



## BEYOND THE BOOK – Giving It Away: Free Lunch or Unrealized Opportunity?

**ANNOUNCER:** Welcome to a podcast of Beyond the Book, a presentation of the not for profit Copyright Clearance Center. Copyright Clearance Center is the world's largest provider of copyright-compliant solutions through a wide range of innovative licensing services and comprehensive educational programs for authors, publishers and their audiences in academia, business and research institutions. For more information about Beyond the Book and Copyright Clearance Center, please go to [www.beyondthebook.com](http://www.beyondthebook.com).

**KENNEALLY:** Good afternoon and welcome. My name is Chris Kenneally. We're very happy to be here for another special edition of a program we call Beyond the Book. We are welcome here at Book Expo for the second year. We're delighted to be back and we have, I think, ahead of us for the next hour a really fascinating discussion around a topic I think we can all relate to.

Joining us today on the panel will be Chris Anderson, David Langevin, Ben Wolin, and my name is Chris Kenneally.

Just a few thoughts if we can about the whole notion of free. It's a word that appeals to us all, I think. I'm put in mind of what Oscar Wilde once said. He said, "The only thing I can't resist is temptation," and with free, there's always a great temptation. It's a word that in our culture we use rather freely. I think probably the two best words in the English language might be either fat-free or possibly free beer.

We live in the land of the free. We have free speech, free movement, free enterprise. But perhaps the thing that we are here to discuss isn't any of those but something that you're all concerned about in this business, information. As we have been told so many times, as Stewart Brand said, information wants to be free. What's often forgotten is the second half of his line, which is that information also wants to be expensive, and therein lies the tale.

With that note then, I'd like to start by putting, if you will, the proposition to the house. Welcome, Chris Anderson. Chris Anderson was named in April, 2007 to the *Time* 100, the newsmagazine's list of the 100 men and women whose power,

talent or moral example is transforming the world. You probably know him as the editor in chief of *Wired* magazine, which he has held since 2001 and has led the magazine to six national magazine award nominations and winning the top prize for general excellence this year as well as 2005.

He is also, of course, the author of the *New York Times* bestseller, *The Long Tail*, which has been an extraordinarily influential book based on a very influential article in *Wired* magazine. Welcome, Chris.

I want to start by asking you about this almost inevitable relationship between the Web and free content. Describe for us what the factors are that lead us there so quickly and almost fatally.

ANDERSON: The answer is, there's – it's technology and philosophy. Let's start with the technology because that's the most obvious thing.

The cost of distributing information on the Web is almost free, and when things are almost free, it's helpful to treat them as if they were free because you get so many advantages. The one cent barrier is very high. One cent tends to wall off viral effects. If you make something free, it is spontaneously distributed through word of mouth, and as you know, the Web is the world's greatest word of mouth amplifier.

So because distributing digital information – because the process of copying the information, reproducing it and then sending it places – is so low to be free, that Web businesses understood this and made the businesses free and built most of the revenue models off advertising in most cases.

KENNEALLY: And storage now, too, is just all but free.

ANDERSON: Storage is free, so Yahoo right now has made Yahoo mail absolutely unlimited. You have an – you will never run out of in-box space. You'll never have to delete an e-mail. Google's doing close to the same. We find that YouTube recognized the bandwidth was going to close to be free, and obviously processing on it as well is close to free, thanks to Moore's Law and all that.

So the underlying technology of the Web made it possible to have free business models, but it was the philosophy of the Web, which as you recall, started with things like open source, started with the cyberlibertarian movements that I guess evolved originally from the '60s, and *Wired* magazine was part of that, plus the whole Creative Commons movement, the whole notion of individual empowerments and the role of amateurs.

All this notion of openness is very tied to the notion of free, and it basically says if you can lower the barrier of entry down to almost nothing, you hugely increase the

number of people who can participate, and the Web is all about big numbers. It's all about getting these huge audiences by bringing the cost down to zero.

KENNEALLY: I think the philosophical aspect is really interesting because what you're saying is this movement of a kind of counterculture and I think what happens and what brings us all together today is thinking about how that counterculture then interacts and encounters the publishing culture.

ANDERSON: Well, exactly. Let me just speak to the first.

I wouldn't just call it a counterculture. It may have started in counterculture moves, but what it really recognizes, there's more – there's another economy rather than a monetary one. There's more to the world, there's more to our lives and there's more to our culture than just what's marketed through commercial forms.

And the big recognition of the '60s was the notion of amateurs and that regular people could do extraordinary things, and the thing about the Web as well is that it understands the value of amateurs, understands the value of contributions made for free. So people blog for free. People put up Wikipedia entries for free. People upload videos to YouTube for free.

