Kindle and the Sony Reader in the US and UK, but I would dispute this since Australians do have the other stated options to access e-books. In fact, in 2007, it was identified by the Australian Communications and Media Authority that there are more active mobile phones than people in Australia[27] and in the three months after the iPhone was launched in Australia on 11th July 2008, 2.14 million handheld devices were shipped there, of which 125,000 were iPhones[28]. Additionally, it was neither the e-reader nor the handheld device but the laptop that was cited by Cath Godfrey of McGraw Hill as 'the killer app' for e-books, and laptops are readily available in Australia.

So perhaps it is as Don Grover, CEO of Dymocks, commented, that Australian publishers are being very slow in providing digital content hence the offer for Australian consumers is limited. He is seeing the demand for e-books, but is forced to resort to sourcing overseas editions to meet this, which is not ideal because the money is leaving the country and there are many books that are simply not available. Throughout the interviews I held, it was clear that e-books are not at the top of many of the content providers' priority lists, due to the difficulties around rights, royalties, pricing and investment to sales ratios. As an industry, there has been no consensus on format, no real digital aggregator set up, like Overdrive in the UK (ebooks.com are currently acting as one, but as a retailer too, there is some conflict of interest) and little co-operation between the main players to put together a comprehensive offer for

[27] ICT Statistics Newslog, www.itu.int, 29 April 2008.
[28] www.iphoneinaustralia.com, 29 January 2009.

the Australian consumer. The lack of content combined with a less than ideal hardware solution can only be stunting growth.

3.1.3 Technology Infrastructure

It feels like a missed opportunity in a country of heavy readers and technophiles. But there are also other factors at play that feed into the lack of a thriving e-book market in Australia. Logistically, Dan Ruffino, Marketing Director at Penguin Australia stated that one aspect of the situation could be that the technology infrastructure in Australia, especially broadband, is not where it should be. The fastest broadband is currently only available on cable, which is expensive, and download limits hinder the functionality of the iPhone and the internet generally.[29] This would suggest that even if the hardware was right and the content was available, consumers would be faced with frustrating technical difficulties. However, in April 2009, the Australian government announced a joint venture with companies in the private sector to invest up to AUS$43 billion in a project that will extend high speed broadband networks to 90% of Australian homes by 2017. As Prime Minister Kevin Rudd said, this will play a huge role in 'turbo-charging Australia's economic future'[30], allowing Australia to better compete on a digital stage and helping to eliminate this particular stumbling block to the success of digital books.

3.1.3 Cultural Influences

So with this aspect being worked on, could we guarantee the success of e-books in Australia if the other factors fell into place too? I was interested in delving deeper into my earlier findings on the Australian culture and whether this might have an impact on whether e-books take off in a big way regardless of the technical issues. When I spoke to author Garth Nix, he qualified the 'Australians as early adopters of technology' statement by saying that this is only true when the technology is useful and available. He suggested that although e-books would become a significant extra edition in the future, currently there is no pressing need or advantage for them because the book itself is already a great technology: durable, readable and

[29] Dan Ruffino, Marketing Director, Penguin Australia, Interview 6 November 2008.
[30] Kevin Rudd, Australian Prime Minister, quoted in 'Australia to Get Faster Broadband', http://news.bbc.co.uk, 7 April 2009.

transportable.[31] Not only this, but as many of the people I interviewed mentioned, e-readers are not beach friendly! Beach culture is a big part of Australian life, so an inability to deal with sand, sea and long periods without power would be a significant inhibitor to the success of a device.

Bookshops seem to be inherently part of Australian culture and everyday life, being used historically as places to congregate and often being the anchor tenants in shopping centres, for example, Kinokuniya in TGV Sydney (The Galeries Victoria) and Borders in the Jam Factory in Melbourne. Bookshops are thought to turn places into lifestyle and entertainment destinations with a community feel, and it has been known that they've been given rent relief in order to allow them to stay. This ingrained affection for bookshops could help to keep the physical book alive for longer than it might survive in other countries where reading is not given such prominence.

Another aspect of the cultural situation is that there doesn't seem to be the same 24 hour shopping mentality that exists in the UK and the USA. In fact, Gina Collis, Manager of The Avenue Bookshop in Melbourne, said that supermarkets had started up 24 hour opening times, but they have now reverted back to normal opening hours due to a lack of demand for the additional shopping time.[32] The 22% market share of independent bookshops suggests that there is still a demand for a local, personal service as well as the afore-mentioned Australian tendency to give the local a 'fair go' and almost everyone I spoke to within and outside of the book industry felt an emotional attachment to the physical book.

3.2 The Younger Generation

This is my concern. Despite these cultural factors that support the future of the physical book, times are changing quickly, especially for the younger generation. Children are becoming more and more technology savvy, using computers every day at school and at home, and using mobile phones and games consoles from a younger and younger age. The results of a UK Childwise Survey from 2008 that surveyed 1800 5-16 year olds in 92 schools across England, Wales and Scotland throws up

[31] Garth Nix, Author, Interview 14 January 2009.
[32] Gina Collis, Manager, The Avenue Bookshop, Interview 19 November 2008.

some potentially industry-shaking facts. It is important to contextualise these figures as the children surveyed were only in the UK and not Australia, but anecdotally, children in Australia share many similarities with those in the UK and so it is worthwhile considering the impact of these statistics on both countries.

95% of 5-16 year olds have their own computer at home and 56% of them go online every single day. Once online, 31% use social networking sites (up from 19% in 2007), 26% view video clips (up from 5% in 2007) and 31% have their own blog (up from 22% in 2007). 84% of 5-16 year olds have their own games console at home, and the ownership of the Nintendo DS (with its e-reader capabilities) has doubled over the last year, now equalling that of the PS2. 73% of 5-16 year olds have their own phone, including 24% of the youngest group, 5 and 6 year olds.[33] They are all well versed in using all of these devices simultaneously and in multiple ways, not just as word processors, games consoles and phones respectively, but to access the internet, talk to friends, text, take and upload photos, download music, watch TV and movies amongst numerous other uses. As an example, Howard Ralley, Sales & Marketing Director of Lonely Planet in Australia, said that his 4 year old daughter is completely confident on a computer already, flicking between playing a Dora the Explorer game on one screen and watching the band Elbow on YouTube on another.[34]

And in schools, interactive whiteboard technology and banks of computers in classrooms are becoming the norm in both the UK and Australia. I went to see an interactive whiteboard in operation at Sherbourne Primary School in Eltham, Melbourne on 24th November and the children were more than comfortable using the touch sensitive drag and drop functionality and responding to the computer generated voice. It was clearly an early prototype of the technology, since the students had to use a wooden drumstick to reach the top of the board (the developers hadn't considered the height of the children!) and future versions will be able to move up and down electronically but the fact is that children nowadays feel as comfortable with a mouse in their hand as with a book. A recent UK news report also predicts an overhaul in the UK education system, with more emphasis on modern technologies

[33] Childwise, The Monitor Report 2008-9, Children's Media Use and Purchasing.
[34] Howard Ralley, Sales & Marketing Director, Lonely Planet, Interview 18 November 2008.

like Twitter, blogging and podcasting and downplaying traditional books and written texts in favour of more web-based learning.[35]

So, it may be true that there is currently not a huge level of demand for digital books, especially in Australia, but based on the information above, how long will it be before this thriving technologically minded generation want more than a physical book can offer? In my opinion, this time frame is within 10 years and if this is the case, what are the publishers and retailers doing to prepare for this day?

[35] 'Pupils to Study Twitter and Blogs in Primary Schools Shake Up', by Polly Curtis, guardian.co.uk, 25th March 2009.

4. Survival of the Fittest

In order to answer this question, I thought it would be worthwhile looking at what the current industry stakeholders in Australia are planning and how they view the future. I will divide this section into different publishers and retailers' views on the potential size of the digital and online market, their plans for the future as well as opinions on pricing and royalties.

4.1 Publishers

Up until September 2008, according to Genevieve Shore, Global Digital Director for Penguin, less than 1% of UK trade book sales came from e-books[36], and it is likely that an even smaller percentage applies in Australia. Predictions for the future are always difficult, but according to most people that I spoke to, despite significant growth in the e-book market (up fivefold since 2007 according to Ms Shore), it is from a very low base, so for e-books to still only be worth 5% of total revenue by 2010 and 10% by 2020 would seem to be a reasonable estimation. However, in the 5 months since I started my research, there has been exponential growth in the number of articles and reports published on the subject, new devices on sale, new providers operating and ultimately, albeit not in Australia yet, in sales of e-books and e-readers. Additionally, 40% of people at the Frankfurt Book Fair in 2008 believed that e-content would take over physical content by 2018.[37] With this in mind, are publishers underestimating the size of the prize?

4.1.1 The Multinational Publishers' View

It wouldn't be unreasonable to assume that the large multinational publishers would be ahead of the game with regard to digital innovations due to their connections with American and British sister companies who often have more money to invest in research and development. Harper Collins Australia is an interesting example, because on the one hand, it is happy to let its US counterparts take the lead on digital issues, using their resources to convert files, add DRM (digital rights management to prevent file sharing) and develop systems and processes, but on the other hand, the US arm's policy of holding global digital rights for all US acquired books rather than

[36] Genevieve Shore, Global Digital Director, Penguin Group, Interview 4 September 2008.
[37] 'The Future – Digital for a Few Years at Least', by Liz Thomson, BookBrunch, 16th October 2008.

splitting territories as is the case with physical books rights sales, may cause issues when digital sales do take off in other territories. The Acting CEO, Jim Demetriou, believes that the tipping point for e-books in Australia hasn't happened yet because reasonably priced, convenient and high quality devices and e-content are not yet available in the market. He stated that Harper Collins Australia will have e-editions for all its new books in the next 12 months but that without a compelling device, there's no great rush.[38]

Random House Australia is also positioning itself for the future but like many other publishing companies, is finding it a complicated process. As Managing Director Margie Seale notes, 'how to obtain and manage the rights, sell the books and establish new customer relationships in this brand new world are challenging prospects', which she felt were even more difficult since so few e-book devices are available in Australia. For Random House Australia as well as all other publishers, working within the digital rights world now – and setting precedents in doing so – without being able to predict the outcome is understandably a daunting prospect. As with Harper Collins Australia, Random House Australia is drawing on its sister companies' experience to assist in this situation and to avoid potential pitfalls.[39]

Hachette Australia are of the same opinion; they are in the process of digitising their local lists but e-books are worth less than 0.1% of the market to them and they can't see them being worth more than 5% in the next 5 years. They also believe in the concept of a tipping point, which they stated would be when e-books are worth 20-25% of the market, and this may mean they would cannibalise physical book sales rather than being incremental sales. At this point, which in their opinion is a way off in the future, many books would not be able to be published at all, or they'd have to increase in price, making them luxury items and further propelling the e-book market.[40]

[38] Jim Demetriou, Acting CEO and Marketing Director, Harper Collins Australia, Interview 16 December 2008.
[39] Margie Seale, MD, Random House Australia, Interview 10 December 2008.
[40] Malcolm Edwards, Managing Director and Matt Richell, Hachette Australia, Interview 3 December 2008.

