Slide 1

eBooks:
Are there Lessons to Learn from Music?

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Slide 2

"The vision is that you should be able to get any book
- not just any book in print, but any book that's ever been in print -
on this device in less than a minute."

[Jeff Bezos '07]

Kindle

Will the future of reading be digital ?
Is the printed book dead ?

[Frankfurt Book Fair '09]

… in Q1, 2010,
Amazon.com sold more Kindle
books than hardcover books …

Slide 3

Agenda

- Terminology
- Players
- eBook Content: User Survey
- Case Study: Kindle 2
- Summary / Thoughts: Books and Music

Slide 4

eBooks – Terminology

eBook Readers ⬌ **eBook Content**

Slide 5

eBooks Readers

Market (re)start: Sony in '06
Amazon in '07

≠ eBook Content

Today ca. 40 different devices*

Dedicated devices ? ⇔ Any devices displaying (longer) texts ?

		iPad	Kindle	Reader	iLiad
Company		Apple	Amazon	Sony	Philips
Market Entry	US	Apr. '10	Nov. '07	Sep. '06	Jul. '06
	GE	May '10	Feb. '09	Mar. '09	Jun. '09

* Almost each supporting limited text formats

Slide 6

eBook Content

Popularizing eBooks

Dilemma: ⇕
Curbing large scale unauthorized distribution & usage

Role of DRM …

- Access and usage control
- Transparency and contract terms
- Privacy
- 'Interoperability' of digital goods
- DRM Software and hardware compatibility
- Business models (pricing and bundling)
- Pricing and product diversity (incl. user restrictions)

Music ?!

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(e)Book Players

Authors › Publishers › Distributors › Consumers

[Self-publishing option]

Issues of inventory, out-of-stocks, back order

☺

(e)Book Players

Authors › Publishers › Distributors › Consumers

Telco ? ISP ?

Device Manufacturer ?

Other (New) Entrant ?

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Survey Approach

Addressing eBook readers via four German eBook discussion boards

Board	URL	Members	Posting Date
e-reader-forum	www.e-reader-forum.de	741	09/03/09
Mobile Read	www.mobileread.com/forums	n.a.	09/03/09
Sony Reader Club	reader-club.sony.de	n.a.	09/03/09
Xing	www.xing.com/net/ereader	136	09/03/09

- Online questionnaire available for two weeks in Sept. '09
- Total of 25 items related to *Perceived Usefulness*, *Perceived Ease of Use*, *Trust*, and *Willingness-to-Pay*
- 89 completed questionnaires

Survey - eBook Usage

Share of Respondents
(n = 89)

□ Downloaded
□ Purchased

	None	1 to 3	4 to 6	7 to 10	More than 10
Downloaded	1	8	22	6	63
Purchased	30	24	22	7	17

Survey Results (slide 1)

Statement	Perceived Usefulness - Statements	Means	Statement	Perceived Ease-of-Use - Statements	Means
PU1	It is useful that I have instant and ubiquitous access to eBooks.	4.53	EOU1	It is easy to find and download free eBooks.	3.71
PU2	It is useful that I can adjust eBooks to my individual reading preferences.	4.57	EOU2	It is easy to buy and download eBooks.	3.49
PU3	It is useful that I can load many eBooks on my reading device.	4.75	EOU3	It is easy to transfer free eBooks to multiple devices.	4.12
PU4	It is useful that there is a broad supply of free eBooks.	4.32	EOU4	It is easy to transfer purchased eBooks to multiple devices.	2.74
PU5	It is useful to use eBooks on several different devices.	4.06	EOU5	It is easier to buy an eBook than ordering a book online.	2.50
PU6	It is important to me that I can treat a purchased eBook comparable to a printed book. (lending, selling, give away)	4.09	EOU6	It is laborious to download and install additional software in order to use eBooks.	2.88
PU7	The current offer of eBooks in Germany is satisfying.	1.91	EOU7	It is easy to find the titles I am interested in.	2.58