They're also downloading them for free, but it's actually the other side where they're contributing, they're producing, they're sharing their talents and skills and labors for free that really make the Web so powerful, and that's only possible when the barrier to entry is so low that not just professionals but also amateurs can participate.

Now, publishing. Let's define publishing broadly. I'm in the magazine publishing business. Our content has always been free online. The basic economic rule is if the marginal cost of offering something is close to zero, then the price should be close to zero, that price follows cost. Our Website is free because it costs us nothing to publish that way.

Our magazine is not free but it's hugely subsidized. We charge a nominal amount. It could be one cent. It's just enough to qualify the readers as being truly interested, and we make the money back from advertising.

Newspapers. It's often said that if you can understand why newspapers are sold on the street in a box that doesn't limit how many you take, you will understand the newspaper business model. They want you to take five or 10 of them because they're not selling newspapers. They're selling your attention to the advertisers.

KENNEALLY: They're looking for readers, circulation.

ANDERSON: So newspaper publishing is essentially free. The price is arbitrary. Magazine publishing is essentially free. The price is arbitrary. Books are actually

an exception. Radio's free to air, television's free to air. Books are one of the few exceptions where you actually charge what it costs for the product, or more.

KENNEALLY: Yet, you're going to be proposing in your next book – well, tell us about your next book, which has the title of *Free*, but I think you're going to be proposing to publish that book in as many ways as possible as free.

ANDERSON: So I need to be careful because my publisher, Hyperion, is in the audience, so I won't promise anything that they can't live with. But let me give you one – there's some aspects of that that we have not yet decided, but let me give you one little aspect of it that we have decided, the audiobook.

The audiobook, as an MP3, cost me nothing to manufacture, copy and distribute, so we're going to make the audiobook free. In every physical book, there's going to be a code printed in the book and you go to a Website, maybe my Website, type in the code, and you can download the audiobook for free.

Why should you have to buy the book twice if you want to listen to it in your car and read it at home? Why punish your best customers, in a sense, by charging them twice? It costs me nothing to do it so I'm going to reserve the audiobook rights for myself and use that as a kind of a free gift inside, as it were, for the physical book, with the hope that we will not only sell more physical books as a result, but please the physical book readers more by giving them this additional element that costs us nothing to do.

KENNEALLY: What other things would be free, or could the book itself possibly be free? Can you imagine books being free?

ANDERSON: At this point, I'm not going to promise what I'm going to do, but I'm going to talk about potential things, hypothetical things that could be.

Obviously, what else costs zero to reproduce and distribute? Well, the e-book costs zero to reproduce. There's lots of ways to do that. You can have a downloadable model, although I probably wouldn't go that route first. You can have a page view model, much like a magazine, so you can actually look at the – as again, on the magazine, we give you the content for free and we run advertising alongside it. You could do the same for a book.

Now, no one wants to read 240 pages page by page on the book, but it's a very good sample. You can obviously participate and Google search inside the book on Day One. You could make a downloadable version that's locked to a specific reader, like maybe a Sony e-book reader or something like that, because you know that's a relatively constrained audience. It's not going to cannibalize your entire readership, but it may please those influentials who are into e-books. And again, it costs me nothing to do so. There's very little money that I spend or risk by offering something that's locked to a specific e-book reader.

That's the electronic version.

How could you make the physical book free? Well, again, I may not do this, but it has been done in the past, but you could have an advertising support in the physical book. You can buy the book in a lot of ways. You can pay \$19.95 for a book without advertising or you can pay nothing for a book that does have advertising in, and it would just be my job to find a sponsor for that book who would basically pay the freight for the book with a minimum amount of disruption and corruption of the product itself.

Maybe the front cover, maybe the back cover or something in the middle or some minimalistic sort of advertising that was important enough to the advertiser to be able to tie their brand to this book that they were willing to pay enough that I didn't need to get an advertisement on every page, for example.

KENNEALLY: At this point in the development of the Web, community is one of the real big words right now, and lots of publishers are confronting the challenge of developing communities around which they can congregate book buyers. Is what you're doing particularly in the electronic models a way to build community? Is that how you see it?

ANDERSON: It's a way to build audience, broadly. What's interesting about this, and at this point, I've got lots of hats, but my interest as an author is to promote myself. I want the maximum readership. How I monetize that readership is a number of things.

Partly it's direct royalties from the book. Partly it's speaking appearances or other opportunities that come to me because of the fame that comes with the book. I want to reach – I want to maximize my reach. The best way to maximize your reach – and that's the Internet model – is to make something free. If the audiobook is free, it will be listened to by more people than if it's charged, so I want to maximize the reach.