This is a worrying situation for me, since although I understand the difficulties around precedent setting and rights/royalties issues, there is a potential threat that the US or UK sister companies or even external companies like Google, Apple or Amazon could take the initiative away from the Australian companies and start to control the market. By this I mean that it would not be unrealistic to imagine that multinational publishers would produce global e-editions of books rather than local versions, massively limiting the Australian arms' sales potential, or for Google to become the Australian consumer's default source for older titles, with their consequent cut of the profits, rather than an Australian source.

Apple may not be properly in the game yet, apart from their Stanza app, but their new relationship with Amazon to offer Kindle books on the iPhone and iPod Touch is a huge threat to Australian arms of multinationals as well as Australian retailers of e-books. This is not only because both companies have established themselves as trusted, high profile providers of digital content and could become the first thought for anyone wanting to buy e-books, anywhere in the world, but also because it eliminates the issue of non-existent hardware in Australia, because the iPhone and iPod Touch are well and truly established there. With this in mind, I think there is a real need for urgency to agree areas of responsibility within the group companies, improve content availability and help to develop Australian content aggregators as competitors to the big three noted above.

There are some multinational publishers who are pushing forward more aggressively on this front though, for example, Pan Macmillan and Penguin. Pan Macmillan Australia have appointed Victoria Nash as their digital strategy manager and despite being part of the global Macmillan company, they have been given the freedom to develop locally, which has meant they have been much more able to embrace digital opportunities, especially in their education business, where Victoria recognised the added value that digital interactivity could bring. She was very much of the opinion that even if e-books are not yet setting Australia alight, that it was important to do something to prepare for the future, by experimenting locally but also piggy backing on the international business' activity as well as sharing ideas with other publishers to encourage cross-pollination.[41] I agree with this stance, but did not see any evidence to suggest that the industry was working together yet. It may be that there are more obstacles than I am aware of having only spent a short period of time researching the subject and of course, since it is a global issue, not just specifically Australian, it is all the more difficult, but I believe the publishers who are proactive in this arena are the ones who will be more able to profit from it.

Penguin is being particularly active with regards a digital future, employing a Global Digital Director as well as creating several other positions within group companies with a solely digital focus. Since I was based at the Penguin offices during my trip, I was able to interview a number of Penguin Australia staff rather than getting the views of just one representative, giving me more of an understanding of how different departments view the future. CEO Gabrielle Coyne is of the opinion that digital sales will represent 10% of overall sales in 10 years' time[42], whereas Publishing Director, Bob Sessions thought that in his lifetime, e-book sales would be no more than 5% of total book sales, believing that an e-book is just another edition of the book and that the physicality of the paper book is part of its appeal, as an artefact and as a gift.[43] In my interview with Peter Blake, Sales Director and David Pithouse, Customer Systems Manager, they told me that Penguin Australia is following the UK's lead by digitising frontlist titles as they go and working through the task of digitising the backlist, but there is a sense that investment is being made whilst still trying to work out how to maximise resultant revenue.[44]

4.1.2 The Independent Australian Publishers' View

I can understand this feeling due to the current level of sales of e-books and digital content, but given the figures I've already quoted on the potential size of the market and the new developments happening daily, I think the investment is worthwhile as long as it is focussed in the right way. This low sales to investment ratio is clearly a worry for all parts of the industry though, as it proved to be a repetitive theme in the interviews I held, including one with literary agent Jenny Darling who mentioned that

[41] Victoria Nash, Digital Strategy Manager, Pan Macmillan Australia, Interview 12 January 2009.
[42] Gabrielle Coyne, CEO, Penguin Australia, Interview 29 October 2008.
[43] Bob Sessions, Publishing Director, Penguin Australia, Interview 5 November 2008.
[44] Peter Blake, Sales Director and David Pithouse, Customer Systems Manager, Interview 6 November 2008.

most publishers were now asking for e-book rights but that she'd yet to see a royalty statement worth much.[45] Looking at UK examples, this is likely to change significantly when all the factors are in place for e-books to take off in Australia, and in my opinion, agents need to be very aware of the importance of digital rights for their authors, negotiating carefully to ensure they are best placed to benefit in a digital world, where more and more, the price a consumer is willing to pay for content, is low or even nothing at all.

Tim Coronel, Publisher of the Bookseller+Publisher magazine, is increasingly concerned that much of the Australian book industry is lagging behind in a digital sense, reiterating that many Australian publishers (in particular the local branches of the multinationals) are playing a waiting game because they feel that digital publishing is not yet worth the return on investment and because they have concerns about rights and royalty issues, but he felt that there is good evidence that there will be incremental sales of print editions of books where an e-book is available because it would be easier to 'try before you buy'.[46]

This is certainly the experience of independent publisher, Spinifex, who in 2006 made the decision to only publish in digital formats. Publisher, Susan Hawthorne, found that as a small independent, it was proving difficult to get her books into booksellers but that by having the books accessible in electronic formats, and allowing parts of the books to be previewed, online sales of the physical format actually increased. I was impressed by how forward-thinking this particular publisher is because although there seemed to be a lack of understanding of the technical details, the company is not afraid to experiment with new ways of working, including offering a subscription service, where customers can pay for access to a book for a certain time period at a cheaper rate than purchasing the book in the normal way and using a service called Compile where customers can create their own poetry collections by collating certain parts of different books.[47] Several publishers are experimenting with this in the UK (and Lonely Planet in Australia) and it could help to create new revenue streams by offering bespoke content, serialisation options and ways to enjoy digital books

[45] Jenny Darling, Literary Agent, Interview 25 November 2008.
[46] Tim Coronel, Publisher, Bookseller and Publisher Magazine, Interview 7 November 2008.
[47] Susan Hawthorne, Publisher, Spinifex Press, Interview 11 November 2008.

without having to pay full whack to keep something that you may only want to read once.

Juliet Rogers, CEO of Murdoch Books and outgoing President of the APA, cannot see this strategy working for her business since so many of the books Murdoch publish are highly illustrated and design led, meaning that they wouldn't translate well as e-books or as print on demand editions. However, as she is heavily involved in the industry as a whole, she is aware of the importance to prepare for the future and is another supporter of publishers and retailers working more closely together to share information and to agree industry standards. In her opinion the focus needs to be on making the right content as accessible as possible for the future, identifying what people want to read and how they want to read it, rather than getting caught up in the technical details of the hardware and software.[48]

This need for sharing information and better communication within the industry is also key for Lucy Byrne and Nicola Evans at the Literature Board of the Australia Council and by Maree McCaskill and Dee Read at the APA, who are heavily involved in setting up seminars and workshops for small and medium publishers to help them to make the most of digital opportunities. They firmly believe that small and medium publishers could actually lead the field in digital publishing since it offers up opportunities to bypass the currently expensive supply chain for physical books and to capitalise on more direct routes to consumers.[49] The Literature Board of the Australia Council also work closely with authors, who in this world of free digital information, potentially need to find other ways of making money, including writing for less obvious platforms like computer games and TV channels.[50] This diversification is a sensible idea since it is inevitable that there will be less money to be made overall with the consumer's price expectation for digital content.

Two of the other most proactive independent Australian publishers in the digital arena are Allen & Unwin and Lonely Planet, both of whom are focussing significant resources on digital opportunities. Albeit much larger than Spinifex, Allen & Unwin

[48] Juliet Rogers, CEO, Murdoch Books, Interview 19 December 2008.
[49] Maree McCaskill, CEO and Dee Read, Professional Development & Training Manager, APA, Interview 18 December 2008.
[50] Lucy Byrne and Nicola Evans, Literature Board, Australian Council, Interview 9 December 2009.

do not have the same economies of scale and critical mass as the large multinationals. However, according to Elizabeth Weiss, Publisher and digital expert at Allen & Unwin, this independence can give them more freedom to experiment. She commented that 'the market expects instant access to the total range of books available in the English speaking world' and that e-books are a way of making books available in territories where they don't have traditional on-the-ground distribution. She has found that digital services can also provide opportunities for Australian publishers to give their books a better chance of finding readers in international markets. For example, when UK retailer Blackwells.co.uk stocks an Allen & Unwin title, online customers can also access a sample of the text using Google Preview (similar to Amazon's Search Inside the Book) which is likely to improve incremental sales.[51]

Lonely Planet believes that a fundamental shift for publishing needs to happen in this 'Google world' where the current best speed to market is no longer fast enough. They see themselves as a travel content provider, rather than a book publisher per se, which seems to have freed them from any emotional attachment to the physical book and allows them to consider what the traveller wants in the first instance. Sales and Marketing Director, Howard Ralley told me that 'the death of the book is grossly exaggerated' but that the key aim was to have online, digital and physical books working together to give the traveller the best, most up-to-date and useful information possible in the most appropriate format at any one time. With this in mind, they are experimenting with mobile phone content, live evolving city guides which can read aloud foreign phrases and be edited based on the consumer's own experiences, an online 'Pick&Mix' application, where the consumer can pull together a unique guide by buying chapter by chapter, print on demand opportunities, including making certain books solely available through this route to market, GPS- driven (Global Positioning System) travel recommendations and an online live travel forum called Thorntree, where travellers can share information. At the same time, they are also looking at their traditional book publishing and adapting it to an audience whose first instinct is now to go online to do initial travel research before investing in a book.[52]

[51] Elizabeth Weiss, Publisher, Allen & Unwin, Interview 8 December 2008.
[52] Howard Ralley, Sales & Marketing Director, Lonely Planet, Interview 18 November 2008.

For me, this creative approach to content selling, and putting the consumer's needs first will be key in a world where participation, interactivity and networking are driving purchasing decisions. This consumer focus also resonates with the Executive Chairman of DA Information Services, Richard Siegersma. As stated previously, his company is the exclusive provider of e-readers to Australia and is also responsible for bringing in the Espresso Print on Demand machine, used by Angus & Robertson's flagship store in Melbourne and in Melbourne University. He believes that the book supply chain should be much more demand driven, and that the industry needs to cater to the 'now generation' who are used to being able to get free information immediately online. His challenge to book publishers and retailers is for them to offer a 'better than free' service and to be more experimental in order to give consumers choice in terms of how they want to read.[53]

4.1.3 The Educational Publishers' View

The educational publishers I met were certainly rising to this challenge more quickly than most of the trade publishers, strategising for the future in more radical and experimental ways, admittedly because their sector, along with travel books, is already being affected by digital developments. Steve Carey, Director of Bloom Partners, an Australian publishing consultancy company, suggested the demand for physical textbooks is at best stagnant and may indeed be falling due to their high price points and weight, increasing the appeal of digital versions, which could be downloaded alongside videos of lectures onto a handheld device. He also noted that academic journals are now almost exclusively available electronically and that printed dictionaries, encyclopaedias and other reference resources are fast losing their usefulness as online versions can be searched much more effectively.[54]

However, Kevin Ormsby, Publishing Manager at RMIT Publishing, is capitalising on this trend, providing digital content, including journals and books, for university, government and TAFE (Further Education) libraries on a subscription basis, which actually means that the journal providers are getting more income than ever before as royalties are paid based on the subscription terms and on the number of hits each

[53] Richard Siegersma, Executive Chairman, DA Information Services Pty Ltd, Interview 18 November 2008.
[54] Steve Carey, Director, Bloom Partners, Interview 7 November 2008.

piece of material receives. RMIT paid $2.2 million in royalties in 2007 and the fact that they are continuing to develop the type of information they are making available, including access to all free to air television news articles, can only be positive for providers of this kind of content.[55]

