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## Publishing: The bookworm turns

By Barney Jopson and Andrew Edgecliffe-Johnson

Ebook market has defied predictions, with world's reading habits now battle ground for tech giants



The study in Ming Fan's Seattle home is, the academic cheerily admits, full to bursting point. "It's getting out of control with all these physical books. My wife is yelling at me. Where do I store them?" he asks.

Speaking in his more-or-less under-control office at the University of Washington's business school, the conclusion is clear. "I've reached the limit. If I buy a new physical book I have to throw an old physical book away. For me, the digital book is the way to go."

Professor Fan, an expert in information systems and ebook pricing, buys most of his ebooks from Amazon, the ecommerce pioneer that has become another Seattle institution – and a few from Apple's iBook store, reading them either on one of [Amazon's](#) Kindle ereaders or on an [Apple iPad](#).

Millions have adopted similar habits since Amazon launched the Kindle in 2007. Some want to save shelf space; others shopping time. Some are looking to save money; others to avoid the strain of heavy luggage. Some just want access to the growing number of titles only available as ebooks.

Their behaviour has defied predictions. The book was supposed to be the medium least prone to disruption. Its immersive tactile pleasures, established over centuries, were not expected to be supplanted by digital gadgetry. But the rise of increasingly innovative and affordable hardware has altered that, turning an industry with a reputation for erudite amateurishness into a battleground for the world's biggest technology companies.

This week a new battle in Seattle began as [Microsoft](#), the area's oldest tech giant, went up against Amazon with a \$300m investment in the Nook, a Kindle rival developed by [Barnes & Noble](#), America's last surviving national bookstore chain.

Microsoft had tried and failed to crack ereading before. But by outsourcing the ereading application it needs for its Windows 8 operating software for tablets, smartphones and personal computers, it will widen distribution of the Nook beyond the stores in which Barnes & Noble staff help offer less confident ereader users a helping hand. It will also set up a fight between four ecosystems that each combine a device and a bookstore: the Nook, the Kindle, Apple's iBookstore and [Google Books](#).

As deep-pocketed tech companies tout ebooks to sell Windows 8 devices or Kindle Fires, iPads or gadgets running Google's Android software, reading habits will change further, with profound consequences for retailers, publishers, authors and consumers.

The pace of change is already dramatic. According to PwC, the consultancy, US consumer ebook sales will grow 42 per cent to \$2.5bn this year, or 11 per cent of the American consumer books market. But this may understate the growth. The Association of American Publishers said on Friday that ebooks accounted for 31 per cent of all adult trade sales in February, up from 27 per cent in the same period a year ago, with their share of the children's and young adult market jumping from 10 per cent to 16 per cent in a year.

In Europe, ebook sales will grow 113 per cent, PwC estimates, but will end the year as less than 2 per cent of the market. In Asia, ebooks will be more than 6 per cent of the market by December, it predicts.

However, this comes at a heavy cost to print. Adult hardback sales fell 17.5 per cent last year, according to the Association of American Publishers. In the UK, The Publishers Association said this week that consumer ebook sales leapt 366 per cent in 2011 to 6 per cent of the total, but print declines left the total market down 2 per cent.

Ebook adoption is rising fast. A survey before Christmas by the Pew Research Center, a Washington think-tank, found 17 per cent of US adults were ebook readers. In a survey carried out after millions of Kindles and iPads had been bought as gifts, the number had grown to 21 per cent. In some genres, the shift is particularly pronounced. Print sales in the adult mass market – trashy novels found in airports and supermarkets – fell 35.9 per cent last year, the AAP found.

“People tend to buy ebooks for those pulpy titles that fill up your shelf really quickly. Women with romances and guys with their science fiction fantasy,” explains Michael Kozlowski of the Good e-Reader blog. “They are the kind of pulpy books I read once and will never read again.”

Erotica is especially popular as it is easily concealed in ebook format, he notes. *Fifty Shades of Grey*, an erotic trilogy, presently occupies the three top spots in the US Kindle store.

Whatever the subject matter, the ability to buy books on impulse seems to be turning ereaders and tablet owners into voracious readers. Pew found that ebook readers are consuming 24 titles a year, compared with 15 for the wider population. “I feel that I now read more books than before, because it's more convenient,” Prof Fan says: “It's like compulsive shopping.”

