



# Beyond the Book®



## Getting Ready for Digital Book World 2010 Pre-conference interviews with Mike Shatzkin & Guy LeCharles Gonzalez

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KENNEALLY: Solutions, not theories, practicality, not punditry. Those are the promises made for a program coming up in New York called Digital Book World. It's a two-day conference organized to take a look at something that we are all hearing a great deal about and finally seeing a lot more of, and that is digitization in the book world.

Welcome to *Beyond the Book*, everyone. This is Chris Kenneally, your host. And I've got on the line with me two of the leaders of the conference, Digital Book World, people who are putting this program together and making it a very exciting one, indeed.

I want to welcome to the program first Mike Shatzkin. Michael, welcome to *Beyond the Book*.

SHATZKIN: Thanks very much.

KENNEALLY: It's good to have you here, Mike. Mike is the founder and CEO of the Idea Logical Company. He is the co-chair – conference chair, I should say, of Digital Book World itself. Many titles, indeed. He's the co-founder of File By Inc., and his experience in the book publishing world began as a sales clerk in the then brand new paperback department – and we'll come back to that in a moment, I think, Mike – at Brentano's book store on Fifth Avenue in June of 1962. And except for some time off in high school and college, Mike, you've been in the book business ever since, and it's a pleasure to have you on the program.

We as well are joined by Guy LeCharles Gonzalez. Guy, welcome to *Beyond the Book*.

GONZALEZ: Hi, Chris. Thank you for inviting me.

KENNEALLY: It's great to have you here as well. Guy is director of audience development for Digital Book World and is a published poet and writer and author himself, and after my own heart in that regard. He's been an active blogger on publishing and writing since 2003, and in 1998, he founded and led a thriving poetry slam community in New York City that has evolved into the nonprofit literary arts organization Louder Arts.



Well, there's a lot to talk about, gentlemen. Thinking about this beforehand, it occurs to me that while we've been hearing a great deal about e-books for some time, 2010 may well be the year that we see all of it begin to happen. Michael, the question for you is, is this show really only about e-books and e-readers? It goes beyond that, I think.

SHATZKIN: Yes, it goes very much beyond that. What we're really trying to examine here is the impact of digital change on the publishing business. So it's not so much about technology as it is about the business and how the business is being changed by technology.

KENNEALLY: Go into that a little bit further. How is the business being changed? If you go to other businesses – the music business, the newspaper business – they have been changed, Mike, but nobody's really enjoyed that very much if you were in either the music business or the newspaper business. How do you expect and how is the book publishing business being changed, and is it good change? Is it change people are happy with or is it change that's unsettling and maybe even disturbing?

SHATZKIN: I think unsettling and disturbing would probably be a far more accurate description than happy. I don't think that the business that we've known for – pretty consistently operated in the same way for the last 50 or 75 years is not going to be particularly recognizable in another five or 10 years, and that can't make people who have been succeeding in the business as it was very comfortable.

What I would say is that music and newspaper and magazines for that matter had a special problem that's different from books, which is that they – newspapers and music always sold customers things they didn't want to buy. You wanted three songs, they sold you an album with 12. You buy the *Boston Globe* for six different particular things in it, but they sold you 85 other things that you didn't buy it for.

KENNEALLY: I know what you mean. I always pull out the sports section and toss it in the recycling because I'm not a sports fan.

SHATZKIN: There you go. And on the other hand, if they pulled the sports page out of the paper, they'd probably lose 25 or 50 percent of their circulation.

So what happened in those cases is that they sold you an aggregate of information or an aggregate of songs, and not every song or every article was meant to appeal to every person. But in the Internet world, it doesn't work that way. You buy one song at a time. It's not a problem. If you don't want to read sports, you never go to espn.com. And you probably can get all the news you want and successfully avoid even knowing that there are sports, if you want to. It is that ability for people to pick



and choose precisely what they want which is really challenged newspapers and music.

In the book business, it's challenged some books. Cookbooks and travel books and books of knitting patterns, which were aggregates of a bunch of stuff which really didn't necessarily all have to go together, they're having a lot more difficulty. But a novel or a book about the 1912 election, which is what I'm reading at the moment, which is a cohesive, single thread narrative that is of book length, can't be so easily sort of chopped up and distributed. You're not victimizing anybody by selling them 14 chapters of a book that all relate to each other.

KENNEALLY: Right. But while the book itself, the narrative form hasn't changed that much because of the Internet – and Guy, this is something that you may want to address too – the way that the book is distributed, the way that the book is marketed and reviewed – all of those things have changed.

GONZALEZ: Right. There's been a change there. I look at it as it's an expansion. There's the traditional channels, both for distribution and for reviews, as well, and for marketing, and then digitally, there are new channels and platforms for doing the same things that when in an ideal world, it's additive. It doesn't cannibalize the other.

There are some questions about whether or not that's happening. Amazon has definitely taken business from physical book sellers, just of print books. We're not even talking about e-books. So I think e-commerce is something that's had a huge effect on not just the publishing world itself. It's on retail across the country.