Overall, most of the educational publishers I met were seeing this situation as an opportunity rather than a threat. Murray St Leger and Cath Godfrey at McGraw Hill were particularly positive about the future. They were interested in Carey's claim that physical textbook sales are now declining, feeling that they would not disappear but that the opportunity for migration of content to other media could provide more interactive learning tools for students, which could be used independently or alongside traditional paper based materials. They felt that e-readers were not necessarily going to be the catalyst to stimulate the sector to go totally digital, since they identified a mismatch between the functionality of an e-reader and the richness of the digital content available. For them, the opportunity lies in being able to deliver quality content to students and lecturers in pedagogically rich ways to enhance their learning and teaching experiences.[56]

David O'Brien and Paul Petrulis of Cengage were not as excited about the move to digital due to their fear that money is harder to make because consumers expect to pay less for digital content than physical content, but the investment in acquiring, developing and testing remains. They were also concerned that the research into layout, graph placement, fonts and other educationally important aspects could be lost once the content is transferred to an electronic device and that especially in Australian schools, the technology would not be available everywhere, preventing a level playing field for all children. They felt that in this case, it would be better to focus on providing content for relatively inexpensive interactive whiteboards, as DK Eyewitness have done in partnership with Promethean in the UK and US, recognising the benefits of technology to help tutoring and assessment and to offer automatic and immediate feedback to improve knowledge and learning. They saw this aspect as key in higher education as well, where the restrictions that the schools market faces in

[55] Kevin Ormsby, Publishing Manager, RMIT Publishing, Interview 25 November 2008.
[56] Murray St Leger, Managing Director, McGraw Hill and President of the APA and Cath Godfrey, Digital Solutions Manager, McGraw Hill, Interview 17 December 2008.

terms of government requirements and community expectations are not so much of a consideration.[57]

David Barnett, CEO of Pearson Education Australia, also said that e-books may not be where the digital future for educational publishing lies. A major focus for him is the Mylab programme, which is a personalised learning system, offering bespoke tests to figure out the stage the student is currently at and then creating further questions and exercises to get them to where they need to be. Pearson Australia, like McGraw Hill and Cengage, is also heavily involved in custom publishing for universities, creating both physical and digital books exclusively for individual courses. David emphasised the importance of educational publishers as value adders, finding content, developing it, testing it, reviewing it and putting it through student focus groups, elements which are often not recognised, but which are essential to their main objective of student success. This work is vital whether the final product is in a physical or digital form, so in his opinion, the future of educational publishers is looking solid.[58]

In my opinion, these non trade publishers seem to be in a better place than the trade publishers because they are seeing their content, as just that, content. They are much more open to the idea of providing this content in a digital form, or in any form that the consumer may want because they are not as tied to the book as a physical object. This seems to be the stumbling block for many of the traditional book publishers who are finding it difficult to separate the historical publishing process from rapidly changing consumer demands.

4.2 Retailers

Retailers are also going to have to think differently about how they fulfil their customers' needs if they are to survive the digital revolution. Bricks and mortar retailers will have to recognise that their future is not so secure, since if demand for digital books and content ends up outstripping that of physical books, their place in the supply chain may be at risk. As I discussed at the beginning of this report, most of

[57] David O'Brien, General Manager Schools Division and Paul Petrulis, General Manager Higher Education, Cengage Learning, Interview 20 November 2008.
[58] David Barnett, CEO, Pearson Education Australia, Interview 18 December 2008.

the independent booksellers I spoke to had concerns about how they could compete, not only with e-books themselves, but also with what they saw as the might of Amazon. Many of them were finding it easier to focus on their websites than becoming e-book providers, despite recognising the opportunity in this area, since on the whole, they felt that their technical capabilities would be too limited.

4.2.1 The Independent Australian Retailers' View

For example, Mark Rubbo of Readings in Melbourne told me that sales through his newly redesigned website now made up 3% of total sales and that he was focussing a lot of resource on managing it on a daily basis with the aim of doubling those sales by next year. However, in consolidating the supply of online orders through his Lygon Street store, he understands that he'll never be able to compete on the same stage as Amazon.[59]

Barbara Horgan, Manager of Shearer's Bookshops also makes her store's website a priority, updating it daily with all major newspaper reviews, all books featured on national radio and offering a service to schools where teachers can order via an account with a personal identification number rather than having to use their own credit card. This has resulted in sales through this channel hitting between 5 and 10% of total sales, with orders being fulfilled by a third party, Seekbooks, rather than through the store. Barbara sees e-books as a significant part of the future of the book industry, and is speaking to publishers this year about how they can be a part of this but believes that technology needs to evolve to instigate a digital revolution.[60]

Many booksellers are not even at this stage though, being unable to offer their entire inventory online due to the expense and resource required. Readers' Feast only offer their Book Guide books, which amount to 180 new books four times a year. The Avenue Bookshop launched their website in early 2008 and highlight specific books rather than making their whole catalogue available. Gleebooks use their website more to deal with specialist markets than the general public, but manager David Gaunt

[59] Mark Rubbo, Manager, Readings, Interview 6 November 2008.
[60] Barbara Horgan, Manager, Shearer's Bookshop, Interview 18 December 2008.

pointed out that although they've gained website business, it is actually replacing sales that used to come via telephone or mail.[61]

Steve Jones, General Manager of Kinokuniya in Sydney also recognises that his store's online presence is not great, with website sales amounting to only 1% of total sales but he believes that there is a lot of scope to grow in this area especially because Australians are some of the biggest users in the world for online content. In his opinion, e-books will not be a massive focus until 50% of the population had an e-reader. He did say that print on demand was an interesting opportunity, but again, in his mind, the technology is nowhere near sophisticated enough to fulfil his requirements for this functionality, which would include customers being able to personalise their own jackets.[62] Abbey's Bookshop agrees with this stance, believing that book lovers love books not technology. They do offer their full stock-list through their transactional website and are setting up a new website shortly but they do not intend to sell e-books.[63]

Like most of these retailers, Better Read than Dead's website is more like a communication and promotional tool than serious competition for Amazon. On the e-books side of things, manager Derek Dryden is very worried that publishers are going to cut retailers out of the chain when it comes to digitisation and thinks that the fact that they are already selling directly to consumers from their own websites is a frightening insight into the future.[64]

This is definitely a growing concern for university campus booksellers as well, especially since educational publishers are forging ahead much more quickly than their trade counterparts with digital content and some also are selling physical and digital books from their own websites. However, Kristin Gill, General Manager of Education Sales and Children's Marketing for Penguin Australia told me that at an Australian Campus Booksellers' Association Meeting, the message was clear that e-books were not a priority because in their opinion, children are not downloading

[61] David Gaunt, Manager, Gleebooks, Interview 9 January 2009.
[62] Steve Jones, General Manager, Kinokuniya, Interview 5 December 2008.
[63] Jack Winning and Adrian Hardingham, Abbey's Bookshop, Interview 5 December 2008.
[64] Derek Dryden and Karen Ferris, Better Read than Dead, Interview 16 December 2008.

material regularly and that e-books are currently not affordable or accessible.[65] I agree with her that this is a very blinkered view and having spoken to Faye Sutherland, former Unwin Fellow and Manager of the University Co-operative Bookshop at Macquarie University, it became clear that not all university booksellers feel the same way. Faye noted that the 2008 intake of students would probably be one of the first generations to have been brought up digitally and with that in mind, she is working to improve the store's online presence and site usability, especially in the knowledge that she is competing with Amazon who had a 33% market share of academic books to Australian consumers in the 2007/8 Back to University season.

She noted that in periods of economic downturn as we are currently experiencing, university enrolments increase, especially in postgraduate courses in economics, business, finance and law, which are areas where e-books are likely to become more important more quickly. She has seen publishers react to this, using a stop-gap solution of bundling the physical textbook with an e-book, which they are currently selling in store. However, her store does not yet have the capability to sell e-books individually and Faye hopes that educational publishers will not bypass them, but will continue to see them as content aggregators as they are now with physical books. In the meantime though, she is having to accept the decline in sales of dictionaries and non fiction reference, and possibly physical textbooks in the not too distant future, and is introducing new product lines like notebooks, gifts and fiction books to fill the gap.[66]

This general focus on store websites rather than e-books is not a stance that Chris Burgess, General Manager of Leading Edge Books, a buying group for independent booksellers, would encourage his 185 members to take. He failed to see why a consumer would go online to their local bookseller, when they're exactly that, local! He believes that rather than each individual store having their own individual website, it would be better for them to take advantage of the website service Leading Edge offers to independents, where they provide base functionality, support and marketing as well as sending out individually branded e-newsletters so that more of their time can be freed up to focus on other areas. Chris is advising independent booksellers to

[65] Kristin Gill, General Manager, Education Sales, Penguin Australia, Interview 10 November 2008.
[66] Faye Sutherland, Manager, University Co-operative Bookshop Ltd, Interview 14 January 2009.

bypass trying to sell physical books online in the face of brand goliath Amazon, and to put their energy into how to be a part of the supply chain for e-books.[67]

This seems like a very sensible approach, but from my research, not one that any of the independent booksellers are taking, apart from Shearer's who are hoping to find partners in this area in 2009. With notable exceptions, most people I interviewed seemed to be resigned to the fact that they would not be able to cope with the technical side of selling e-books or digital content. I think this is a defeatist attitude and believe that there are opportunities for them to be much more proactive in this arena, using third parties or white labelling in the short term so as not to realise their fear of being left behind. They are used to doing this when it comes to their websites (Leading Edge and Seekbooks being key examples of providing the service behind the façade of the individual retailer's brand name) so why not e-books? Admittedly, there is little choice for partnering, with ebooks.com the only real option for Australian retailers, but with enough demand, it would be an attractive proposition for a new digital wholesaler to set up in Australia, without the scale issues that a physical book wholesaler would face.

4.2.2 The Online Retailers' View

There are companies in Australia like Booktopia and The Nile (I am not going to touch on Fishpond since they are based in New Zealand and so are not an Australian company) who, by operating solely online, are more able to compete with Amazon, although with 65% of Australian traffic going through their site according to Hitwise[68], it is definitely an uphill struggle even for them. They are both seeing incredible growth though, as I mentioned previously, with Tony Nash, General Manager of Booktopia, seeing sales double year on year and Jethro Marks, Director of Mercury Retail, the holding company of The Nile, quoting 600% year on year growth in sales and traffic, albeit from a lower base.

Both companies have struggled to get suppliers' support and from my interviews with several of the larger publishers, it was apparent that online retail is not seen as big

[67] Chris Burgess, General Manager, Leading Edge Books, Interview 16 December 2008. (Now replaced by Jayne Wasmuth)
[68] www.hitwise.com.au

business, especially since Amazon, a retailer Australian publishers do not trade with, is by far the biggest online bookseller in Australia. Both The Nile and Booktopia are currently small players in the market, operating out of small offices and working hard to prove themselves, but with figures like 14,000 unique customers per day[69], there is beginning to be a change in the public and publisher perception of them. They will still be at a disadvantage without a centralised wholesaler and because they have to pay GST, two major reasons for Amazon being absent from Australia in a physical sense.