But publishers are worried about how much readers such as Prof Fan will pay to feed their digital habits. Two years ago, on the eve of the iPad launch, five of the big six global publishers agreed with Apple on what they hoped was a more sustainable model than the \$9.99 bestseller pricing with which Amazon had claimed 90 per cent of the ebooks market.

Now, their digital pricing is in turmoil again. Last month the US Department of Justice accused Hachette, HarperCollins, Macmillan, Penguin and Simon & Schuster of colluding with Apple to raise ebook pricing. Three publishers settled, while admitting no collusion, but Macmillan and Penguin (the latter owned by London-listed Pearson, as is the Financial Times) plan to contest the case alongside Apple.

Amazon has done plenty to make established publishers anxious. Already their largest retailer, it now occupies every link in the chain between author and reader. It is signing big name authors to its own imprint, and publishing both ebooks and printed titles. The Kindle ebooks at the top of Amazon's fiction list on Friday cost between \$3.13 and \$7.21.

Last month it acquired North American rights – digital and print – to Ian Fleming's James Bond books. With its Kindle Singles programme, it has created a digital outlet for short-story writers and expansive journalists, giving them a 70 per cent royalty of a low retail price (the top 100 titles are priced between 79 cents and \$4.83). It has also launched a library service, allowing Kindle owners to “borrow” a book a month for free. The Authors Guild of the US has railed at Amazon's discount pricing, and authors' agents worry about being cut out.

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Publishers have responded with their own innovations, from Penguin's Book Country, a writers' online community, to Random House's Smashing Ideas, which creates mobile applications for titles including *The Jungle Book*. But they face new entrants such as Pottermore, the JK Rowling site that said on Friday it had sold £3m worth of Harry Potter ebooks in its first month.

Bricks-and-mortar retailers, which have long struggled to adjust to Amazon's disruptive ecommerce operation, are also nervous. Target, a big bricks-and-mortar discount retailer, said this week that it would stop selling Kindles, having complained customers were browsing a wide range of products in its stores and then buying more cheaply on Amazon's site.

After last year's demise of Borders, Barnes & Noble's closest US rival, booksellers are particularly worried. In his teaching role, Prof Fan may be aggravating their troubles. He used to notify the university bookshop two months before a new term of the texts from which he

would be teaching so the shop could estimate demand.

“Now this model is not working so I don’t even bother to order from the university bookstore,” says Prof Fan. “The format is the problem. People are not going to buy physical. I tell students: ‘Do your own shopping.’”

Even the store’s staff are adopting ebooks. Caitlin Baker, who works in the children’s section, bought a Nook six months ago but did not dare take it to work for the first month. When she did, however: “They were like ‘Oh, cool.’ No one beat me up.”

She still reads physical books because she likes the way they feel but she uses the Nook to read advance copies of books sent by publishers. “I live in a studio apartment so it’s not nice to have the clutter. Now I don’t have to carry a bag of them home on the bus, and if I don’t like one I just delete it.” She also champions Seattle public library’s vast ebook collection. “You can check them out in your pyjamas or whatever. Then at the end of two weeks it disappears. No fines. It’s magic.”

Another employee says printed editions still have their place: “People come in here to look at paperbacks when their Kindles aren’t working. We heard one girl say: ‘I can’t believe my Kindle broke in the rainforest.’”

The rise of ebooks has not paralysed innovation in print. An Espresso Book Machine in the university store lets customers print books in minutes. It can print anything, says a member of staff – either from a database of rare and unusual titles, or users’ own work. “A lot of people self-publish, doing family histories or books of poetry or something that’s been sitting in their desk for years.”

Even in the all-print age, publishing accommodated multiple business models: new hardbacks sat alongside “backlist” paperbacks, leaving room in the market for second-hand bookshops even as libraries offered current and classic titles for free.

On a side street leading away from the University of Washington’s main campus is a used-book store called Magus, where Chris Weimer, the owner, is untroubled by the ereaders’ growth. A used-book store still has a special role as a place for stumbling across the unexpected, he says.

“It’s what keeps this model alive. You never know what you are going to find. I’ll marvel in Barnes & Noble when I walk through the poetry and drama section, and I’ll have two or three times as much as they do in this small store because we are not limited to what’s in print.”

He adds: “You can’t take an ereader in the tub with you. You can’t loan it to friends.” One of his staff chips in. “I’ve got a book that is 400 years old and it still works,” he says. “Show me a Kindle that will work in 400 years.”

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