



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

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, 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. 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.