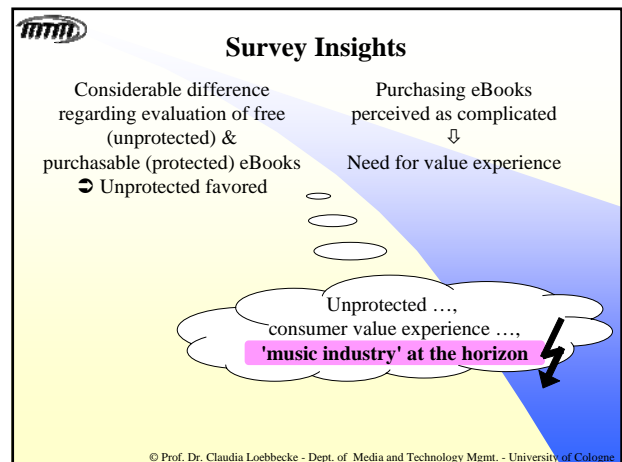| Statement	Trust - Statements	Means	Statement	Willingness-to-Pay - Statements	Means
TR1	I am worried that I cannot use my bought eBooks in the future.	3.23	WTP1	I am generally up to pay for eBooks.	4.47
TR2	I am worried that eBooks contain viruses or spyware.	1.84	WTP2	It is important that authors are compensated for their intellectual work.	4.67
TR3	I am worried that I do not have full control over my eBooks.	2.91	WTP3	The current prices for eBooks are reasonable.	1.82
TR4	I am worried about the usage of my personal data.	2.93	WTP4	Usage restrictions 'punish' lawful customers.	4.24
TR5	It is important to download eBooks from legal sources I have trust in.	4.06	WTP5	I do not buy any eBooks with usage restrictions.	3.15
			WTP6	Renting eBooks is an attractive alternative to buying usage restricted eBooks.	4.03

Survey Results (slide 2)

- ➲ Protected eBooks perceived less useful (Perceived Usefulness)
- ➲ Purchasing eBooks considered complicated (Perceived Ease of Use)
- ➲ Data release and sustainability **no** reason for concern (Trust)
- ➲ eBook prices considered too high (Willingness-to-Pay)

Survey Limitations

- Low number of identifiable eBook users
- Representativeness of members of eBook discussion boards
- Only indicative findings w/o statistical validation

- Insights dependent on device and content availability
  - ➤ eBook reader innovation driving eBook content perceptions
  - ➤ Dependence between eBook reader success and free content offers

Many issues, **however …**

Survey Insights

Considerable difference regarding evaluation of free (unprotected) & purchasable (protected) eBooks
➲ Unprotected favored

Purchasing eBooks perceived as complicated
⇩
Need for value experience

Unprotected …,
consumer value experience …,
'music industry' at the horizon

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Kindle 2 Study: Objective and Method

Objectives	Investigating innovative, emerging new business model
Method	Explorative case study ➲ Amazon launching Kindle 2
Data Sources	Press and ten in-depth interviews

Kindle 2: Launch

Amazon
- Since '94
- Global revenue ~ $25 Bill. ('09)
- Largest online (book) retailer
- Patented one-click purchase
- Reputation for online (book) selling, strong customer base
- eBooks complementing product line

Kindle

Cannibalization

- Launched in Nov. '07
- First development of technical device for Amazon; manufactured by Foxconn Technology Group
- Kindle 2 launched in Feb '09 [Kindle DX in June '09]
- Storing up to 3,500 eBooks
- Access to Kindle Shop (> 400,000 books)
- *Direct connection between eReader and content*

Kindle 2: Strategic Moves

Vertical Integration	First Mover Advantage	Marketing	Pricing
Proprietary system with exclusive access to content	- Proprietary business model; - Exclusive publishing rights	Mass & viral campaigns	- Devices high - Content aggressive

Revenue ⇕ Critical Mass

Betting on wrong horse

Canniba-lization

≠ Competitors

Kindle 2: Discussion

Leap based on combining hardware and content !

- Advantage of first mover ?
  - ➲ Platform / social media logic *versus* cost of R&D / market development

- Combining hardware sales with access to content
  - ➲ Proven successful in other markets - music / software

- Who will dominate the value chain ?
- Where will future competition come from ?

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eBooks: Future Competition ?

Authors 〉 Publishers 〉 Distributors 〉 Consumers

Telco ? ISP ?

Device Manufacturer ?

Other (New) Entrant ?

e ? e e e e e

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eBooks: Future Competition ?

Auth... 〉 ...mers

Telco ? ISP ?

Device Manufacturer ?

Other (new) entrant ?

Business Models ?

---

eBooks: Future Competition ?

?

Auth... 〉 ...mers

Telco ? ISP ?