Booktopia tends to focus on heavily discounted titles on their front page, whereas The Nile is more committed to highlighting unusual yet interesting titles. Both have around 2 million books available, aiming to sell the Australian edition in the first instance but reverting to a foreign edition through an overseas wholesaler if necessary. This decision to focus on the long tail is foolish according to Shaun Symonds of Bookscan Australia who believes in the power of the short fat body, highlighting the fact that 50% of Australian book sales last year came from only 1% of the 427,000 ISBNs selling in the market and that 90% of sales come from 13% of these titles.[70]

However, this has to be taken in the context of the fact that the current book supply chain in Australia, and also in the UK, is massively geared towards the bestseller, with publishers' business models working by selling in huge subscriptions of big titles on a sale or return basis, and retailers (except perhaps the independents) giving over the majority of their in store space to blockbusters to fight for market share. Since these two online retailers are able to offer this level of title availability they are more able to compete with Amazon, when they are finding it hard to match their other competitive advantages of price, brand power, lead times and recommendation algorithms. Additionally, the opportunity with e-books is that this level of title choice will multiply hugely and with the savings on storage, promotion and above all distribution, the few hundred sales of 'long tail' titles will suddenly become profitable and may start to rock Shaun's theory of the dominance of the short fat body.

---

[69] Tony Nash, General Manager, Booktopia, Interview 13 January 2009.
[70] Shaun Symonds, General Manager, Bookscan Australia, Interview 12 January 2009.

However, unlike Amazon, neither of them were seeing this opportunity for e-books or print on demand as part of their strategy in the near future with Tony suggesting that the baby boomer generation with its longer life span would extend the life of the physical book especially when e-books are still facing issues to do with battery life, connectivity and cost. He did predict a future scenario where the customer would get an e-reader for free by signing up to buy a certain number of books, like combining a mobile phone contract with a book club but his attention was more directed to building up his online book business. Again, this seems to be a missed opportunity because without attempting to compete with Amazon on these areas too, their exceptional growth figures could soon be stopped in their tracks.

4.2.2.1 Amazon

Anecdotally, many people I spoke with thought that Amazon had looked into setting up in Australia but that they had come up against obstacles making it a less attractive proposition than other territories. For example, the size of the country compared to the size of the population means that somewhere like India would likely be a much higher priority due to the greater scale of the opportunity. (India has a population of 1 billion people living in 2.9 million square kilometres, Australia has 20 million in 7.7 million square kilometres[71]) Moreover, with no national wholesaler, GST to contend with and the population spread around the coasts, it would be a logistical nightmare that may not be worth contemplating, at least in the near future, since Australian consumers already buy from their sites in large numbers without a local presence.

However, in February this year, an Amazon spokesperson confirmed that they had ambitions sell the Kindle internationally, even in territories without a local site, albeit without being drawn on timelines for roll out.[72] Kes Nielsen, Director of Books Supply for Amazon.co.uk neither confirmed nor denied this but mentioned that it would not be impossible to sell Kindle books internationally even without the actual Kindle hardware being available, due to the new relationship with the Apple iPod Touch and iPhone. Although this would throw up issues around territorial copyright, Kes stated that Amazon's stance is always to respect territorial copyright whether for

[71] www.mongabay.com/igapo/world_statistics_by_area.htm
[72] 'UK Publishers Look at Digital Alternatives as Kindle Launch Suffers Delays', Luan Goldie, newmediaage (www.nma.co.uk), 19 February 2009.

physical or digital books. There would seem to me to be a big opportunity for the Kindle and Kindle books in Australia since as a country, it is quite self contained and there is limited commuting over borders (the major reason for not being able to set up in Europe due to the number of service providers who would need to be on board). Kes also extolled the virtues of true print on demand, as opposed to short run digital printing, not to extend the long tail by bringing out of print books to life, but by being able to manage availability on titles with volatile demand, like those where external events have created sales spikes. With this functionality, they could also exploit the export market more efficiently by printing on demand at source rather than shipping a title around the world. His vision is that the world's catalogue of books would be available on demand, sending choice through the roof.[73]

As a consumer, this is a very exciting proposition, but for publishers, it could be quite worrying, because on top of Amazon's dominance in the online and digital field, it would mean trusting them with the control over the supply chain and giving them the power to decide to print on demand rather than reordering the physical books. It is clear that Amazon have positioned themselves as the one stop shop for books online, whether in a printed or digital format, and with their brand presence and profile, they are already a power to contend with. It is important therefore, for online retailers, and bricks and mortar retailers to identify the areas that they can competently compete on, especially e-books, and for publishers to actively support alternative outlets to maintain a sense of control to enable the industry to evolve in a balanced way.

4.2.3 The Chain Retailers' View

Looking at how the Australian independents are dealing with a digital future, it appears their high market share may be in jeopardy since the chain retailers alongside Amazon are the ones who are really making inroads into the world of e-books, online sales and print on demand functionality for Australian consumers, whereas many of the independent retailers are currently shying away from them.

And it is these technologies that the two biggest chain retailers in Australia are embracing as key to their future strategy. Dymocks was the first bookseller in the

[73] Kes Nielsen, Director of Books Supply, Amazon.co.uk, Interview 8 January 2009.

world to go on sale with a range of e-readers and has dedicated space in store to digital kiosks where customers can download e-books straight onto their e-reader or memory stick. Angus & Robertson's flagship Melbourne store hosts an Espresso Print on Demand machine, the first of what they hope will be 50 more of the machines across the estate. Angus & Robertson also bought the Australian and New Zealand arms of formerly US owned Borders in June 2008, and although the Borders website currently is not transactional and does not yet show the entire inventory, they are being very innovative online in other ways, for example hosting James Patterson's 'crowdwritten' book, Airborne, which is being release on a chapter per day basis.[74]

According to all the chain retailers I spoke to, publishers are underestimating customer demand for digital technology in the field of books. As stated previously, Don Grover, CEO of Dymocks, told me that they had sold hundreds of iLiads and there had been 20,000 e-book downloads through their website in the last year. On a similar note, James Webber, Corporate Services Managing Director of Red Group Retail, which includes Angus & Robertson and Borders, said that they were very happy with the number of titles that had been printed on demand on the Espresso machine.[75] But both believe that these sales could have been a lot higher had they had the content from the publishers to satisfy customer demand.

It was clear to me that there was a mismatch between the ambition of the chain retailers and the caution of the publishers with regard to selling content digitally. More than one publisher, as well as other retailers, said that they thought the Espresso machine was a 'joke', with limitations on capacity, content and space required to house the rather large equipment. I can understand this cynicism, especially with regard to it taking up valuable retail space without the realistic level of sales to see a return on investment in the near future. When I went to see it in operation in Melbourne, the staff found it difficult to operate and mentioned that they had struggled with technical difficulties and the titles available were less than compelling. However, James Webber feels that the technology will continue to improve and that the main thing is to be proactive with regard these developments in order to better understand their commercial viability for future roll outs. Now that they have

---

[74] http://www.borders.com.au/chain%2Dthriller/home.asp
[75] James Webber, Corporate Services MD, Red Group Retail, Interview 19 December 2008.

acquired Borders, they may decide that whilst currently sitting in the Angus and Robertson flagship store in Melbourne, it could end up being an innovation that fits better with the Borders philosophy of offering the 'biggest, best and deepest range', which could become limitless with a print on demand machine. Either way, James felt there was value to be had from remaining close to such technology developments, a strategy that literary agent, Fiona Inglis of Curtis, Brown understands; her company did the deal on the first book printed on the Espresso machine, the 1970 Miles Franklin award winner, A Horse of Air by Dal Stivens.[76] This book had been out of print for 20 years, as are most of the books available on the Espresso machine due to a lack of availability of content. It is therefore understandable that critics view the potential of such an offering as limited but as content providers, it seems unfair for them to judge in this way as they are the ones who could make the enterprise a success, were they to find a safe way of providing intellectual property to drive profitable incremental sales.

Don emphasised this point by saying that despite publishers' doubts that there is demand for digital product, customers are interested and are becoming more interested with each generational shift. He believes that the publishers don't understand the customer's perspective and that until they offer their support to implement a digital strategy properly, they will never have the proof that there is the real demand they want to see. This refers back to the chicken and egg situation I mentioned earlier. Don stated categorically that he doesn't want to pave the way for the decline of physical books; in fact, he thinks that the maximum level of digital sales as a percentage of total sales is 15% because in his research, the tactile experience of the book is critical.[77] He is fighting against publishers who are turning their noses up at the in-store kiosks, who note that the space they occupy in store has significantly declined since the project launched. This however, was always the plan according to Dymocks' Web Manager, Luke Durante, who conceded that although very few customers were using the in-store kiosks to download e-books, they were a physical manifestation of something that many people find difficult to comprehend.[78]

[76] Fiona Brown, Literary Agent, Curtis, Brown, Interview 17 December 2008.
[77] Don Grover, CEO, Dymocks, Interview 15 January 2009.
[78] Luke Durante, Web Manager, Dymocks, Interview 5 December 2008.

Many publishers and agents are proceeding with caution and are wary about freely providing retailers with digital content because they are afraid of making this intellectual property available in what they feel is an insecure and limitless digital world, potentially threatening their ability to make money.[79] A lot of them are relying on DRM (Digital Rights Management), which prevents someone buying an e-book from being able to copy or share the file, essentially meaning that they don't really own it. This is confusing for customers according to Luke, because having shelled out for currently expensive e-books, they expect to be able to cut and paste content, share them with other people and also to access their books on different devices. A few American publishers, like Pan Macmillan, have now removed DRM, feeling that it was penalising genuine buyers and that it would only encourage piracy, as we have seen in the music industry. In fact, in the music industry, iTunes and the Amazon MP3 store are now DRM free and it seems unlikely that it can remain as a long term solution for the book industry either.

Don Grover was aware of this concern and when I spoke to him, he was just about to announce a partnership with DNAML, a forward thinking Australian e-book company who not only offer their own DNL security device but also an enriched digital reading experience by enabling embedded sound, video, music and games within an e-book.[80] He has now got most publishers to provide him with content and he intends to sell pre-loaded USB sticks that will allow a customer to choose from numerous books, some of which will have been paid for as part of the cost of the USB stick, but additional titles, advertised by a preview of the first chapter, would also be available by clicking through to a payment portal. Customers are then able to forward the link to their e-books to other people, with the first chapter available for free but the rest of the book accessible through the payment portal. For him, this technology will help him to achieve his end game of being able to offer his customers access to all 6.5 million English language books in print and he believes that by offering enhanced content like music videos and games within an e-book, people would be prepared to pay a premium for the product. From my experience, this is the most exciting vision of the future that I heard whilst researching my project. His hope to be able to run a seamlessly integrated, well executed multi channel retailer encompassing bricks and

[79] According to Cengage Publishing, 20% of Australia's GDP comes from copyrights.
[80] www.dnaml.com

mortar, online, e-books and a loyalty scheme that operated across all areas, seems to me to be well on the way to satisfying the modern consumer's needs and I hope that he is able to realise this dream with the support of the Australian publishing industry because it will place the whole industry at the forefront of multi channel, multi format book retailing.

