

FROM THE GUTENBERG GALAXY TO KINDLE: BOOK PUBLISHING GOES ON-LINE

Philip J. Cercone

The publishing industry is entering a watershed period as new technology takes hold and as it responds to the current economic crisis. The economic downturn has resulted in sales declining over the past year, especially in the United States, by as much as 10 to 15 percent. The physical book will not disappear, but in our digital world it will be available through other means, such as Kindle, Sony Reader, iPhone, or the Web. The whole business model of publishing will have to be rethought as new players appear in the supply chain.

Le milieu de l'édition traverse une période critique marquée par l'emprise croissante des nouvelles technologies et les effets d'une crise économique qui a fait reculer ses ventes, de l'ordre de 10 à 15 p. 100 l'an dernier aux États-Unis. Certes, le livre lui-même n'est pas menacé de disparition. Mais dans notre monde numérique, il sera de plus en plus accessible en ligne ou par voie électronique via Kindle, Sony Reader et autres « téléfutés ». L'arrivée de ces nouveaux acteurs dans la chaîne d'approvisionnement exige de repenser l'ensemble du modèle de fonctionnement de l'édition.



In mid-April of this year I was flying back to Montreal from the London Book Fair, where McGill-Queen's University Press has had a presence for the past 25 years, selling co-editions and translation rights of its books to other international publishers, and I had some peaceful time to sit back and relax and catch up on my newspaper reading. In the past, at Heathrow Airport I would pick up four or five newspapers to ease my re-entry into North America headspace, and on the airplane, I would look at Canadian newspapers to catch up on matters I had missed while in Europe.

But this year was different: I picked up only the print version of the *Guardian* because I had not yet had a chance to dip into it electronically. While I waited for the 3:00 p.m. flight, I had already sampled electronically on my laptop at the hotel and in the airport waiting area my daily offerings from the *New York Times* and the *Washington Post* (US); the *Globe and Mail* and *Le Devoir* (Canada); the *Daily Telegraph* (UK); *Il Giornale*, *Corriere della Sera* and *La Gazzetta dello Sport* (Italy); and *Le Monde* (France). At the same time I had with me three print novels that I had bought at the Waterstone's Bookshop on Piccadilly Street as part of its over the years very successful "buy three for the price of two" promotion, and I wondered whether next year, when returning to Canada from that yearly pilgrimage, I would be reading

printed books on my Kindle, Sony Reader, iPhone, Palm or BlackBerry. Would the book business experience the same changes that occurred in the music industry, from vinyl playing on turntables to downloads on iPhones?

As in the newspaper business, in the book world the lyrics from the Bob Dylan song *The Times They Are A Changing* are very appropriate today. There isn't one day that goes by that headline news is not made on how books will be produced, sold, delivered and distributed; and both producers of books (authors, printers and publishers) and end users (readers) are either fearful or excited by what will come next. In effect what is happening is that there is a mad scramble by publishers, wholesalers, libraries and bookstores to rethink, redefine and even reinvent the business model in light of the plethora of new and emerging technologies and intermediaries. The need for change in the book business has also accelerated due to the financial crisis of 2008. In the United States, for example, book sales for some houses are dramatically down, by 10 to 15 percent, and publishers are rushing to adopt the new technology in an attempt to capture new market share.

Book publishing in a world context is big business, and it is concentrated in the hands of a few multinational corporations. For example, in 2007 the world's 45 largest book

publishers generated worldwide sales of US\$75 billion, with the top 10 making up close to US\$50 billion — two-thirds of total book revenues around the globe. Sitting at the top, neck and neck in the ranking according to sales, were Reed Elsevier (UK/NL) and Pearson (UK), with Thomson third (a Canadian corporation, founded by Roy Herbert Thomson, with Kenneth

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taking over in 1976, and now David since 2006) and Bertelsmann (Germany) fourth. Wolters Kluwer (NL) is fifth, with Hachette Livre sixth, McGraw-Hill (US) seventh, Reader's Digest (US) eighth, Scholastic (US) ninth and De Agostini (Italy) tenth.