Meanwhile, my partners in all of this want to maximize their own revenues. My publisher wants to sell a lot of books, my speaking agent would like me to get a lot of paid appearances and would like me to minimize my free appearances, and my day job would like me to sell more advertising in the magazine on the basis of my fame, etc.

Broadly, in answer to your question is that I want to use free to maximize my reach and to find an audience that I wouldn't otherwise. Now, turning that audience into a community so that I catalyze the community by again, lowering the barrier to entry so maybe they participate in the comments on my blog. Well, they already do. We built a community of more than 5,000 people who now commented on my

blog and had discussions with each other because I gave away the content for free on the blog.

There's probably other ways to do it using proper social networking. We launched a company an hour ago – one of my other hats– called [booktour.com](http://booktour.com), which is really a kind of a MySpace for authors to help them build communities from people who want to actually see them in person, and that's another thing that's possible because it's also free.

KENNEALLY: Establishing the relationship between that monetization and the free is always difficult. I'm thinking of the famous line about half of what I spend on advertising is wasted money, only I don't know which half. I wonder if you can tell which half, which pieces of what you do for free, are more successful than others.

ANDERSON: I can tell you which are more successful in terms of the impact I have in terms of the connection with the people. It's not always easy to say which one of those turns into money most easily. Let me give you one example of community that worked fantastically well in the case of "The Long Tail."

I wrote the article in 2004 and then, just really for selfish reasons to keep the meme going, to keep the momentum of the idea going in the two years it was going to take me to write the book, I started a blog called [thelongtail.com](http://thelongtail.com). And I started blogging my process, my work in process in writing the book, and I built a community of people who valued the free information and the analysis I was giving and they in turn gave me free advice and ideas and things like that, very kind of a gift economy, if you will.

When it came time – this made for a better book, but when it came time to actually publish the book and market it, I then had this database of people who were interested in the topic. And what I did is I – It turns out that you can print a lot of ARCs, the ARCs, the review copies. So I just said, you know what, let's go for the *Long Tail* book reviewers and I just put a note on my blog that said, if you have a blog and want to review my book, you get one for free. And we got several hundred responses.

We sent out several hundred of these ARCs. They're very cheap. They cost maybe \$2 each. It didn't cost very much, maybe \$1000 total including postage. And we got back almost I think 340 reviews – 340 bloggers reviewed the book because I'd sent them a copy for free. That is a community.

And it is notable that I think I've sold about as many books on Amazon as I did at Barnes & Noble, which is surprising since Amazon has a much smaller share. That's because each one of those bloggers who blogged about the book linked to Amazon. You got this viral word of mouth thing that happened because we gave them books for free.

Because it was so cheap for us to treat it as free, we did treat it as free. We didn't discriminate between professionals and amateurs, and it turns out that I can't tell you which one of those bloggers drove the most sales, but because it was so cheap for me to do so and because I could be indiscriminate in sending books out, I didn't have to choose. I didn't have to guess. I just shotgun scattered them out there, let what happened happen, and what happened was great.

KENNEALLY: And that, I think, begins to be an answer to a question I was going to ask, which is you're very lucky, if we could put it that way, to be Chris Anderson. You have an opportunity to give things away for free because there are so many other things you can do for money. We should all be so lucky.

So as authors, as publishers, doing so becomes something we're reluctant to do, and yet we know that the kind of attack on the blogosphere that you just described is absolutely necessary. There are few book review sections in newspapers any longer. Getting the reviews, getting the word of mouth generated on the blogs is absolutely essential, now, to the success of a book, and it's something I would imagine really any author, any publisher can begin to do.

Do you have tips for them in terms of how to approach it?

ANDERSON: You're absolutely right, and it's very – it would be dangerous for me to say that because my path worked for me it would work for everybody. I have a platform. I have a lot of advantages. You're absolutely right.

Fundamentally, the economics of where I am, I make more money from speaking than I do from direct sales of a book and so for me and the position I'm in, I want to maximize the reach of the books because they're such good marketing for the – the information-wants-to-be-free-and-information-wants-to-be-really-expensive part? The information that wants to be free is the stuff that we can reproduce for free. The information that wants to be really expensive is the stuff that we can't reproduce for free, and my personal appearance, getting on a plane, away from my family, etc., is something that costs me a lot, so we charge a lot for that. You'll be getting my bill for this shortly.

KENNEALLY: I was about to thank you for doing this for free, but –

ANDERSON: But so what could everyone else do? Well, I don't think –

M: You're getting paid for this?

(laughter)

ANDERSON: I don't think charging for your speaking is probably a viable option for everybody, but I do think that this is a way to sell more books. If you can find a

way to take the aspects of your book that can be made free and treat it as free and to maximize your reach, some fraction of those people who get it for free or get a sample for free or experience it somehow for free will want more.