4.3 The Price of Survival

This brings me onto pricing and royalties. One of my main bugbears early on in this report was about retailers heavily discounting brand new books and not capitalising on consumers' willingness to pay for newness and exclusivity. E-books and e-readers are new technologies and have extra functionality like searchability, transportability of multiple books on one device and the ability to download a new book without having to leave home, or with the Kindle, via Whispernet, from wherever you might be at the time. Additionally, as Malcolm Edwards commented, when someone buys a book, they are buying intellectual property, which is not affected by the format it is provided in.[81] The publisher has paid an advance in lieu of royalties to the author via their agent for the rights to their intellectual property, has edited the manuscript, designed and produced the finished product, and will promote the book to drive sales, regardless of whether it's a physical or digital book. There are also further costs related to actually digitising the file, adding the DRM, digital warehousing and the fact that currently e-books are subject to VAT (GST in Australia, but this applies to all books so is not a factor), although admittedly, except for the latter, these should be one off costs that will gradually erode throughout the life of the book and should be part of the process of publishing new titles nowadays anyway.

This is then juxtaposed against the issue that consumers are used to paying less for content in an intangible digital form than for a tangible physical object, in fact, in a world of Google and Wikipedia, they are used to getting content online for free. This will be compounded by Google's Book Search function (only available in the US at the time of writing) where in copyright books can be viewed, in some cases for free in their entirety. Consumers, especially in the current financial situation, are price conscious and will expect a discount if they know the supplier has saved paper,

[81] Malcolm Edwards, CEO, Hachette Australia, Interview 3 December 2008.

printing, binding, production, freight and distribution charges on a digital format. They are also savvy enough to see the reduction in value that DRM causes since they are unable to treat the e-book as they would a printed book with regard to sharing or selling it on second hand. Additional costs that are avoided but not as obvious to the consumer include returns and pulping costs and storage charges, so overall it seems only fair to pass on some of these savings to the consumer.

So how much should an e-book cost? Penguin, Hachette and Pan Macmillan all stated in interviews with me that they would be pricing their e-books at the same price as the lowest priced physical edition because they believe the customer should be paying for the intellectual property regardless of format and that the production and distribution savings did not yet offset the digitisation costs. Conversely, Harper Collins and Allen & Unwin are pricing their e-books at 20% off the RRP of the lowest priced physical edition to pass on the production and distribution costs to the consumer. Royalties appear higher than those on physical books and are more in line with audio books (audio downloads are another area which will benefit from digital technology, but unfortunately I have not been able to focus on them in this report due to time and space constraints) with Penguin and Harper Collins offering 25% and Hachette 15%, but in all cases, this is on net receipts rather than price paid, which seems reasonable since it allows for flexibility in the current uncertain pricing situation. On this note, Harper Collins Acting CEO, Jim Demetriou felt that publishers and retailers needed to think more about what consumers are prepared to pay for an e-book rather than relating it to the RRP of the physical book and that the market needs to agree on a pricing strategy that will increase volume sales but still protect profitability.[82]

I agree with this stance but feel that it is more down to the retailer to set the price of the e-book since they are closer to the consumer and will be more able to understand their requirements. Dymocks is hoping that a 20% discount off the physical book's RRP will satisfy the dilemma of customer price expectation of digital content versus the newness, exclusivity and other benefits of a digital book. Ebooks.com offers e-books on their home page with prices ranging from AUS$6.99 to AUS$21.59

[82] Jim Demetriou, Acting CEO and Marketing Director, Harper Collins Australia, Interview 16 December 2008.

depending on the contracts they have with the various publishers. They also offer 10% off New York Times bestsellers and 20% off their own selection of 'featured authors' as well as a sale page, but they are nowhere near the consistent message of Amazon.com's Kindle store where all New York Times bestsellers and new releases are US$9.99, very few books are over this price and some are available to download for free. Waterstones.com are offering 20% off the list price of their e-books but this is a recent policy after negative comments regarding the high prices of the e-books compared to physical books. In fact even looking on the website now there are numerous examples of where e-books are still retailing for more than physical books due to discounting. For example, the new hardback, Breaking Dawn by Stephenie Meyer is selling at half price, £6.49 but the e-book is £10.17. 2008 Man Booker winner, The White Tiger by Avarind Adiga, new in paperback is £5.59 but in e-book form it is £6.39. Recent reports also show negative feedback on those titles priced above US$9.99 on the Amazon.com website, with consumers tagging them to ask others to boycott them.[83]

As I said before, with e-books in their nascent stage, it is understandable that a workable pricing strategy has not yet been settled, with publishers coming in at a starting point in negotiations and consumers clearly buying the e-books despite the price. However, I agree with Kes Nielsen, Director of Books Supply for Amazon.co.uk that this is not sustainable, especially since Amazon.com has gone the way it has. Speaking as a consumer, I personally would not be prepared to pay more for a digital version of a book than a physical one especially if I couldn't use that file for more than read-only access, unless I was getting more than a printed version could provide, as is Don Grover's vision.

Some publishers are hoping to be able to incorporate this into their long term strategy, but currently, most of those I spoke to are just focussing on making their files available digitally in a straight e-book format. The book industry has the opportunity with e-books to take advantage of a new environmentally friendly income stream but we need to find a pricing strategy that makes sense to the consumer that will drive growth without destroying profit margins. I'm not saying that we should put

[83] eBook Pricing, Brave New World blog, 5 April 2009.

ourselves in the same position as we are in with physical books, where discounting has gone mad, especially on brand new product but we do have to be sensitive to market expectations. It would also be sensible to look at holding higher prices on new titles, when they are in demand, and offering deals on slower selling backlist titles, rather than the other way around, which is what happens with physical books currently.

It may end up that a flat pricing structure for e-books like Amazon.com has is what the consumer will demand, especially when they will have forked out so much money for a device to read the e-book on. However, this feels like a dangerous position for all parties since the costs of putting together different books vary, and profits will be seriously impacted, especially for the authors. This is one of the biggest challenges the global book industry has faced for years, and business models will have to adapt to cope. Publishers are already experimenting with subscription models, loaning books for limited time periods, offsetting price decreases to the customer with advertising income and selling books chapter by chapter, which would mean the link to the price of the printed book would be less obvious, but it would seem to be a good opportunity to also analyse long established practices like author advances, publisher promotional tactics and retailer discounts.

5. A Digital Future

Having looked at how the various Australian publishers and retailers are preparing for a digital future, I wanted to conclude by looking at the other opportunities and challenges that could arise for both the book industry in general, and Australia specifically in the coming years.

5.1 The Challenges

There is a lot of fear about the future because it is unknown, and many people I interviewed were worried about how their place in the supply chain will be affected by the development of digital technologies in the book industry and the consequent blurring of lines of responsibility.

5.1.1 Decline in Profits

Publishers are worried that authors will make their work available directly on the internet, authors are worried that with so much free content online they will lose their revenue stream, retailers are worried that publishers will sell directly to consumers, and printers are worried that they will be out of business entirely. Everyone fears that if sales of e-books or digital content take over those of printed material, there could be less money to be made overall, since as discussed, consumers are not prepared to pay as much for digital content. In addition to this, if e-books start to cannibalise printed book sales, print runs will naturally fall and prices will have to rise to take the consequently higher manufacturing prices into consideration. As Juliet Rogers from Murdoch notes, the risk in this case is that books may become elitist[84] because printed editions will be less affordable and not everyone has access to e-readers, computers or the internet to take advantage of digital content.

5.1.2 Decline in Literacy Levels

This has far-reaching impacts, not just on book sales, but also on literacy levels particularly amongst children. As noted at the beginning of this report, text-speak is becoming the norm for written communication, and many children are starting to lose the ability to research properly, tending to rely on Wikipedia and Google rather than

[84] Juliet Rogers, CEO, Murdoch Books, Interview 19 December 2008

more sophisticated library style searches.[85] Added to this, some schools seem to be placing less emphasis on literacy, for example, in the Australian state of Victoria, children can't be marked down for bad spelling or grammar in tests, as long as they can be understood[86] and in the UK, pupils are being taught how to use a computer spell checker from primary school level alongside normal spelling lessons.

As Anna Maguire, a publishing contractor in Australia noted, publishers should be guardians of literacy but they cannot afford to alienate their readership, who are becoming more used to reading 140 characters or under on Twitter, blogging and social networking all on small screens rather than settling down to an 800 page novel. Moreover the internet provides instant gratification for information requests and there is an expectation that content should be up-to-date to the second, which is a foreign concept to most publishers who spend months and sometimes even years preparing a book for the market. On top of this, although niches can develop more easily online and e-books and print on demand technology could end up making a focus on long tail titles worthwhile, we have seen the figures showing that in the current environment, bestsellers are only getting bigger at the expense of less mainstream titles. Anna worries that since publishers in this present economic climate have to focus on publishing books that will sell in large volumes rather than those that may have higher literary merit, we may be missing out on great literature, potentially ending up with just the big brand names and creating a dumbed-down, homogenised world.[87] In this scenario, how will new authors be developed, how will book-lovers stumble on hidden gems, especially if more and more business goes online and how will independent and interesting book shops survive if the mass market becomes dominant?

Literary agent Jenny Darling believes that we're living in a post-modern society where literature and art have been devalued because the 'man on the street's' opinion expressed in blogs, Wikipedia and online comments, is considered as important as a professional authority on the subject.[88] She and Anna believe that standards are

[85] Kevin Ormsby, Publishing Manager, RMIT Publishing, Interview 25 November 2008.
[86] David O'Brien, General Manager Schools Division and Paul Petrulis, General Manager Higher Education, Cengage Learning, Interview 20 November 2008.
[87] Anna Maguire, Publishing Contractor, Interview 22 December 2008.
[88] Jenny Darling, Literary Agent, Interview 25 November 2008.

being lowered as consumers are becoming less critical of unedited or badly edited material online and Victoria Nash from Pan Macmillan agrees that there is a lack of decent journalism with writers seeming to care less about what they're writing when it's in a digital form.[89] Another worrying aspect to this is that there could come a time when digital content is automatically updated or edited, a positive function for certain genres, but essentially rewriting history, so archiving previous editions to prevent this is going to become more and more important, possibly with libraries taking on the main responsibility.

5.1.3 Decline in Copyright Protection

Libraries in the digital age could be a threat as well as a benefit though, especially in Elizabeth Weiss', Publisher at Allen & Unwin, opinion. She sees libraries as protectors of propriety around copyright historically but feels that they are forgetting this somewhat by handing over books to Google to scan without permission from the copyright holders.[90] Libraries would also be able to loan out e-books for set time periods for free, which could impact on e-book sales as the downsides to physical library book lending, like having to actually visit the library to get the book and not forgetting to return it would not be relevant.

This seems to be more of an issue with public libraries, because when I visited the State Library of New South Wales, they were more concerned with offering online exhibitions with access to public domain material and out of copyright primary sources and they were very conscious of the fact that unpublished manuscripts were in perpetual copyright.[91] However, the fact remains that copyright is much more difficult to police in a digital world and even making this content available in a digital form could encourage piracy.

This has already hit music industry incredibly hard with the proliferation of illegal downloads and the consequential control of the market by iTunes, who have made buying music easy, cheap and convenient. They have set a pricing expectation for digital music downloads and they are in such a powerful position, with such a large

[89] Victoria Nash, Digital Strategy Manager, Pan Macmillan Australia, Interview 12 January 2009.
[90] Elizabeth Weiss, Publisher, Allen & Unwin, Interview 8 December 2008.
[91] Emma Grey, State Library of New South Wales, Interview 15 January 2009.

market share, that record suppliers have little choice but to work with them. Although they have recently removed DRM so their formerly proprietary format now works on any MP3 player, their early dominance combined with the sleek design and compelling advertising campaign has also enabled the iPod to beat off its competitors to become the biggest selling MP3 player in the world by far.