The biggest industry trade fair gathering of any business is in book publishing, and it occurs in Frankfurt every year in October. In 2008, according to organizers of the Frankfurt Buchmesse, which is where all the publishers shop and swap, some 7,300 publishers from 77 countries exhibited 402,284 books and took up an area of 172,000 square metres over 10 exhibition halls. With over 2,900 events at the fair, around 16,000 people participated, and they were joined by 15,000 trade visitors, 2,000 booksellers, more than 800 translators, 286 agencies and scouts, and 10,000 journalists from 63 countries.

In a North American context, according to industry statistics from the Association of American Publishers, book sales in calendar year 2007 rose to approximately \$25 billion in net sales. These sales came principally from ten companies. In 2001, for example, the 10 largest publishers had an astounding 88 percent of the market, and today it is even more concentrated. In 2007 there was an increase in net sales of 3.2 percent over 2006, with

a compounded growth rate of over 2.5 percent per year over the previous five years. The strongest growth in trade sales was in adult hardbound books, whose sales increased by 7.8 percent over the previous year. Books in higher education, the genre McGill-Queen's University Press publishes in, rose by 6.5 percent over 2006, but the most spectacular increase in sales was

in the new and emerging categories of audio and electronic books, whose increases were 19.8 percent and 23.6 percent respectively. While preliminary data indicate that, because of the economic downturn, book sales have dramatically decreased in the US in all categories in 2008, electronic book sales have more than doubled!

In Canada, with a population of 33 million compared to 306 million in the US, book sales according to Statistics Canada are correspondingly about 10 percent of what they are in the United States book industry — well over \$2 billion. The book industry in Canada is concentrated in Ontario, whose firms publish almost entirely in the English language, and Quebec, whose companies publish principally in the other official language. These two provinces account for over 90 percent of industry operating revenues and 95 percent of industry operating profits. A distant third in operating revenues is British Columbia with some 6 percent, followed in fourth by Alberta with 2 percent. Saskatchewan, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, and the territories account for only 2 percent. As to market share in Canada, the 10 largest Canadian firms earned just over 60 percent of the industry operating revenues in

2006, compared to the United States, where concentration by the 10 largest publishers stands at 90 percent.

It is important to note that some 75 percent of operating revenues for the Canadian book industry comes from domestic sales. An important and growing potential market, especially for Canadian-controlled publishing houses, is foreign book sales, which make up some 12 percent of operating revenue. (In the case of McGill-Queen's University Press, export net sales were more than 50 percent of domestic sales, with sales in some fields such as philosophy surpassing 90 percent.)

The remaining 13 percent of revenue come from sale of rights, subsidies and tax credits, marketing and fulfillment services and wholesales.

Despite the best efforts of governments and Canadian-controlled publishing houses, book publishing in Canada is not in the hands of, or controlled by Canadian-owned companies, but is in those of a very few profitable foreign-controlled book publishers. These multinational companies tend to publish in large part the more established and better-selling authors, while the Canadian-owned companies tend to act in many instances as "farm teams" to them. Canadian-owned publishing companies tend to publish in the less lucrative genres and predominantly publish first time Canadian authors.

The Canadian federal and some provincial governments, as a matter of public policy over the past years, have put in place a system of subsidies (federal) and tax credits (provincial) for Canadian-owned firms. These were introduced in order to level the playing field between Canadian and foreign-owned publishers and to strengthen a national literature, which is being created mostly by the Canadian controlled book publishing industry. Despite these government incentives, the foreign-controlled



Policy Options photo

The old world of book publishing, row after row of books in a reader's study. In the new world of publishing, Philip Cercone writes, consumers will be reading books on Kindle on-line.

firms are much more profitable even though they are ineligible for such grants or credits. According to 2006 Statistics Canada figures, the profit margin for foreign-controlled firms for that year was 13.3 percent, while for Canadian-controlled ones it was only 8.1 percent, and this was after grants and credits were factored in.