Device Manufacturer ?

Other (new) entrant ?

Business Models ?

eBooks: Future Competition ?

?

Au... ...ers

Business Models ?

Telco ?
ISP ?

Device Manufacturer ?

Other (new) entrant ?
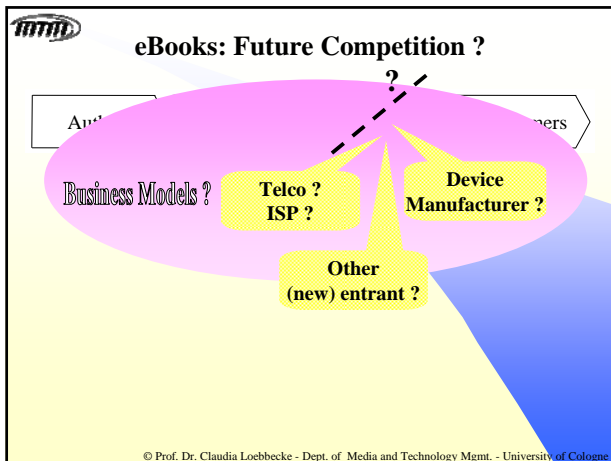
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Books and Music

Need for Content Sector-Specific Analysis ⇔ True Convergence ?

User Trends: Similar attitudes, (still) different usage patterns ✓

Industry Trends: Barely any conceptual / systemic differences? ✓

	Music	Books
Digital goods characteristics	✓	✓
Revenue losses	✓	Still stable revenues
'e' = Omnipresent	✓	Little avail. content
Piracy	✓	?
P2P network usage	✓	Barely, but how long ?
New players (HW manuf., ISPs)	✓	✓

(1) eBooks just another content industry 'going digital'

(2) IF there were mistakes in 'music' ➲ Lessons to be learnt !

…. Questions, Comments, Complaints ?

Thanks for your attention !

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Perceived Usefulness

Statement	Perceived Usefulness - Statements	Means
PU1	It is useful that I have instant and ubiquitous access to eBooks.	4.53
PU2	It is useful that I can adjust eBooks to my individual reading preferences.	4.57
PU3	It is useful that I can load many eBooks on my reading device.	4.75
PU4	It is useful that there is a broad supply of free eBooks.	4.32
PU5	It is useful to use eBooks on several different devices.	4.06
PU6	It is important to me that I can treat a purchased eBook comparable to a printed book. (lending, selling, give away)	4.09
PU7	The current offer of eBooks in Germany is satisfying.	1.91

Perceived Ease of Use

Statement	Perceived Ease of Use - Statements	Means
EOU1	It is easy to find and download free eBooks.	3.71
EOU2	It is easy to buy and download eBooks.	3.49
EOU3	It is easy to transfer free eBooks to multiple devices.	4.12
EOU4	It is easy to transfer purchased eBooks to multiple devices.	2.74
EOU5	It is easier to buy an eBook than ordering a book online.	2.50
EOU6	It is laborious to download and install additional software in order to use eBooks.	2.88
EOU7	It is easy to find the titles I am interested in.	2.58

Trust

Statement	Trust - Statements	Means
TR1	I am worried that I cannot use my bought eBooks in the future.	3.23
TR2	I am worried that eBooks contain viruses or spyware.	1.84
TR3	I am worried that I do not have full control over my eBooks.	2.91
TR4	I am worried about the usage of my personal data.	2.93
TR5	It is important to download eBooks from legal sources I have trust in.	4.06

Willingness-to-Pay

Statement	Willingness-to-Pay - Statements	Means
WTP1	I am generally up to pay for eBooks.	4.47
WTP2	It is important that authors are compensated for their intellectual work.	4.67
WTP3	The current prices for eBooks are reasonable.	1.82
WTP4	Usage restrictions 'punish' lawful customers.	4.24
WTP5	I do not buy any eBooks with usage restrictions.	3.15
WTP6	Renting eBooks is an attractive alternative to buying usage restricted eBooks.	4.03

eReaders: Market Forecast

Back Up

US Consumers (in Mill.)

'07-'09	'09-'11	> '11
Early adopters driving market	Frequent book buyers adopting	Market growth (students, bus. consumers)

Labels: More content, More brands, Animation, $199 price point, $99 price point, Full-frame video, Color, More wireless devices

[Source: Forrester '09]

Year