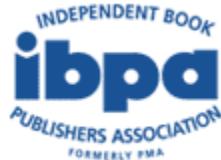




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For podcast release Monday, July 12, 2010



*On Monday, May 24, 2010, CCC's Christopher Kenneally moderated a panel for the [Independent Book Publishers Association](#) at their annual "[Publishing University](#)" program:
E-Magination: What's Now & What's Next in Ebooks*

Featured guests were:

- *Mark Coker, [Smashwords](#)*
- *Jack Sallay, [Vook](#)*
- *David Hetherington, [Baker & Taylor](#)'s Digital Service Group*
- *Sara Nelson, Books Editor, O Magazine (formerly PW editor-in-chief)*

Beyond the Book is pleased to present an audio transcription of the program in two parts (this is part 1).

A complete video recording is also available at <http://beyondthebookcast.com/live-webcast/>

KENNEALLY: As Florrie mentioned, we are live on the Web right now. We have here a couple of hundred members of IBPA, but a potential audience not only of the other 3,000 members of the Independent Book Publishers Association, but an audience around the world who can gather around their desks, or their other devices, as we now call them, and hear more from a very special panel about what the IBPA has called E-Magination.

And as someone from Boston – and Florrie mentioned, I've wrote a book on the history of Massachusetts, I know a bit about revolutions. And I'd like to think about how revolutions happen, why they happen, and where they lead us. And we've been hearing a great deal, certainly more and more, as kind of a drum roll around e-publishing and e-books. And I want to point out a few things about other sorts of revolutions that I think are probably going to be important to this e-publishing revolution.

First, it's that most revolutions are fermented from the bottom up. Change happens from the bottom, not from the top. People get themselves into revolutions, they lead



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revolutions, not knowing the outcome. It was hardly a guarantee on that day in April at the battle of Lexington and Concord for Sam Adams and John Hancock and all the others involved that they would wind up with a new and independent country. It was hardly a guarantee – in fact, they faced tremendous odds against winning.

And it also is true about revolutions that it takes a great deal of time to really fully understand where it's led us. I think of a comment – his name was Zhou Enlai, who was at that point, I think, the aide de camp to Mao Tse-tung, and later the Premier of China, and he was asked about what he thought of the French Revolution. And it was 200 years after the fact, but he still said, it's too early to tell.

So I think that it's still far too early to tell exactly where the e-book revolution is leading us, but I have a great panel who's going to help us understand at least where we stand today. So *What's Now and What's Next* is the title for our program, and I want to introduce the people who will be addressing those questions.

First, moving from my left, we have Mark Coker. He is founder and CEO of Smashwords, an e-book publishing platform and online bookstore for publishers, authors and readers, and Mark, welcome.

COKER: Great to be here, Chris. I'm looking forward to the discussion.

KENNEALLY: Absolutely. I'd like to ask you a couple of questions, Mark, about how you came about founding Smashwords, what your intention is, exactly. It's a provocative name for a company. And you have a sensibility that strikes me as being outside the typical book publishing sensibility. Where are you coming from, in the sense that a high schooler would ask you. Where are you coming from, Mark Coker?

COKER: Well, I'm definitely an outsider to publishing. I come from Silicon Valley, where we're trained and bred to believe that technology offers the solution to all the world's problems.

The immediate problem that I was facing that gave me the idea for Smashwords was that my wife and I wrote a book. We had one of the top literary agents in New York shopping it to all the major publishers, and after two years, they couldn't sell it. And I concluded what any self-respecting author would conclude, and that's that the publishing industry was broken.

KENNEALLY: And they needed to be fixed, and you knew just what it was, right?

COKER: Yeah. Well, my background is that – you know, I like coming up with technology-based startups that solve a large social problem.



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KENNEALLY: Right. And it was that Silicon Valley sensibility that you've talked about with me earlier – there's a kind of – an inclination to not be afraid of failure.

COKER: Right. In Silicon Valley, failure is rewarded. It's launch fast, fail quick, learn from your mistakes, and get up and do it again.

So the initial idea for Smashwords was allow any author anywhere in the world to publish a book, bypass publishers completely, and let readers decide what's worth reading.

And so that was the general idea. That's what we launched. And the goal from the very beginning was to help transform publishing from the perspective of authors and from publishers as well, because I think the print world, especially the print supply chain, is broken, from the perspective of publishers.

KENNEALLY: Well, we could talk about that some more, but let's put some numbers to this first. And so, if I understand right, Smashwords debuted in May of 2008?

COKER: Right.

KENNEALLY: So we're two years down the road at this point. You've got a tally online – I copied this number down, at least, this is what the number was this morning. You have published 574,134,645 words. What does that translate into in books, since we usually think of it in those terms?

COKER: Well, the average book that we publish is about 40,000 words, so it translates into around 13,000 original e-books that we published from authors and publishers all around the world.

KENNEALLY: And how do you measure your success? I mean, where can people find these books, how do you – how does the self-serve model for authors and for publishers, for that matter, find its way into business?

COKER: Well, initially, when we launched, these books were only available for sale at Smashwords.com. But in the last eight months, we've announced distribution agreements with virtually all of the major e-book retailers. So our books are distributed to Barnes & Noble. We had about 2,400 books on the iPad on day one. We have a distribution relationship with Sony, with Stanza, with Amazon – and all these relationships are in different stages of integration.

So our goal is to help authors and publishers get their books as widely distributed as possible.



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KENNEALLY: It may be important, then, to stop for a moment and explain how somebody who is a member of IBPA might work with Smashwords. What's involved here? What are the charges? What are some of the simple processes you have to go through?