And then you sell them the thing that is not – cannot be reproduced in digital bits, and that's either the actual physical book – I think the fact is that the physical book is still the best way to read a book. Fundamentally, it means that the underlying economics of the book publishing industry are not going to change radically for decades.

KENNEALLY: So you're not predicting that the book is a dinosaur and going to die anytime soon.

ANDERSON: By no means. I think, unlike music, where the digital version of music is better than the analog version or video or other things that really can be distributed easily for free, books want to be physical products. That's the best way to experience. So the free elements are really just the marketing of the physical book. They're ways to take the bits that can be made free to expand the audience for the thing that can't be made free.

KENNEALLY: Thank you, Chris, and thank you for sort of setting the proposition to us.

Now, on a different tack, we have David Langevin. David is vice president and director of electronic markets for Houghton Mifflin's trade and reference division. In this role, he's created millions of dollars in revenue from licensing content in electronic formats while upholding Houghton's commitment to innovation in order to satisfy the lifelong need to learn and entertain.

I guess the question I want to put to you first, David, is about the areas of licensing content that are the hottest right now, the places where people are most willing to part with their money. Can you tell us about those?

LANGEVIN: I'll focus on on-line because that's really what we're talking about here, because there are some traditional markets that are still doing quite well with consumer electronics, handheld devices and things like that.

Actually what I see as the most exciting is mobile content and the convergence between wireless and broadband, just the idea that you can use content on the fly wherever you are. I think that that's a huge innovation and difference between what we had just a few years ago. I think in our conversation, I mentioned there was PC and then the Internet, and I think this is the next big thing where you have wireless broadband everywhere. When that happens, I think it changes the game, so that's probably what I find most exciting.

However, that doesn't mean it's the most profitable yet. This market is still in its very early stages and not quite developed like Japan. When that happens here I think it's going to be a remarkable place to be.

KENNEALLY: How significant is licensing income to Houghton, and in particular, which titles, which areas of the business are the most important for you?

LANGEVIN: Well, that's been pretty clear. Traditionally, it's been about 17% of our bottom line, trade and reference division's bottom line. It's very high-margin business. It's mostly business-to-business licensing.

KENNEALLY: Can you give us an example of what that would be?

LANGEVIN: This is a huge distinction between what I'm saying and what Chris is saying, because I think we're on the same page that content in many cases should be free to people. It's who pays for the content. If you had a Website and it's ad-supported and free, that's good for publishers and it's been great for us. It's one of our best markets working with a Yahoo or an answers.com for example. So I'm a big proponent of that.

I think that's actually getting better and better, more so than just before the dotcom bust when a lot of different things were tried. I think these players now are more serious and are licensing content. Even companies like Google now are really looking at it, so I think it's definitely a market of the future.

And as far as what is the best thing to license, what's brought in the most money for our company, it's definitely reference. Reference is easy to use electronically. It adds value when you're using it electronically as opposed to a print book and I think it just makes a lot of sense.

KENNEALLY: And one of those titles would be the *American Heritage Dictionary* and related properties. Can you give us some specific examples of the way it's been licensed on-line globally?

LANGEVIN: The best thing about a dictionary is it's ubiquitous. It can be used in ways you really would never have thought of. Of course you go to a Website, you look up words to find definitions and different senses of words and get pronunciations and all that, but it works also behind the scenes in back-end software. We license even parts of our dictionary, like indexes for use in search engines and just things that make software go.

An early product of this was spellchecking, which Houghton Mifflin was one of the pioneers in back in the early '90s and actually had a big license with Microsoft for the spellchecker in Microsoft Word. So our history kind of goes back before the Web and into that lexical business.

KENNEALLY: I think that must have an impact that Houghton Mifflin's experience with licensing digitally precedes the Web, because as Chris was telling us before, that association of free on the Web is one that is very hard to divorce, and yet you guys had seen that there were opportunities digitally before that sort of open season happened.

LANGEVIN: Right. Well, we started structuring our dictionary content for use electronically back in the early '80s and from there we started developing SGML in the late '80s, which was before our third edition of the *American Heritage Dictionary*, which was a real, I think, turning point. And once we had that SGML

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KENNEALLY: SGML would be?

LANGEVIN: It's a standard markup language which XML is based on, and most Web companies use XML for content as a database or – just it's a format that's very flexible and easy to use, and that's often turned into HTML, which is hypertext markup.

That was really key because as things progressed, SGML was very helpful in licensing and companies could use it to put into these handheld translators you've seen at the store at the airport or even at a Wal-Mart. These products use SGML and now they're moving towards XML, but certainly on the Web, XML is very important.

So we just practiced innovation and tried to customize as much as possible. That's really key too to keep up with things and pretty much deliver something that's useable electronically for any viable commercial product, and we've been able to do that over the years.