But I think there's one of the most significant changes is not only does it change the game for physical retailers. It changed it for publishers because publishers who are proactive now have the opportunity to sell direct to their customers as opposed to going through intermediaries.

KENNEALLY: Both of you can answer. How are some of the programs you've put together for Digital Book World addressing all of this for the audiences that you've got there who are publishers, who are authors, who are people who work with those individuals?

SHATZKIN: What I'm talking about – Guy's a little more optimistic about the degree to which the changes are additive. Personally, I think they're actually more subtractive than additive. That is, in other words, for the most part, the opportunities for book sales that are arising are not as robust as the opportunities that have been disappearing.



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But one of the things that we try to make as an implied point at Digital Book World is that if you're going to deal directly with customers, you can't be all things to all people. You have to be in a niche. And Guy is either smart enough or fortunate enough to work for a publisher, F&W, that really sees that and has really organized its business around the subjects that it publishes, not around the form of the book. That is really the first step that anybody has to take.

So we have a panel on selling direct. We have a panel on getting comfortable in the niches, that is, publishers who are dealing with a cohesive audience. And I think that what we're going to start to show the general publishers is that they need to reorganize themselves into multi-niche vertical publishers in order to succeed in the future.

I would say that the problem and the reason that I'm so pessimistic about the future of the business for most of the people in it is that we're seeing the beginning of the end of American book stores, or book stores in this country in general. They're fading. One of the two largest chains has been in serious financial trouble for a while and there's no particular reason to think that they're suddenly going to pull themselves out of it.

And it doesn't really matter how smart the editors and marketers and sales people at Harper-Collins, Random House and Simon and Schuster are. If their book stores aren't there, then their business model won't work. And they don't really have the option that an F&W or a Hay House or a Chelsea Green, to name three very, very smart niche publishers. They don't have the option those publishers have to sell direct particularly effectively because they're selling different kinds of books every single day. A direct audience requires a certain amount of continuity in order to be an audience.

So I think that what we're seeing is the end of a certain kind of publishing and its replacement by a different approach that is more audience-centric and less content-centric.

**KENNEALLY:** Guy, what do you think about that? The role of the audience is growing in importance, then?

**GONZALEZ:** Well, yes. I think one of the interesting things about working at F&W and looking at some of the challenges more traditional book publishers are facing – F&W publishes magazines and books, so when we converted into more vertical communities that combined them together, one of the things we had built in were, from the magazine side, subscribers who paid for our magazines. And most of our



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magazines weren't – they were advertising supported but they weren't predominantly advertising supported, and I think similar to what happened to magazines over the past couple of years where those that were heavily subsidized by advertising, if they were in saturated markets, that's where you saw the most collateral damage because advertisers like to jump into whatever is the cheapest CPMs available.

And for traditional publishers who were kind of doing that same broad publishing schedule and not targeting specific niches, they've kind of suffered from a similar form of saturation, whether it's too many different books in the same general categories for the book stores to really support. So you get the cherry picking and you get the publishing for scale as opposed to for an audience, so we're going to publish a thousand books this year and hope five of them are really successful as opposed to publishing 12 really good books.

And I think what you saw on the magazine side is the magazines that survived the downturn in advertising were those who had dedicated audiences who were willing to pay for that content. So it wasn't the year's subscription for \$10 that a lot of the major magazines were. It was the very niche ones that for six issues, you were paying 30 bucks a year and when the advertising started to leave those, they were OK.

And I think you're seeing the same thing in book publishing. Book publishers who were publishing into niches with strong communities – I'd point to Tor as an interesting example of a niche publisher within a major publishing house that's really locked in on a community and done it in a way that has really knocked down the walls. It's not just about Tor. They are about the fantasy sci-fi community no matter who publishes into it.

KENNEALLY: It sounds like what you're saying, Guy, and Mike, I want to get your take on it from the pessimistic side, because you're saying it's not a mass audience, it's the right audience. And, Mike, what that means is that almost by definition, it's going to be a smaller audience.

SHATZKIN: Well, I'm not so sure it needs to be smaller. I think the real point is the cost of gathering the audience. If you're a Random House or Simon and Schuster, you essentially gather the audience from a standing start for each book you do. And if you're F&W or if you're Tor or if you're Hay House, you've got an audience from the last 10, 20, 50, 100 books you did that's interested in the new book that you're going to do tomorrow.

And you have their name on an e-mail list and you have them showing up at your website and they've already volunteered to get an alert from you when something





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new comes out that they might be interested in. And you can inform that audience about a book that you're publishing that would be of interest to them for almost zero cost. And that changes the equation extraordinarily.

One of the things that's very different about Digital Book World from all other conferences on digital change is that we've involved agents in the conversation, which has never been done before.

One of the agents who's speaking at Digital Book World told me a story about an author of his who's a mind-body-spirit author and they sold a book to Random House and Random House sold 12,000 copies. And they sold the author's next book to Hay House and Hay House sold 200,000 copies.

Now, my bet would be that Random House spent more money on marketing to reach the 12,000 than Hay House spent to reach the 200,000. Because Hay House is sitting there with a million or two million relevant e-mail names and Random House doesn't have any relevant e-mail names. And that is the difference in a nutshell.

