## NEWS

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# E-publishing challenges the gatekeeper model

## By Renee Gotcher

JUST AS MP3 technology pulled the rug out from under the iron-fisted recording industry -- putting the power of digital music distribution in the hands of consumers and artists -- Web self-publishing and digital-rights management technology are poised to push old-school publishing giants aside.

Because scrolling through Web volumes is no substitute for flipping through physical pages, traditional publishers have been slow to move forward on the Web. But as Web-savvy customers rattle the gates for more online content, technology is catching up with the latest electronic books and digital-rights management tools.

Rising Internet publishers, such as Fatbrain.com and Ebookstand.com, publish and sell rights-protected digital works on their Web sites, thereby seizing the opportunity to throw open the press floodgates and put the publishing power in the hands of the people. Their sites provide digital-rights technologies that allow authors to produce portable, customizable digital works with built-in royalty protection, without the usual restraints imposed by print publishing's economies of scale and gatekeeper distribution.

As a result, publishing heavyweights, including Bertelsmann, Houghton Mifflin, and Macmillan USA, among others, are now trying to ride the electronic-publishing wave, rather than drown in its wake. Last month, a slew of announcements partnering these leaders with technology enablers, such as Xerox, Hewlett-Packard, Reciprocal, and Fatbrain.com, confirmed that Web-based books-on-demand and Internet self-publishing are key to online publishing.

"Traditional publishers, with understandable reluctance to lose control of their existing intellectual property, have been resistant to allow their works to be digitized," says Peter Perine, publishing-segment general manager at Xerox, in Fairport, N.Y. "At the same time, the rapid growth of Web-browsable books and the recent emergence of e-books in various formats are increasing publishers' awareness that a paradigm shift is under way. A growing number of progressive publishers are definitely ready for the change."

However, it's unclear whether these moves are rumblings of a major revolution or just another example of how the Internet has opened new channels that supplement, rather than substitute for, established business models.

"We're combining the best of true publishing with the benefits of digital publishing," says Judy Kirkpatrick, vice president and general manager of digital publishing at Fatbrain.com, in Santa Clara, Calif. "It's not that we can replace published books with digital [versions], but we can make new channels [for new works]."

## A better business proposition

Even though traditional publishers who tap digital publishing as a supplemental channel will continue to spend money to market their authors, other publishing and distribution costs are practically eliminated in a digital-publishing model.

"Publishers benefit by gaining higher sales levels, greater market exposure with additional titles, reduced warehouse expenses, and accelerated cash flow," Xerox's Perine says.

For example, Germany-based media conglomerate Bertelsmann will be using Xerox technology to digitally push books-on-demand to printers, resulting in a constant, low cost per copy. With this model, publishers can now offer shorter works, reprints, or out-of-print books without the overhead publishing costs, Perine says.

Another advantage of digital publishing is that data generated by digital-rights technology can be plugged in to other back-end services. For example, Reciprocal's Digital Clearing Services modules allow companies to feed usage and customer information back into financial and customer service systems.

"Part of the value proposition for publishers is the lead tracking enabled by this technology," says Kent Allen, an electronic-commerce analyst at the Aberdeen Group, in Palo Alto, Calif.

But even more dramatic are the cost savings for the direct digital-publishing model, in which print production costs are cut out completely. Fatbrain's Kirkpatrick says that, because the cost to publish authors using its eMatter technology is so low, the company can offer its authors a 50 percent royalty -- unthinkable in the print world, in which a 15 percent royalty is on the high end.

"There's far less overhead, no inventory, and, [because] we're using a technology infrastructure that also scales, the more we have, the lower the cost," Kirkpatrick says.

Authors also save time and money when publishing straight to a digital format. David Chereb, director of research at the eForecast Institute, in Mission Viejo, Calif., and author of the digital publication Signs of the Times: New Strategies for the Digital Economy, estimates that he reduced the time from rough draft to final online publication by about 75 percent by publishing with Fatbrain, as compared to his last print publication.