KENNEALLY: Was it difficult, though, at any point to hold the line on licensing? Did you feel that the world was going one way and you guys were staying put?

LANGEVIN: No. I think we were pioneers, actually. When the Web came, we were well-positioned to take advantage of it right from the start.

It's funny. When I first started in my position, which was 1999, I got a lot of calls from startups saying, give us your content and we'll give you eyeballs. I talked to hundreds of companies who wanted to do this sort of thing, and no one could really monetize it for publishers at that point. And this was before advertising became a big deal.

I can tell you that in the early days, in the late '90s, we were on some pretty big Websites and weren't making anything off of it, even though our use was in the millions per month. So when you're getting that kind of visitation and you're not getting anything from it and no clear increase in book sales because of it, then you

know that it's not quite working. But we experimented with that and we were actually paid for advertising revenues way back when with banner ads.

That said, now it's become a really good business. With companies like Yahoo and Google obviously doing a great job with it, the whole market's changed and now it's a great thing so people can get their free content and publishers are compensated and I think it's a beautiful thing for everyone.

KENNEALLY: That's partly the invisible piece of this for the Web user, not being able to recognize that in fact there has been a deal done here to get that content to them.

LANGEVIN: Right. And really, that's a distinction I wanted to make here, that what you see and use on the Web, it doesn't mean that it was given away to you for free. In most cases, there's a business development deal that was done to make it possible. But it's good for consumers, so I think – And later on, I can talk about the differences between those kinds of licenses and when the publisher doesn't make any money, which is a different thing.

KENNEALLY: Talk about it now.

LANGEVIN: I can actually make the point clearly by just saying it's full content for which publishers get paid and partial content, which is free and it could be – in fact, there are already clear ways to quantify that, say, a chapter, 10% of the book. With Google, it's going back two pages and forward two pages. So there are different ways to quantify that.

But we're doing it. We do it with Google and Amazon and AOL. It's still in the early stages, but I think it's a good business.

KENNEALLY: Thank you for that, David. Appreciate it.

I want to now bring in Ben Wolin who is someone who's had a lot of experience on both sides of the argument as an on-line publisher. Ben is the co-founder and CEO of Waterfront Media, a leading on-line subscription-based publisher of self-help products including the *New York Times* number one bestseller, *The South Beach Diet*. Waterfront Media currently boasts 300,000 paid subscribers and more than four and a half million people receive newsletters from Waterfront's various leading authorities, and I'll let Ben tell us a bit more about some of who those authorities are.

As CEO, he oversees all the various operations of Waterfront and previous to founding Waterfront, he was a founder of Beliefnet, and you could perhaps tell us a little bit about what that experience taught you before you went on to Waterfront.

But welcome, Ben. I want to ask you about these very successful collaborations you've made with a variety of publishers and authors, and I think that's an

important point that we ought to bring out here that some of the owners of these particular properties, this content, aren't simply publishers but are the individual authors as well.

When it comes to deciding how you're going to approach this, whether it's going to be ad-supported, subscription-driven and so forth, what kind of discussions do you have with these content owners?

WOLIN: Just as a point of explanation for how our business operates, generally what Waterfront is licensing are the digital rights to a brand, not necessarily the exact duplication of the content from a book. So as a couple of examples, we work with *South Beach Diet*, with *What to Expect When You're Expecting* in the parenting and pregnancy space, several different fitness authors and experts, and in all cases, what Waterfront does is extends the book on-line but doesn't necessarily duplicate the book on-line. We're not in the business of publishing an e-book, as an example.

We're generally building a personalized version of a book, building a community around that content and that expert, and then monetizing that experience either through subscriptions or ads. As our business has evolved over the last five years along with the rest of the Internet, our success has also shifted from both a pure subscription business to one that is subscription and ads.

KENNEALLY: And in fact, you recently made a really important decision to move whattoexpect.com from a subscription model to ad supported. What were some of the factors there? And how successful has the subscription model been and what were the kinds of things that people were getting? If anyone's ever had a friend who's been pregnant or expected a child themselves, they're familiar with that title, but on-line, what was the experience that people were getting that was beyond the book, if you will?

WOLIN: In all experiences, generally what the consumer is getting is a personalized version of the content. In the case of whattoexpect, it's easy to imagine what personalized means. The consumer starts by entering in their due date and then is delivered to them on a daily basis content around where they are in their pregnancy.

They're paired up with other women who are going through the same experience. On some of our dieting sites, they're getting a personalized meal plan and paired up with a person who fits their profile, if they happen to be a diabetic and they're over 50 years old and they're trying to lose 10 pounds. The Internet, as Chris mentioned, does a great job of connecting different consumers.