Books have faced the threat of piracy to date but on a much smaller scale due to the difficulty of scanning entire printed copies to upload online. However, with digital versions now being available, that obstacle has been removed, and even with DRM, piracy has become a much more immediate issue for the book industry and on a global scale at that. In addition, there is the possibility that Amazon could become the iTunes of the book industry with their easy pricing message for e-books and the attractive wireless download capability of the (admittedly less well designed) Kindle, which could force publishers into meeting their pricing demands too. This is less likely to happen now, since Amazon.com have already allowed Kindle books to be bought for the iPod and iPod Touch and Pan Macmillan US amongst others have removed DRM from their files in order to support interchangeability and not to penalise genuine buyers. That said, it is important for publishers to support other digital content aggregators and to work together with them and Amazon to find a reasonable pricing strategy to disincentivise piracy and to prevent an iTunes-esque domination of the market.

A further spanner in the works is that content online is accessible from anywhere in the world and digital editions could well end up being global editions, as Harper Collins US is considering. Even if territorial copyright continues for e-books, there are ways that consumers can bypass IP address and credit card restrictions to purchase possibly cheaper editions than the ones available in their own country. In a digital and online world, the consumer operates in an open market, which is precisely what the opposers to the introduction of parallel importation into Australia are trying to prevent with regard to printed books.

This would be particularly detrimental to Australian publishers. As previously noted, Australian territorial copyright is currently under review via a government investigation by the Productivity Commission. Whether for digital or physical books, Margie Seale, Managing Director of Random House Australia commented that any change in the territorial copyright rules would be problematic for Australian publishers, writers and retailers. She believes that it would be foolish to upset the current territorial copyright framework since it provides certainty for investment and creates a balance between publishers, author, retailer and consumer needs and feels the same way about losing territorial digital rights. Robert Gorman, CEO of Allen & Unwin noted at a Leading Edge debate on the subject that if Australian publishers were competing with potentially cheaper imports or remainders flooding the market, their income stream would be jeopardised and they would no longer be able to guarantee marketing income or be able to judge the right volumes to print because their sales would be cannibalised.[92] Another fear expressed by industry members on the same topic is that cultural nuances would be lost if we had to revert to one size fits all. It is going to be much more difficult to control parallel importation in a digital world than in the printed book world though, and multinational publishers are going to have to have some difficult conversations in the not too distant future about where they see the ongoing potential for local editions of globally available e-books.

5.2 The Opportunities

So, we're going to end up in a world where physical books have become obsolete or at least unaffordable, printers out of business, authors struggling to make ends meet, retailers either bust or squeezing suppliers until they go bust, literacy levels falling to a place where children communicate in monosyllabic grunts, great literature disappearing altogether and global digital editions wiping out cultural differences in writing and eventually overall? Of course not! Many of the challenges I mention above can actually be seen as opportunities and although there is more hard work needed by all facets of the book supply chain, the digital revolution could end up facilitating an extremely positive evolution for the book industry.

5.2.1 Co-Existence of Physical Books and E-Book

Working in the book industry and having grown up loving books, I have a personal affection for the book in its physical form and almost everyone I spoke to whilst in Australia felt the same way. It would be naïve to rely on this emotional attachment

[92] Leading Edge Debate on Parallel Importation, 1 December 2008.

though, because e-books are already available and selling and have the potential to take over as the dominant format within my lifetime. Many people believe both formats can co-exist, at least for the time being, firstly because this affection is much more ingrained than say that of vinyl records due to the length of time books have been in the same format, secondly because there are several generations who will be too stuck in their ways to give up a reliable, non-battery powered, comfortable printed book at all and thirdly because people's current book collections will be in the form of physical books on shelves, not in an easily transferrable format like their music collections and so uploading a device with your entire back catalogue is not a realistic option for books, yet. I have also mentioned the strong cultural connection with books, bookshops and reading, in Australia specifically, which could prolong the life of the printed book for longer than elsewhere.

Moreover, as Bob Sessions, Publishing Director of Penguin Australia commented, reading and listening are two very different activities in the sense that it is possible to listen to music whilst doing other things but with reading, it is much more difficult to do something else simultaneously.[93] With this in mind, a person could listen to thousands of music tracks over the course of a year, very quickly justifying the investment in an MP3 player and probably buying more music than they would have done in a physical format because of the price, ease and ability to upload individual tracks rather than the whole album. Conversely, as noted earlier in the report, the average person only reads between 2 and 6 books in a year and even if e-books were cheaper, more accessible and easier to read than printed books, there is still a relatively low limit to the number of books an average person could physically read in one year.

5.2.1.1 The Benefits of Digital Books

It is not as simple as this though. Although it means that until prices for e-readers drop, or subscription models are established, sales of bespoke digital reading devices will be limited to 'early adopters' and will not take off in the same way as MP3 players have, I have also mentioned that e-books are or will be available on mobile phones, BlackBerries, laptops, handheld games consoles and MP3 players themselves.

[93] Bob Sessions, Publishing Director, Penguin Australia, Interview 5 November 2008.

Indeed, it is likely that devices that only offer a single function will not survive as customers now expect and demand multi-functionality. The companies who produce these devices know this and are working on meeting this demand as well as looking to improve the areas where a physical book might still win out, i.e. battery life, readability (screen resolution), the ability to add notes, durability, different colours and even developing flexible, foldable screens to mock the feeling of paper like the (not yet available) Plastic Logic reader.

Many already offer the benefits over a physical book of being able to increase font size, being significantly lighter than a hardback book but with access to over a hundred different books, search and find functionality, read aloud functionality and immediate access to purchase additional content. In fact, anecdotally, a lot of the people currently buying e-readers, are not just the 'early adopters' but also older people who struggle to read the font size in normal books, don't want to buy or can't find large print books and who appreciate the reduced weight of the device.

In addition, if Google Book Search grows to a level where all books have been scanned and are available to purchase, we could be looking at a scenario where people could transfer their favourite books onto a digital reading device and be able to carry their personal library around with them. This could actually end up driving more revenue for the book industry because if people wanted to have their library in a digital form, they would have to repurchase the books, as happened when videos were taken over by DVDs.

A further point to note is soon publishers may able to mimic the music industry's tactic of selling song by song by selling chapters or chunks of content digitally. Although there are contractual issues to be ironed out, content management programmes, which can store content in a flexible, easy to retrieve way so that it can be packaged or divided and sold in new ways[94], or the use of XML (eXtensible Markup Language) to produce books and tag content, which provides the same benefits as a content management programme, but also captures important rights

[94] Part of Pearson Education's plans for 2009 as explained by David Barnett, CEO, Pearson Education Australia, Interview 18 December 2008.

information for text and images in the book and makes the content more easy to find in online searches, will start to make this process more of a possibility.[95]

This is a significant additional revenue stream in a digital future. Firstly, students who may have bought a second hand textbook with no financial benefit to publisher or author and little to the retailer might decide to spend the same amount or even more to get just the chapters that they need in a convenient format, with incremental income available for all parties. Secondly, travellers could create their own bespoke travel guides that would be worth more than piecemeal information on the internet. (Lonely Planet is already doing this with their 'Pick&Mix' function.) And thirdly, there are numerous business to business and marketing opportunities that could create new revenue streams and help to drive sales of both digital and physical books.

There is also scope for much more interactivity, personalisation and community involvement with digital books, which are elements that are growing in importance for many people these days. Howard Ralley, Sales & Marketing Director of Lonely Planet talked about a 'hyper-local' trend where there is a constant circle of information and communication within the global community[96], with online gaming taking off in a big way and networking websites like Facebook servicing over 175 million active users worldwide. Twitter is another example of the current enthusiasm for interacting and communicating instantly: estimates place the number of users at around 5 million, but with annual growth of over 1000%. From a books perspective, this desire to be involved is backed up by statistics showing that the Penguin 'wiki novel', 'A Million Penguins', which was an experiment to get the public to write a book together, got 11,000 edits in 5 weeks as well as numerous publishers and industry groups setting up interactive book communities like Harper Collins' Book Army and the Reading Agency's groupthing.org. On top of this, the future Kindle could be a social networking tool in itself, allowing authors to interact with their readers through the device or enabling remote book groups to interact in real time.

For some authors, this would be an exciting development to further fulfil their readers' need for involvement. As mentioned previously, James Patterson has just

[95] 'What the Hell is XML', by Mike Shatzkin, Publishers Weekly, 15 December 2008.
[96] Howard Ralley, Sales & Marketing Director, Lonely Planet, Interview 18 November 2008.

released a ‘crowdwritten’ novel online, called AirBorne, which he wrote collaboratively with 28 competition winners selected by Borders Australia and Random House. This is being released chapter by chapter, in the same way as a newspaper serialisation, which is a further opportunity for publishers of digital books to maximise, for example by automatically sending content to a device on a regular basis for a guaranteed amount of money or by using advertising income to fund free content. This is what newspaper publishers are hoping will be their new business model in the face of rapidly decreasing demand for printed dailies, and there is no reason why books could not take advantage of this too.

Stephen King has always been a major proponent for digital books, publishing ‘Riding the Bullet’ as an e-book in 2000, selling 400,000 downloads in 24 hours. The video adaptation of his short story ‘N’ has been viewed over 1 million times on the internet and he has now written a novella specifically for Kindle 2, called ‘Ur’.[97] Authors like Nicci French and Mohsin Hamid are involved in Penguin’s award-winning website, We Tell Stories, where stories are written live[98], to allow readers to truly feel part of the writing process and to build a relationship with those authors that should build loyalty and therefore book sales. As Garth Nix said in my interview with him, readers nowadays appreciate any contact with the author and these electronic communities can be incredibly important, especially for remote authors to build awareness and to spread word of mouth, which for him, is the ultimate seller of books.[99]

This ability for authors to provide content directly to their readers is one of the most concerning aspects of the digital world for publishers and retailers because of their fear of being cut out of the process. Self publishing is becoming more and more prevalent due to websites like Author Solutions and Lulu.com providing a service based on commission and print on demand without any upfront fees or in some cases even a literary agent. Although it is important for publishers to be aware of this threat, I don’t believe it will end up being a major concern for most of them because the amount of work it would take for a single author to manage their publishing on more

[97] www.stephenking.com
[98] http://wetellstories.co.uk
[99] Garth Nix, Author, Interview 14 January 2009.

than one book, coping with website upkeep, sales transactions, providing content in the right formats and so on, would not be achievable if they still wanted to write the book in the first place! Also, publishers have the expertise to sort through the massive array of content and provide readers with the best quality reading material from a trusted source.

5.2.1.2 The Benefits of Physical Books

So can the physical book survive in the long term in the face of what seem to be fantastic benefits of digital books and content? I think, yes, to a certain extent. It seems inevitable that some content makes more sense in a digital form, especially non-fiction genres like travel and reference, where being up-to-date and searchable is key, education where interactivity is very desirable and even throw-away 'pulp' fiction, which could work in a model where multiple titles could bought for a set time period, i.e. a holiday and then automatically delete since they are likely not to be read multiple times. If the price is right, this could even increase sales of these types of books as consumers are not risking as much money on titles they may not want to keep.