You have to own the eyeballs. If you're going to be a successful publisher, you have to have a way to get your information about what you're publishing out to an audience without it costing an arm and a leg. And that means you can't be starting from zero every time, and that means you can't publish in a different subject every single day.

KENNEALLY: And I think that's what you address in this great quote on the front page of your website, which is, publishers have great tools to compete, but only if they know what the game is, and it's simply, what you're saying, Mike Shatzkin, is the game has changed.

SHATZKIN: Right. One of my cute ways of putting it is that the game used to be about IP – that is, intellectual property. It's now about eyeballs.

KENNEALLY: Right. We're chatting with Mike Shatzkin, who is the conference chair for the upcoming Digital Book World in New York, January 26 to the 27<sup>th</sup>. It is co-sponsored by Publishers Lunch, led by our colleague Michael Cader, who's appeared on *Beyond the Book* a number of times.

I wanted to direct your attention to a program on the schedule, Mike Shatzkin, that features Mike Cader, and it's talking about the tipping point for e-book readers. Tell us a bit about what's going to be going on there.



SHATZKIN: It's really the tipping point for the industry. What happened was that in about early August, I started to really focus on what's going to happen when e-books really hit a number. At the moment, maybe 3 percent, 4 percent of a big publisher's business is electronic. Maybe on certain books, it makes 10 percent or 12 percent. But what happens when it's 30 percent or 40 percent and you start to think about things like, will the agents split off the e-book rights and sell those separately? How can the publishers allow libraries to lend e-books for free, which means that the customer just goes to one website and doesn't pay and goes to another website and does pay?

There are all sorts of changes in the business model that will come from e-books reaching a certain level.

Here's another problem. How's the publisher going to afford to pay for his warehouse anymore when he's only got half the number of books going through that warehouse than he had before because half of them are now electronic?

So because I felt these questions were very, very sensitive and difficult, I thought it was almost impossible to get incumbent high-level executives to talk about them. Because if you're running a big company, you can't say, boy, we're really going to have a big problem two years from now when we can't print enough books to meet our printing contracts and we don't really need half the space that we have in our warehouse. Your stock goes down and bosses get mad. You can't say that.

So we put together a panel of experts – Cader being one of the four who are on that panel, who are knowledgeable about the trade business but who are not high executives in it at the moment – to talk about how fast are we going to get to this point where the amount of e-book sales becomes disruptive to the overall business model, and what will those disruptions be?

KENNEALLY: Can I ask you, Mike Shatzkin, who appears regularly in the *New York Times* and has been on NPR and so forth and called upon to look into the crystal ball, how fast is it going to happen? Do you think we're talking about a couple of years?

SHATZKIN: Yes, I think we're talking about a couple of years. I think we're talking about an industry that – well, it's now 2010, early 2010. By the time we reelect President Obama, we will have a drastically different industry than we have now.

KENNEALLY: Guy LeCharles Gonzalez from F&W, what's your thought on that question?

GONZALEZ: Broadly speaking, I totally agree with Mike. The fundamental nature of the publishing industry is going to have to change. I don't think it's so much about e-



book consumption as it is just the viability of the current model with high advances and distribution and returns. That's what's killing the industry.

KENNEALLY: The e-books –

GONZALEZ: Are a smaller piece of it.

KENNEALLY: And you think that all told, two years is about right for how much time we have left?

GONZALEZ: For the major publishers? I think so, yes.

SHATZKIN: I said three, not two. We're at the beginning of 2010 and I said the world will really look different by the end of 2012.

But we've already seen the change taking place. There's no one working inside a major house who does not feel that things are really, really different than they were two or three years ago. So I think on the inside, people already know that it's changing dramatically, but I think we're going to have substantially fewer book stores in this country three years from now than we have now, for example, and that is a problem that publishers cannot just solve on their own or wish their way past.

KENNEALLY: And if we can make a pretty safe prediction, we don't know just how much time we have left for the entire book industry, but we do know we only have a little bit of time left to get to Digital Book World in New York, January 26 and 27 coming up later this month.

We've been talking with two of the leading organizers of Digital Book World. Mike Shatzkin is the founder and CEO of the Idea Logical Company. He's been in the book publishing business since he started working in paperbacks at Brentano's on Fifth Avenue in 1962. Mike Shatzkin, thank you so much for joining us today on *Beyond the Book*.

SHATZKIN: It's been a real pleasure. Thanks for letting me be here.

KENNEALLY: Likewise. And we've also been chatting with Guy LeCharles Gonzalez, who is at F&W Media where he's director of audience development for Digital Book World. He's a published poet and writer and a blogger and we really enjoyed having you on *Beyond the Book* as well, Guy. Thank you.

GONZALEZ: It's been a pleasure, Chris.





KENNEALLY: We look forward to seeing you all and many of you in the audience at Digital Book World. We'll be there. We'll be chatting with people and presenting some of the interviews we make later on in podcasts coming up here on *Beyond the Book*.

But for now and for everyone at Copyright Clearance Center, this is Chris Kenneally. Thank you very much for listening.

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