In terms of our decision-making process about what is free and what is for fee, I think we have seen that that is almost done on a case-by-case basis with the biggest

factors being the category that we're publishing in and the brand that we're working with or the experience that we can provide.

On the paid side, there have been quite a few successful for-fee experiences on-line, if you think about on-line dating as an example. What probably makes that succeed as an on-line for-fee or subscription model is the fact that it pre-qualifies the audience. Chris mentioned that about magazine buyers that the advertisers who are advertising in the magazines like the fact that there are consumers paying for this because it pre-qualifies them as someone that they would like to market to.

The same thing happens in on-line dating and we see some of that same phenomenon in on-line dieting since what we're doing isn't so much allowing a consumer to read South Beach Diet on-line. They can do that with a book and have done it in the tens of millions. We're often connecting people up, giving them access to nutritionists, dieticians, even sometimes the author or the expert. And in that case, it made a lot of sense for our business to be a subscription one and it continues to thrive and succeed.

On the pregnancy category we found that there was so much advertising demand to be associated with that brand specifically, but also that a tremendous amount of consumer packaged goods marketers are dying to reach women who are in their last trimester of their pregnancy. A lot of decisions are being made, financial. Advertisers are looking to reach people as they start to think about how they're going to pay for their newborn baby, car advertisers.

So in this instance, from a business perspective, it made sense to get the largest audience that we could and monetize that audience through an ad-supported site rather than a for-fee site. We were succeeding, but when we ran the numbers, talked to the advertising community, we really found that the opportunity was going to be greater.

And even – David mentioned that in the late '90s there was a lot of information on the Web and the advertising model wasn't working. It went a little bit of a rollercoaster there for a while, so it was working in the late '90s and then in early 2001, 2002, we really hit bottom, and it didn't matter how many users you had on your Website. It was very challenging to monetize from an advertising perspective and at that point in time, a lot of the for-fee sites were really starting to thrive. As the advertising market has come back, it's gotten easier and easier to support content through advertising.

**KENNEALLY:** And along with that, recovery in the advertising market on the Web, is the experience is so common that people accept it the way they accept advertising in newspapers or magazines. Do you think they would ever accept advertising between the covers of a book?

WOLIN: I think advertising is showing up in every form of media and adjacent to content. It's in video games, it's in movies, it's on television, it's on the Web. I think the thing that all publishers, regardless of what medium that they're publishing in, are concerned and have to think about is whether or not that advertising influences the actual content that is being disseminated. And that doesn't matter what medium it's in.

So I think if a consumer picked up a book and there was an ad on the back cover or even in the middle of it, as long as I didn't feel like that was going to drive the content, that would be acceptable. Magazines, bookazines, the lines have been being blurred for a while and I think the difference between a very thick magazine or a bookazine isn't that different than a book right now.

KENNEALLY: With the health category, though, pregnancy and otherwise, there's a confidence of trust that's really critical for the reader, so knowing that when they review a product that there's an impartiality, if you will, is important to the sale, right? And yet, advertising, one begins to wonder if they're getting advertising from a certain line of products that perhaps it could flavor the coverage of those products.

So the book itself, *What to Expect*, will probably never see ads and books like it will probably never see ads, just other kinds of books? Or do you think even the health category?

WOLIN: Even in the health category. I think it is dependent on really the publisher and the author staying true to the content and if Chris wrote a book on reviewing Websites and a Website publisher could influence how the review came out or whether or not other competitive sites got reviewed, that would probably taint Chris' credibility and therefore impact his ability to make money from these types of speaking engagements.

I think that *What to Expect* is a brand that has been published for many years, has been on the bestseller list for over 300 weeks, I believe, and I think traditionally it might be a surprise to some older consumers who are used to not seeing that, but it wouldn't be shocking to me one day to see an ad appear adjacent to the print.

KENNEALLY: Great. Well, I think our three panelists have really offered a number of provocative ideas around this subject. I want to invite you in the audience to join us in the discussion. Do people here have an opinion about advertising in books? Would you feel – Chris, certain books – how do you feel about that?

ANDERSON: I think it's important to give people a choice. I would be very reluctant to only publish a book in an advertising-supported form because I think some people just don't want that, and if they're willing to pay more or pay at all to have the advertising taken out, that would be a good thing.

This is not radical. In the 1940s and '50s, a lot of pulp fiction had advertising in it. This is actually quite an old model in some ways.

Right now, my book is sometimes bought by a company in bulk and they put a sticker on the back and they distribute it at a conference to their own clients or customers. Nothing new about that.

In the case of *What to do When You're Expecting*, just as a thought experiment, let's say that Procter & Gamble wanted to offer its own customers the free book in a kind of a Procter & Gamble sort of co-branded form. I'm not the author of that book but if they wanted – I wouldn't be the appropriate author for that – but that seems like – actually, I would. I've got lots of kids.