Despite this, my opinion is that there is still demand for beautifully designed books as gifts and almost as works of art that in a home, can act as a representation of the person who owns them. Also, novelty books and large format photography books wouldn't work on a small screen (although maybe in the future our coffee tables will be able to project digital photography and art themselves!). This may lead to a replication of the dichotomy of the market that Australian booksellers like Steve Jones at Kinokuniya are already noticing, where he is selling thousands of cheap paperbacks like the Popular Penguins but also significant numbers of well designed, high value art books and collectible editions.[100] In the UK too, a limited edition of the new Sebastian Faulks James Bond novel, 'Devil May Care' priced at £750 sold out within hours but some retailers are refusing to stock any titles that cost over £5. There is clearly a demand for value for money as well as quality and collectability and it is the latter where I believe the physical book can win out.

[100] Steve Jones, General Manager, Kinokuniya, Interview 5 December 2008.

It's not going to be easy and physical books will need to work harder to remain engaging and to prove their added value, but with high design standards, collectability, and possibly personalisation, they will still have a place in the market. Add to that the fact that 8 out of the 10 top selling printed books in Japan last year were originally 'keitai shosetsu'[101], short excerpts, building into a novel that were written on mobile phones and posted onto the internet to be viewed for free, suggesting that even if free content is available digitally, the demand for the physical format remains. In fact, companies like Cyclopsmedia have a business plan where they are working with authors and agents to offer content in an e-book format before it has been printed as a physical book, giving away the first chapter for free then enabling the customer to buy the rest if they want to. They believe that this will create a critical mass of readership and word of mouth, which would allow a print publisher to take the book on with some knowledge of its potential success.[102]

5.2.1.3 Children's Books

Another key area where physical books should continue to sell strongly is children's books. It may seem strange that I say this considering that I also noted that the younger generation are the ones who will drive the demand for digital content. I think there will be room for both in the market. Baby and pre-school books are unlikely to translate well into a digital format because they need to survive being chewed and thrown around and electronics and young children tend not to mix too well. Also, the educational and play benefits of touch and feel elements, lift-the-flaps, magnets, stickers, colouring and so on, cannot be easily replicated digitally. Board books, cloth books, buggy books, bath books, novelty books and some activity books will still hold value for customers but story books and learning, even for younger children, could benefit from digital enhancement.

For example, entertainment company, Chorion are working together with agency Digital Outlook and Windows Live Messenger on a project called 'Time for a Story', which enables family members and friends to contact children via the messaging service to go through a digital version of a Noddy, Mr Men or Paddington Bear story

---

[101] 'The Future of Books', by David Weir, BNET Media, 25 January 2009.
[102] www.planetebook.com

if they cannot physically be there.[103] Although they are not suggesting that this would ever replace the experience of a parent actually reading to their child, the prospect of being able to enhance character books with video, animation and music is very exciting and could actually encourage more reading, especially amongst boys. For older children, publishers are starting to experiment with mixed media, combining traditional novels with online gaming, dedicated websites, video, music and social networking in titles like The 39 Clues by Rick Riordan (Scholastic), The Amanda Project by Stella Lennon (Harper Collins, out September 2009)[104] and the Decide Your Own Destiny titles (Penguin, out July 2009).

With these enhancements to traditional books, reading could become a more popular use of entertainment time for children again. We know that the Nintendo DS is now one of the most widely owned games consoles for children and that it can be converted into an e-reader by plugging in a cartridge pre-loaded with e-books. Add to that the statistic that 29% of boys and 38% of girls take them to bed with them at night[105] there is a real opportunity for publishers to tap into that market to provide bedtime reading.

So although the threat to literacy still remains, with shortened attention spans, the prevalence of text-speak and the lack of focus on spelling, grammar and research skills, there is the potential with digital technology, to get children reading more and actually, as one interviewee stated, it is much more difficult to skim text when you're reading from a small screen, so you end up taking a lot more of the content in. Moreover, if we can adapt to the way young people want their books delivered and make the most of new ways of writing, like the keitai shosetsu and even text-speak itself, we could be developing a whole new generation of readers and writers who feel invested in the process and who can ensure that books, in one format or another, remain relevant and commercial.

[103] 'Bedtime Stories Go Online as Noddy Signs Up to Windows Live Messenger', by Jemima Kiss, guardian.co.uk, 20 November 2008.
[104] 'Taking Steps into the Digital Future', by Judith Rosen, Publishers Weekly, 16 February 2009.
[105] Childwise, The Monitor Report 2008-9, Children's Media Use and Purchasing.

5.2.2 The Environment

One of the other major opportunities of a digital future is the positive impact on the environment. On a small scale, many publishers have given their editors e-readers to read manuscripts with, to reduce the amount of paper previously printed off and lugged around for this purpose. This paper saving tactic will of course increase significantly if e-book sales take over those of printed book sales to the general public. Additionally, digital downloads and print on demand technology will massively reduce the book industry's carbon footprint when it comes to freighting books around the world. Richard Siegersma, CEO of DA Information Services told me that to airfreight 1 kilogram of books 10,000 miles, produces 27 kilograms of greenhouse gas and combining this with Don Grover's comment that the book industry has one of the most inefficient supply chains of any industry, with the 'scourge' of sale or return, the book industry does not have a very healthy track record when it comes to the environment.

Although there was a lot of criticism from many of the people I spoke to about the current location of the Espresso print on demand machine at an Angus & Robertson store in Melbourne, the concept was considered a positive one in general. This is because it would mean that nothing would be out of print, export opportunities could be exploited by removing freight restrictions and costs, publishers could stop printing slow selling books, saving paper and storage costs and if an in demand book went out of stock, the sale would not be lost. A retail location would provide desirable immediacy but the cost of the machine, the cost of the retail space and the likely lack of skill sets required to deal with the machinery seem to limit its usefulness there. Libraries and publishers were suggested as possible alternative locations, but it would appear to make most sense at a printer, who could supply multiple sources efficiently as a complimentary business.

In fact, both printers that I spoke to whilst out in Australia, Griffin Press and McPherson's, are pushing forward with print on demand technology and see it as a better fit at a printer because they do have the relevant skill sets and their warehouse space is a lot cheaper than prime high street retail space.[106] Printing one copy is still a

[106] Ben Jolly, Griffin Press, Interview 22 December 2008.

relatively expensive thing to do though and Robert Stapelfeldt, Business Development Manager at McPherson's thought that the bigger opportunity lay in short run digital printing, which would enable them to cut their lead times by at least two-thirds and therefore for publishers to save on storage charges and to prevent overprinting because they would be able to turn reprints around much more quickly. He recognised that if e-book sales do take off, the business would be impacted, so they sensibly are diversifying into other product areas like race books, journals, public transport timetables and catalogues to name a few to spread their risk.[107]

5.2.3 The Bottom Line

So, is there less money to be made and will we lose out on great, culturally specific literature in a digital world? I think the answer is 'yes and no'. I think as an industry we may have to accept that overall there is less money to be made with digital content than we have been used to with physical books and every element of the supply chain including the authors are going to have to work harder and faster to justify their place and maximise profits. This is even more relevant in the current global financial crisis, where investment in experimenting with new technologies and diversification outside of the core business is harder to achieve, and consumers have even less money to spend on non essential items. Australian publishers specifically will need to work harder to prove that having territorial digital rights is needed to promote cultural differences but with global sales channels opening in a digital world, they will also have more opportunities to boost Australian home-grown authors.

Overall though, the opportunities of a digital future justify combating the challenges. There are new revenue streams and new marketing techniques to utilise. We can offer readers an enhanced reading experience, with added features, improved readability and the option to read any book whether in or out of print. We can become more relevant as an industry, involving readers throughout the process, and gaining their loyalty by becoming more interactive and connected. We can encourage more children to read and engage with writing. We can protect the environment and we can cut costs in a climate where we need all the help we can get.

[107] Robert Stapelfeldt, Business Development Manager, McPherson's Printing Group, Interview 13 January 2009.

6. Conclusion

To conclude, I think it's fair to say that the digital revolution has not yet hit the Australian book industry but that when it comes, and in my opinion it will come within the next 5 years, it will have a generally positive effect on its evolution. The market is currently healthy and growing and digital advances will support this growth, albeit not necessarily in traditional channels. That is not to say that there will not be challenges to face. The amount of money to be made could shrink and we may have to face up to the fact that with less money to be made, there will be consolidation within the industry and some companies will not survive. From my research, it is clear that there are some companies who are more likely to survive because they are proactively evolving, continually adding value and are seizing the opportunities for incremental revenue streams rather than shying away from the challenge.

There seems to be a place for all traditional parts of the book industry supply chain in the future, but only if focus is given primarily to what the consumer wants. Publishers will have to publish content in all required formats, far more quickly than ever before, and if digital territorial copyright can survive, all global editions will need to be available simultaneously to ensure a level playing field. They will have to make certain that their editing, marketing and design are better than anything available for free online and that they have a portfolio of established brand authors to allow them to develop less established authors who will be more difficult to grow.

Retailers will still be needed to aggregate content and provide recommendation in a world of ever increasing choice but they will have to re-establish their websites and physical outlets as destinations where consumers are able to buy any book in any format as quickly as possible with amazing customer service, great value and a comprehensive loyalty scheme. Australian retailers specifically have the luxury of a population who are more culturally tied to bookshops than might be the case in other countries, but they would be foolish to take this for granted in such a rapidly changing world.

Authors will have to devote more time to author tours, online activity and even merchandising opportunities to keep their readers interested enough to pay money for their content. They will need to connect with and involve their readers much more to provide them with the participatory experience that they are increasingly craving and they will have to write in a way that does not alienate an audience with new and different demands of their reading experience.

The industry, ideally globally, but at least territorially, will have to agree on standards for formats and pricing, and business models will need to be adapted in a digital world where content will be paid for at the point of sale rather than in advance of sale. Everyone will need to utilise new ways of getting their books in front of consumers by creating targeted, personalised advertising campaigns, blogging, networking and identifying influential people who can champion books that may not have the benefit of a brand name behind them to guarantee sales.

We are facing the biggest evolutionary change that the book industry has seen for years. It will not be a big bang, but the change will not be as slow and gradual as in Darwin's theory states. We are in a position where we can maximise the opportunities that come with this change and actually increase the number of people reading, which is surely the constant aim for all publishers, booksellers and authors. We have the opportunity to embrace this digital revolution and evolve into a more responsive, relevant industry, offering more choice of content than ever before in more types of format than ever before, catering to the needs of an evolving consumer who demands interactivity, participation and connectivity in all aspects of life. I say if we proactively grasp this opportunity, we will reap the rewards and thrive in a bright and profitable future for the book industry.

Acknowledgements

I would like to thank the trustees and judges of the Unwin Trust for enabling me to have one of the best experiences of my life, living and working in one of the most beautiful countries in the world for three months.

The Unwin Trust kindly afforded me twelve weeks in Australia from October 2008 to January 2009, based partly in Melbourne and partly in Sydney, where I interviewed over sixty industry participants; publishers (both trade and educational), retailers (chains, independents and online), printers, the CEO of the ABA (Australian Booksellers' Association), members of the APA (Australian Publishers' Association), the publisher and editor of the Bookseller & Publisher magazine, a university student, literary agents, the Australian Council for the Arts, Leading Edge (a buying group for independent booksellers), Bookscan, an author and the State Library of New South Wales. I also visited a primary school, numerous bookshops and attended industry debates on parallel importation. I tried to do all of my background research online, to be in keeping with the crux of my report.