Turning to the world of scholarly publishing, except for the province of

Quebec where there are three francophone ones, university presses are unique to English-language countries. There are 133 university presses across North America. They were created by universities in times of economic crises in response to trade publishers significantly reducing the scholarly books they issued because the genre had become economically risky and did not return enough of a profit. In

other non-English-speaking countries in the Western world, where the economics of publishing was different, reputable and for the most part family-owned publishing houses that served the scholarly community continued publishing serious academic books. In North America, after the Second World War, there was a need to disseminate the fruits of research more broadly and to support universi-

ties in their endeavour to make scholarly knowledge widely available not only to scholars and students but also to the wider educated world audience, which increasingly began embracing English as the language of scholarly communication, first in the sciences and medicine and later in the humanities and social sciences.

The American educator Daniel Coit Gilman, the first president of Johns Hopkins University, established the first university press in North

that scholars are hired, retained, promoted and tenured at universities. This means that university presses do not just disseminate important scholarly research findings, but they also, through their published works, help universities decide who gets to teach students and who is rewarded and moves up the academic chain. In today's Internet world, university presses have become even more important because they divide for the reader and universities the wheat from the

business model, which also kept book prices down, began to erode as specialization, division of tasks and outsourcing took hold, to the point where the publishing wing became divorced from printing and bookselling, and the other two operations likewise split. In addition, among those three operations many middlemen installed themselves as players and became part of the book chain. Only the rare publisher today has maintained those historic connections.

The latest technological developments will give all presses, whether they are independent or large corporations, the opportunity to time travel and go both back and forth in history to rethink the whole enterprise and form new business models and alliances.

America. He believed that a university should be a place not only where teaching and research is done, but also where the fruits of a scholar's work are widely disseminated. Thus, the Johns Hopkins University Press was founded in 1878, and others slowly followed over time (California in 1893, Princeton in 1905, Yale in 1908 and Harvard in 1913), but the bulk of university presses appeared after the Second World War. In Canada, the process was slower as publishers from Britain, such as Macmillan Canada and Oxford, filled the void until the late 1950s. It was not until the 1960s that most of Canada's university presses were established, including McGill-Queen's University Press. Of the more than 400,000 books published each year in the English language in all genres, only a tiny percentage of them, I would guess between 12,000 and 14,000 titles, are published by university presses and certified as meeting the standards set by universities.

Why is it important to us that university presses continue to evolve and and why do I think the future is rosy for them? They are important because it is on the basis of peer review and subsequent university presses' decisions on whom to publish

chaff. More important, as these titles are the result of original research they serve as a laboratory to authors writing for a more popular audience.

In my quarter-century in publishing, I've never been more optimistic about the future of book publishing in Canada. This belief is rooted in what I see happening as new technology takes hold in and reconfigures publishing. The latest technological developments will give all presses, whether they are independent or large corporations, the opportunity to time-travel and go both back and forth in history to rethink the whole enterprise and form new business models and alliances. Canadian firms in the past have not controlled distribution and thus they have been unable to compete internationally. New technology, however, is quickly changing this impediment, enabling them to reach the end user more easily. From the invention of type to the middle of the 20th century, presses had three functions or attributes: they were publishers, printers, and booksellers. As booksellers and marketers, in the widest sense, for example, they had bookstores, a sales force, warehouse and distribution facilities and networks, and billing and collecting operations. Over time that very successful

When I started in publishing, everyone talked about the new technology — what was new then was replacing hot type with cold type! Since then printing has gone through a

number of technological revolutions in quick succession, from laser printing to dot matrix, and then to thermal, inkjet, 3D, stereolithography and today's digital press, where books are prepared in various formats and can be issued in print, electronic, PDF, POD, XML, ePUB, etc. As these acronyms are installing themselves in today's lexicon, we should become more familiar with them. A PDF is a file format created by Adobe Systems in 1993 for document exchange. It is used for representing two-dimensional documents in a way independent of the application software, hardware and operational systems. POD is a print-on-demand technology and business process in which copies are not printed until an order is received, and because files are in digital form, one copy or many can be done at the same time.