But I think I'd be in favor of that. If somebody comes to me and I actually think that what they're doing is complementary to what I do and they want to offer my book for free to their community in a co-branded way that doesn't seem to grossly distort the book, the presentation of the book itself, I'd be all in favor of it, as long as there's always an opportunity to buy the advertising-free, the traditional book out there in the marketplace for people who value that.

KENNEALLY: One of the fears in publishing is, of course, that by giving away various aspects of the content free that it's going to cannibalize the sales where they are charging. And David, I want to ask you about that. Has that driven some of the decisions that Houghton has made? And I think you have a thought or two about the short tail, the important piece of the big sales to publishing success, right? And if you would move forward to the mic.

LANGEVIN: I'll take the first part of that. I think of it as content is content, and that even gets to reference, which I think sales numbers have shown that print sales for reference books have declined, but we hopefully make that up on the electronic side.

But the idea is content is content and I've had conversations about this with editors in the halls that they're creating content and we have to get this content in front of people who value it and who will pay for it in electronic formats, whether it be online or through some software download or bundled into some electronic device.

And the second part – what's –

KENNEALLY: It was about long tail versus something else.

MAN: Short tail.

LANGEVIN: I think there is no long tail without a short tail. I think if you're a big publisher, there are some exceptions, maybe scholarly publishing, and a publisher with a huge backlist who has incredibly efficient resources for rights and reporting

and conversion, I think that they can probably do OK with it. But I think you need those big hits to drive the whole business.

If you can't get those big hits, I can tell you, looking at sales charts, it's a different picture. And certainly that's what I think excites people in publishing, knowing that their book could be a big hit, and when it is, it excites everyone.

That's my personal opinion. Maybe others wouldn't agree with me.

KENNEALLY: Chris, you had –

ANDERSON: That's totally compatible with the long tail theory, exactly. You don't get a tail without the head. We're not seeing the end of hits. We're seeing the end of the monopoly of hits. We now have the opportunity to do both.

I'm a magazine editor, so the whole church and state – not linked to the previous question – but the whole notion of a Chinese wall where editorial's independent and advertising is different, and we work very hard to make sure that the advertising doesn't cast a shadow on the editorial. So as long as I as an author have the ability to absolutely maintain my editorial independence and have a veto over advertising that I think's inappropriate, I'd be all for it.

WOLIN: I'd just like to add to that. As publishers in doing these on-line content deals, really the important thing – with our content, we have advertising around it and the key thing is to make sure the advertising is distinct from the content. That's one of the requirements of our licensings and contracts that the end user has to know the difference between the two and it has to be very clear, and as long as we achieve that –

And we go into a deal understanding who the company is and what their business is and who they're affiliated with, so that's a big part of it so there's a comfort level going into it. And then as long as we have that distinction, I think we're fine.

KENNEALLY: We're accustomed to royalties that get paid after an advance in the print world. In the on-line world, that's not the case. It's sort of making money one raindrop at a time, one click at a time, and there's some suspicion that you can never do anything seriously that way. What do you think of that?

WOLIN: Speaking from personal experience, first of all, our business is to pay a royalty, much like a publisher would pay a royalty to their author, and we have paid our partners tens and millions of dollars of revenue shared, so there's definitely real money to be had and a lot of it comes down to whether or not the company that you're working with really has both the audience to provide – to bring to the content, I should say, and the ability to monetize it.

There are certainly many Websites and Web companies that have figured out how to aggregate a large number of eyeballs. I'm sure David gets pitched this all the time. But then they don't have really a great ability to monetize it and so it's really a combination of the two.

ANDERSON: One thought on that. Obviously there's loads of press, and we pay our bloggers one click at a time, in a sense. We pay them per post and you make a nice living that way.

I think books are different. I really think that the book as a physical product makes sense in a way that a magazine article or a blog post doesn't. A blog post works well in the kind of micro chunked canapé style where a book doesn't. I'm not sure you could build a business off someone getting paid per page that's read on the Web.

Unless it's a different kind of book, recipes being a perfect example. So we own – at Condé Nast, we own epicurious.com. O'Reilly, a publisher, has an e-book service called Safari. They have publishing books which are basically programming recipes, etc. And those actually do make sense, a page at a time, a click at a time, and it is totally easy to see how a recipe author could get paid exactly that way or a programming book author could.

So I think that I wouldn't extrapolate too far from the kind of the Web experience to books, but that those books that do make sense in maybe a kind of atomistic form like those two categories might be an opportunity.

WOLIN: I think that the biggest decision that a publisher and an author has to make when figuring out how to be on-line, it's not whether to be on-line. In our category, which is health, 80% of consumers now go on-line first for health information, so if you are a content creator, you better figure out how to be there, and it's just a question of how.