I am incredibly grateful to Penguin UK, especially Ian Moore and Mike Symons, who were so supportive, generous and flexible about me taking the time off to embrace this opportunity. Thanks also to Nicola Goode, who so ably covered my role whilst I was away and to Peter Field, who gave me his list of contacts in Australia and offered many helpful hints. I am also appreciative to Genevieve Shore, Jason Craig and Anna Clarkson, who helped me from a digital and online perspective, especially Jason who kindly read my first draft, as did Claire Croxford, both giving me very useful feedback.

Once in Australia, I felt incredibly lucky to have the support of Penguin Australia, especially Gabrielle Coyne in Melbourne, who ensured I was seeing the right people and gave me all the insider information that made things so much easier, Briony Fernandez, Troy Lewis and the girls in Inventory Management who accepted me into their team and Erin Langlands in Sydney, who made me feel so welcome. Also, Matthia Dempsey, Editor of Bookseller and Publisher magazine who highlighted me

in their 'Blue News', leading to further opportunities to interview industry participants.

All of the people I interviewed, both in Australia and the UK, were fantastically generous with their time and information, all are listed in the following pages, and I owe thanks to them all.

I do just want to pull out a few names, without whose support, things would have been much more difficult; James Kellow at Harper Collins, Patrick Gallagher and Elizabeth Weiss at Allen & Unwin, Michelle Eime at Borders, Ellie Wahba and Eric Huang at Penguin UK, Hannah Westland and Faye Sutherland, former Unwin Fellows, John Taylor of the Unwin Trust and Darrell McDonald, my very understanding boyfriend!

Appendix 1: List of Interviewees

I am grateful to the following people who helped me with my research. Listed in alphabetical order:

Stephen Bennetts	Book Buyer, Target
David Barnett	CEO, Pearson Education Australia
Peter Blake	Sales Director, Penguin Australia
Matt Bridge	Apple, UK
Chris Burgess	General Manager, Leading Edge Books, Australia
Lucy Byrne	Literature Board of the Australian Council for the Arts
Steve Carey	Director, Bloom Partners
Gina Collis	Manager, The Avenue Bookshop, Melbourne
Tim Coronel	Publisher, Bookseller and Publisher magazine
Beverley Cousins	Publisher, Random House Australia
Gabrielle Coyne	CEO, Penguin Australia
Jason Craig	Online and Digital Director, Penguin UK
Mary Dalmau	Readers' Feast, Melbourne
Jenny Darling	Literary Agent, Melbourne
Djana Dawe	Head of Special Sales, Penguin Australia
Jim Demetriou	Acting CEO and Marketing Director, Harper Collins Australia
Derek Dryden	Better Read Than Dead, Sydney
Luke Durante	Website Manager, Dymocks
Malcolm Edwards	CEO, Hachette Australia
Nicola Evans	Literature Board of the Australian Council for the Arts
Karen Ferris	Better Read Than Dead, Sydney
Julie Flanagan	Class 1/2F Teacher, Sherbourne Primary School, Eltham
Patrick Gallagher	Chairman, Allen & Unwin
David Gaunt	Glee Books, Sydney
Kristin Gill	General Sales Manager, Penguin Australia
Jane Godwin	Children's Publisher, Penguin Australia
Cath Godfrey	McGraw Hill Australia
Emma Grey	State Library of New South Wales
Don Grover	CEO, Dymocks
Adrian Hardingham	Abbey's Bookshop, Sydney
Susan Hawthorne	Publisher, Spinifex
Nic Henry	Student
Barbara Horgan	Shearer's Bookshops, Sydney
Fiona Inglis	Literary Agent, Curtis Brown
Ben Jolly	Griffin Press
Steve Jones	General Manager, Kinokuniya, Sydney
Ray Kaso	Principal, Sherbourne Primary School, Eltham
Richard Kitson	Commercial Director, Hachette UK
Dean Lewis	Australian Industrial Relations Commission
Troy Lewis	Publishing Manager, Penguin Australia
Peter Lothian	CEO, Collins Booksellers
Joe Lynas	Digital Project Manager, Penguin UK
Anna Maguire	Publishing Contractor
Jethro Marks	Director, Mercury Retail
Maree McCaskill	CEO, Australian Publishers Association

Tony Nash	General Manager, Booktopia
Victoria Nash	Digital Strategy Manager, Pan Macmillan Australia
Malcolm Neil	CEO, Australian Booksellers Association
Kes Nielsen	Director of Books Supply, Amazon UK
Melissa Nightingale	Rights and Export Coordinator, Allen & Unwin
Garth Nix	Author
David O'Brien	General Manager Schools, Cengage Learning Australia
Louise O'Leary	General Sales Manager, Penguin Australia
Kevin Ormsby	Publishing Manager, RMIT Publishing
Paul Petrulis	General Manager Higher Ed, Cengage Learning Australia
David Pithouse	Customer Systems Manager, Penguin Australia
Howard Ralley	Sales & Marketing Director, Lonely Planet
Dee Read	Professional Development & Training Manager, APA
Matt Richell	Hachette Australia
Juliet Rogers	CEO, Murdoch Books Australia
Mark Rubbo	CEO, Readings Bookshops, Melbourne
Dan Ruffino	Marketing Director, Penguin Australia
Margie Seale	Managing Director, Random House Australia
Bob Sessions	Publishing Director, Penguin Australia
Genevieve Shore	Global Digital Director, Penguin Group
Richard Siegersma	Executive Chairman, DA Information Services
Robert Stapelfeldt	Business Development Manager, McPherson's Printing Group
Murray St Leger	CEO, McGraw Hill and President, APA
Faye Sutherland	Manager, The Co-op Bookshop, Macquarie University Branch
Shaun Symonds	General Manager, Australia, Nielsen Bookscan
Sophie Veale	Corporate & Promotional Sales Manager, Penguin Australia
James Webber	Corporate Services Managing Director, Red Group Retail
Elizabeth Weiss	Publisher, Allen & Unwin
Scott White	Merchandise Manager, Borders Australia
Jack Winning	Abbey's Bookshop, Sydney

Appendix 2: Resources

Listed by type, in chronological order

Reports

The Children's Book Market in the UK: The Children's 'Best Seller', by Annabel Fleay, Unwin Trust Fellow 2005
Looking After the Author's Best Interests: An Investigation into the Relative Benefits of the Various Publishing Approaches Available to Authors Within the Australian Market, by Hannah Westland, Unwin Trust Fellow 2006
Nielsen Mid Year Review 2008 for Penguin UK, July 2008
Childwise, The Monitor Report 2008-9, Children's Media Use and Purchasing.
Nielsen 2008 Topline Report Australia by Shaun Symonds, General Manager, Bookscan Australia, January 2009.
The Writer's Guide to Making a Digital Living by the Australian Council.

Articles/Books

The Tyranny of Distance: How Distance Shaped Australia's History by Geoffrey Blainey, Macmillan, 1977.
Hundreds of Jobs Lost as Starbucks Shuts 61 Shops, by Daniella Miletic, Tom Arup and Daniel Emerson, theage.com.au, 30 July 2008.
The Way We Read Now by Charles Wright, Livewire, 2 October 2008
The Future – Digital for a Few Years at Least, by Liz Thomson, BookBrunch, 16 October 2008.
Amazon Delays UK Launch of Kindle by Sarah Butler, telegraph.co.uk, 16 October 2008.
Digital Textbooks Gaining Favour by Dan Macsai, businessweek.com, 4 November 2008.
Bedtime Stories Go Online as Noddy Signs Up to Windows Live Messenger, by Jemima Kiss, guardian.co.uk, 20 November 2008.
The Future of Book Publishing (Maybe) by David Nygren, Urban Elitist, 8 December 2008.
On the Case for Cheaper Books by Bob Carr, theaustralian.news.com.au, 13 December 2008.
What the Hell is XML, by Mike Shatzkin, Publishers Weekly, 15 December 2008.
E-Books Have the Fame But No Fortune Yet by Stacey Higginbotham, GigaOM, 18 December 2008.
Out With the Old, in With the…Cranky by Kassia Krozser, Booksquare blog, 5 January 2009.
Buy None Get One Free by Caroline Bayley, BBC News, 8 January 2009.
Edinburgh Publisher Leads the Way in Digital Books Revolution by Edd McCracken, Sunday Herald, 13 January 2009.
Hachette's Young Touts Benefits of XML by Jim Milliot, Publishers Weekly, 13 January 2009.
Author Dropped by Publisher After Legal Threat Releases Book on Web by Alison Flood, guardian.co.uk, 14 January 2009.
Newsstand Claims First with Espresso Machine On Demand Service by Matt Whipp, printweek.com, 19 January 2009.
Books Gone Wild: The Digital Age Reshapes Literature by Lev Grossman, time.com, 21 January 2009.

The Bookseller (UK) Review of 2008, by Tom Tivnan, Catherine Neilan, Philip Stone and Graeme Neill in the Bookseller, 23 January 2009.
The Future of Books, by David Weir, BNET Media, 25 January 2009.
Google Mobile Book Reader Launched by Stuart Miles, pocket-lint.co.uk, 5 February 2009.
E-Readers: Why Won't the Future Hurry Up and Get Here Already? by Edward J Delaney, NiemanJournalismLab, 9 February 2009.
Amazon's Kindle 2: No iPod for Books, by D. Macmillan, BusinessWeek.com, 10 February 2009.
Taking Steps into the Digital Future, by Judith Rosen, Publishers Weekly, 16 February 2009.
UK Publishers Look at Digital Alternatives as Kindle Launch Suffers Delays, Luan Goldie, newmediaage (www.nma.co.uk), 19 February 2009.
First Look: Amazon Launches Kindle iPhone App, The Digital Content Blog, guardian.co.uk, 4 March 2009.
Crunch Time in UK by Liz Thomson in Publishers Weekly, 16 March 2009.
Book Import Limits Stay For Now by Malcolm Knox, Sydney Morning Herald, 20 March 2009.
Pupils to Study Twitter and Blogs in Primary Schools Shake Up, by Polly Curtis, guardian.co.uk, 25th March 2009.
Why E-Books Must Fail by Evan Schnittman, blackplasticglasses.com, 30 March 2009.
Kindle Economics: Five Reasons to Buy Amazon by Mark Fidelman, seekingalpha.com, 2 April 2009.
Australia to Get Faster Broadband, http://news.bbc.co.uk, 7 April 2009.

Blogs
www.mediabistro.com/galleycat/
www.iphoneinaustralia.com
http://personanondata.blogspot.com/
www.thedailybeast.com/blogs-and-stories
www.bookbrunch.co.uk
blogs.computerworld.com

Websites
http://en.wikipedia.org
www.itu.int
www.guardian.co.uk
www.hitwise.com.au
www.theage.com.au
www.mongabay.com
http://www.borders.com.au
www.dnaml.com
www.stephenking.com
http://wetellstories.co.uk
www.planetebook.com
www.pcpro.co.uk
www.theaustralian.com.au
http;//thedigitalist.net
www.ereads.com