Many presses now contract out or have POD facilities themselves in order to maintain large backlists in print, to republish out-of-print books, or to print copies for test marketing. XML stands for eXtensible Markup Language. It is the World Wide Web Consortium's standard for creating formats and sharing data on the Web and provides a very rich and simple system to define complex documents and data structures, as it contains both the data

and the description of the data. Finally, the ePUB format is a standard e-book format, which is essentially a ZIP format; when one changes its extension “epub” to “zip,” the ePUB file becomes a true ZIP file, which can be unzipped and divided in XHTML documents, packaging files and con-

ed access to millions of books on-line through Google Book Search via the Web. In effect, Google could become the world’s largest bookseller, given its dominance on the web.

Closer to home, all 2,600 titles of McGill-Queen’s University Press

While technology moves today at lightning speed, I am certain that the traditional book in print will survive, but it will live alongside its other formats, and publishers will continue to be committed to rigorous selection processes and editorial standards. Successful publishers will be ones that ensure that books remain clearly written, cogently organized and consistently and accurately presented.

tainer files. By requiring strict codes, the e-book reading software does not need to divine non-standard codes. This is important for reading e-books on devices such as cellphones, which have limited computing powers.

The digital age will reshape publishing, and those presses that have a business plan to cut out the middle players and form new alliances will have a better chance of prevailing and prospering. First of all, I believe publishers will be even more needed and valued. As the world is flooded with information — both reliable and unreliable — the quality, or brand, of a publisher’s list will become more and more important in the eyes of the discriminating and busy reader, who will seek out books from known entities. The way publishers will sell their books will also change dramatically, as books today can not only be found in print form, but can also be accessed, or soon will be, on computer screens, telephones, Kindle2, Sony Reader, Google, Amazon, Chapters/Indigo’s Shortcovers and publishers’ Web sites. The large players already sell electronic books on-line and others are rushing to join them. And, of course, let us not forget Google, which in October 2008 reached a ground-breaking settlement agreement on its litigation with authors and publishers in the United States. The agreement expand-

have been digitized, and the Press was able in 2008 to place in all the university libraries in Canada a PDF copy of some 1,400 of its backlist titles so that any student, employee or professor in any Canadian university can access these books on-line in much the same way as if the book had physically been borrowed from the library. Sales from ebooks to libraries for McGill-Queen’s went from some \$25,000 in 2006 to over \$200,000 in 2007 and to well over \$2,000,000 in 2008 with the one-time sale mentioned above to libraries. Many of the press’s slow-moving backlist titles are also now available as PODs. Conversion of the books to XML and ePUB, which is now being implemented, will soon enable the press’s books to be available on Amazon’s Kindle2, Sony Reader w(hich incidentally has partnered with Google), iPhones and other devices yet to be invented.

While technology moves today at lightning speed, I am certain that the traditional book in print will survive, but it will live alongside its other formats, and publishers will continue to be committed to rigorous selection processes and editorial standards. Successful publishers will be ones that ensure that books remain clearly written, cogently organized and consistently and accurately presented. These qualities will remain their hall-

marks. As well, they will not skimp, but will enhance design and will continue to employ and integrate new and effective ways of marketing and promoting their authors’ books, perhaps in tandem with other publishers publishing in the same genre, or alone directly to the purchaser through their own Web sites in competition with traditional independent or chain bookstores, including Amazon, Chapters/Indigo and Google.

In selling books, the need for printed catalogues and direct-mail flyers will disappear gradually over the years, as these and other means of selling books will be moving to the Web. Think of the Sears catalogue, a relic of another age. And finally, publishers will be needed because they are experts in copyright and will protect aggressively the copyright of their authors’ books, as well as their own, in the face of giants like Google or emerging electronic pirating of copyrighted books. Being a book publisher in the digital age will have its downside, too, because it means that once a book is available, whether in print or electronic formats, it can be digitized very cheaply and sold on pirate sites that have sprung up. Indeed some publishers have found their titles available as e-books on pirate Web sites even before the publication and launch of the book. Does this sound familiar, with what the music and film industries have gone through?

Getting back to the flight to Montreal, will next year’s return from the London Book Fair pilgrimage in 2010 find me reading a novel the same way I seem to have gravitated toward reading newspapers on my computer or telephone?

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