I think a big decision that people have to make is can that content only be found in one place or can it be disseminated across the Web, and as your content gets disseminated in more and more places it becomes commoditized more and more, and the ability for that publisher who is how hosting that content to monetize it gets more and more challenging, and so then you need to go into a pure licensing model or you have to think about the challenge of one piece of original content showing up ubiquitously all over the Web.

KENNEALLY: That requirement of exclusivity is something I think that addresses your point earlier, Chris, right? That there needs to be some value perception and if coming to see you is real value, then we pay for it because we can't see you everywhere. We can only see you once a year at BEA.

ANDERSON: Yes. All that's true, but there's obviously another obvious implication to your question, which is about copyrights and protecting and all that kind of stuff. I'm now going to take a very unpopular view, which by the way is not shared by any of my employers and isn't reflected in any of my paid work, which is that I would rather not protect my copyrights. I license everything on my blog under Creative Commons and I don't want you to have to come to my blog.

Because fundamentally, I've got 5,000 readers on my blog, but my 5,000 readers have about 500,000 readers collectively. I'd rather they would take my content and put it on their blog as long as it links back to me, as long as I get the kind of reputational payment, as long as I get the attribution. I want my content to fly free. So I'm very much – in my personal life, to the extent that I can, I renounce copyright at all opportunities.

My various publishers have – it's their money. It's their business that's at risk and so I respect their decision in those things, but if I were running the world –

WOLIN: But that works for Chris because it's the foundation for a platform for other ways of deriving income, from an economic perspective, not a philosophical one. So the big rub in all of these relationships with us on the opposite side of the table with the publisher and the author is that someone has to pay the bills for the content creation at some point, and it's just a question of who that is. And if you benefit from massive dissemination because that's going to move another piece of your business, that's great. If you don't have the ability to do that, then that's not so great.

KENNEALLY: And it probably gets easier the stronger the platform is, right? For a very early-stage property, it must be a more difficult decision.

WOLIN: And the more income streams. Book publishers are not traditionally selling advertisements, so if there are multiple income streams that you participate in, then yeah, you can give away – your book can become a premium to drive ancestry.com subscriptions, but only if you have another source of income.

ANDERSON: I pay my writers \$4 a word and I'm competing with 70,000,000 blogs who blog for free. This is the world. Those little guys, there are a lot of them and the old model was that they would write a book and shop it around and if they were super, super lucky, they might get published. And now they don't have to wait. They can just publish. They can either set up a Website or they can self-publish or they can just blog or do what they want.

I think we have to recognize that most people don't make money from their passions. Most musicians don't – don't quit their day job. Most authors may never make a living from their writing and 'twas ever thus, really. The question is, can they at least find a bigger readership? Can they at least get the kind of emotional satisfaction of being read.

Because before, there was no other route to market other than the commercial route. Now there's a noncommercial route to market that at least lets them get a fan base, some popularity, some feedback, which may help them to become a better writer and may actually position themselves for a commercial deal that is more advantageous.

KENNEALLY: Ben or David, do you care to comment yourselves?

LANGEVIN: I would just say that for any writer that you really have to get it in front of someone who can value talent, and I think that's the same really no matter what, for a publisher to pick it up.

But I think if you look at it from a more optimistic standpoint, there are more opportunities, more grassroots opportunities with dissemination on the Web and people connecting to each other through blogs and through various ways, authors having their own Website. I think there are ways to promote your talents that weren't available 10 years ago.

Of course then it means you have to be more Web-savvy and be a great writer, maybe, or know someone who can get that work done for you, but it's a challenging world.

WOLIN: I would agree with David. I'm more optimistic. I think the cost of getting information out as an individual has never been cheaper. It started with free homepages 10 years ago and then turned into social networks and blogs, but the Web is a great tool and medium for self-publishing and it's certainly easier than figuring out how to get your own book into Barnes & Noble.

So I think the other exciting thing for authors is that because communities can develop so rapidly, authors are getting identified as experts on the Web and for the first time, you're starting to see personalities and experts that didn't come from an off-line world and being on-line.

There are people who are great recipe reviewers on Epicurious who have thousands and thousands of followers who love them and support, will eat or cook what they think is a great recipe, and they'll be able to turn that into a book or a talk show or whatever. So I think the Web is a great feeding ground for an author.

KENNEALLY: I think we can all recognize that we've had an opportunity of real value here with three authorities, Ben Wolin from Waterfront Media, David Langevin from Houghton Mifflin, Chris Anderson from *Wired* magazine and author of *The Long Tail*.

We value your presence as well and your time. Thank you very much.

(applause)

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