As on the publisher's side, overhead costs for authors are also reduced. Joseph Matheny, founder and CEO of Immersion New Media, in San Jose, Calif., and author of two digital works, Why DVD? and Incunabula, a science-fiction piece, says that by working for the digital medium from the start he cut back costs and produced a higher-quality finished product, with Web links to related materials and updates.

"There's plenty of benefits to authors now," Aberdeen's Allen says. "But I think publishers aren't going to give back those margins for long."

## Loosening content reins

Under the current print-publishing model, publishing companies serve as gatekeepers who have the infrastructure in place to weed out what won't succeed on the open market. However, digital distribution is dramatically changing that cost limitation and opening the door for new authors and content formats.

"The way we think we will change publishing forever is that we've made this economical channel for midlength documents -- longer than magazine articles but shorter than a book -- and we've enabled self-publishing, loosening the controls of the publishing process," Fatbrain's Kirkpatrick says.

Because of these eliminated costs, both Fatbrain and Ebookstand allow writers to basically publish at their own discretion, provided they agree to contracted guidelines that include guarantees against plagiarism and offensive content such as pornography.

"Now with our approach to publish all works, ... every writer will get exposure, and the buying public will decide what they want to buy," says John Nightingale, president of Ebookstand, in Auburn, Calif. "The limits of publishers and editors are gone."

However, letting writers loose means risking clutter created by having poor-quality publications thrown into the market mix. Kirkpatrick says that, even though Fatbrain's managing editorial director and his team sift through content to decide what gets prominent placement on the site, consumer choice will provide an additional filter: What's good will sell and rise to the forefront, and what's not will gather dust on Fatbrain's virtual shelves.

"We count on a combination of user reviews and the author-provided summary and bio to give the browsing customer information to make a decision," Kirkpatrick says. "But in the future, we want to provide a way for users to preview the books and implement a forum where consumers can query the authors and debate."

Although Fatbrain hasn't yet faced a situation in which a self-published author crossed its guidelines for appropriateness, Kirkpatrick says the company won't hesitate to remove rule breakers' works and provide

unsuspecting customers some retribution.

Some authors who have published with Fatbrain say the benefits of digital publishing outweigh the digital debris that may clutter up online bookshelves.

"You have to accept the good with the bad, and yes, there's going to be noise," Matheny says. "But that happens with print. I don't think the ratio of good to bad is going to be any higher."

## Evolution or revolution?

Both on-demand publishing and online publishing represent a definite shift from "heavy gravity" publishing -- in which physical books require printers, warehouse space, and brick-and-mortar bookstores -- to a "zero gravity" model -- in which books exist only as bits and bytes that are downloaded and read on personal digital assistants (PDAs) and e-books, says Jack Staff, chief Internet economist at Zona Research, in Redwood City, Calif.

"This is all about a transition, going from here to there," Staff says. "Now the strategy is to partner; so you have [big] companies like Xerox and Bertelsmann that can get together and make things happen immediately."

Another factor that will continue to drive publishers to online shelves is that the Web has whet consumers' appetites for convenient access to highly specialized information.

"[Electronic] publishing is filling existing demand and migrating into markets where the timeliness of information is high and the need for a long-lasting hard-copy book is low," Xerox's Perine says. "Textbooks, topical current events, business and scholarly reference information, etc., best fit the e-publishing model."

Ebookstand's Nightingale sees the latest plans of brick-and-mortar publishing companies as validation that e-books and books-on-demand are the future publishing model.

"The way things change today in Silicon Valley, completely portable digi-books will be here in the blink of an eye or in the click of your mouse," Nightingale says.

Both traditional publishers and new Internet publishers are moving fast to capitalize on the business benefits available with today's digital-publishing technology. But most agree that, until portable technology has evolved to a point that's truly comparable to the print reading experience, certain types of information will remain in print for some time.

"A book is as fine a PDA as you'll ever find," Staff says. "So as long as we still have paper, binding, and so on, there will be people that want to buy books."

News Features Editor Renee Gotcher (renee_gotcher@infoworld.com) can't wait to reduce the weight of her carry-on bag by loading up her Palm with her airplane reading.

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