COKER: OK, the charge is zero. Everything is free. You upload a Microsoft Word document, we convert it into multiple e-book formats and then distribute it, and then we take a 15% net commission on everything that we sell, and 85% of net goes to the author or the publisher.

KENNEALLY: And that's really standing the publishing business model on its head.

COKER: Right. It reverses the traditional model, at least from the perspective of the author. But that's what I wanted to do. I wanted to put the power of publishing back in the hands of publishers and authors.

KENNEALLY: Now you do sound like a revolutionary, I think.

COKER: Well, you know, we –

KENNEALLY: Do you accept the title?

COKER: I would be flattered if somebody called us that. We are trying to change things. We know that what we're trying to do is prone to failure. We're taking on some really big challenges. But when I look at where we've come in the last two years, when I look at how the amount of content that we publish is accelerating every month – we're doing over 1,500 new books every single month.

And a lot of these books are garbage, but a lot of them are works of brilliance – books that would never see the light of day if it wasn't for the instant publishing that's available, that's possible with online publishing.

KENNEALLY: So, to the question, are books dead, how would you respond?

COKER: Oh, definitely not. I think print is going to diminish as a format for reading. I think that's going to happen within the next five years. We'll see e-books account for more than 50% of all book buying.

The most exciting thing, I think, is that e-books are going to breathe new life into the book. The book is in danger right now. Bookstores are going away. It's questionable whether or not they're going to survive. Publishers are facing an enormous amount of content, not only from self-published authors and from fellow publishers, but from all of these books



that are coming back to life. I call them zombie books, books that have been out of print for decades, or for centuries, are now coming back online. And then you've got all this other Internet content that competes against books.

It was really interesting, the stat that Dominique shared earlier, that only 5% of Americans went to a bookstore last year. The interesting – exciting thing for publishers, and this is the opportunity for digital publishing, is that now you have an opportunity to integrate your book into the daily experience of your target customers – customers who don't even know that they're a target customer.

KENNEALLY: And that is a major difference between what you're trying to do, and how many of the legacy publishers, I call them, are approaching all of this. You're already, from day one, direct to the customer. You don't have any intervening layer of management or cost for that matter.

COKER: Well, we – that's one of the opportunities with digital publishing, is that the publisher can sell direct to the customer. But what I see is that there's a multi-channel opportunity to reach your customers. You can sell to your customers direct on your website, and you should also work through the intermediaries. There's still an important need for intermediaries, for distributors. We play that role as well, folks, to help you get your books out into distribution, so that you can focus on the business of publishing, and not the business of becoming a distributor.

KENNEALLY: Which, it sounds to me, and maybe we can get some feedback from the audience at the question section, but – like that might be music to ears of smaller, independent publishers, really, I would think.

COKER: Sure. A smaller, independent publisher doesn't have the time to develop retail distribution relationships with the literally thousands of new venues that are popping up. They're – we're going to move from a world where books are sold through retailers to where books are sold everywhere. Books are going to be sold on the backs of hyperlinks. And hyperlinks are everywhere.

I tend to think of consumers and of readers as earthworms. And I don't mean that in any derogatory sense. But people go through life doing what we do, and we consume what's in front of us. If you provide a big plate of spaghetti in front of someone, they're going to eat that plate of spaghetti. If your local downtown shopping area only had pizza restaurants, you would only eat pizza.

So I see the opportunity to line the virtual hallways of the Internet with books. Everywhere you go can be books.



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And so this idea of traditional bookstores is thrown out the window. We all become booksellers.

KENNEALLY: Well, you know, I thought I would just share some statistics that were published just today in Publishers Weekly, and it talks about some of the sales numbers that the Association of American Publishers is reporting.

It says that e-book sales – and this is obviously the larger publishers – e-book sales from the 13 publishers that report results to AAP rose nearly 252% in the first quarter of 2010, to \$91 million. Now, of a very large business, that's still a significantly small portion, but obviously, we can see the growth is really strong there.

The other, sort of encouraging news in this report, which is online at PublishersWeekly.com, is that many of the other categories, the traditional categories, print categories and trade paperback, sales up 23%, higher ed, sales increased 18%.

So it appears that while e-books are growing very quickly indeed, there's still some other growth left in the business.

COKER: I look at those numbers a couple different ways. On the e-book side, Dominique mentioned that 2009 e-book sales accounted for about 3% of all overall books sales. When you look at these Q1 numbers from the AAP, we're now talking about that being 7%. All right? So there is a revolution taking place here. The market is growing faster than any of us ever expected. I would expect that by the end of this year, e-books account for over 10% on a monthly run rate basis.

So what we're seeing is that the market for e-books is growing faster as it grows larger. And it – we're in the exponential phase right now, so we don't know where it's going to end up.

On the increase in the sales of some of those print books, I would just caution that those numbers are based year-over-year, so they were based – they were compared against what was overall a weak quarter last year.

But it is encouraging. I don't think print is going to go away. But I think reading will move to screens, because it offers the three things that customers want. Customers want convenience, they want price, and they want selection. And you can't beat a screen for that.

KENNEALLY: Well, you know, it's an interesting point, and maybe we can come back to it and talk about this emerging screen culture. But I want to thank Mark Coker.



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And now I want to turn to Jack Sallay. Jack, welcome again, and as we mentioned, you are the Vice President of Marketing for Vook, and I suppose we have to start by helping people understand just what Vook is trying to do.

SALLAY: What Vook is trying to do is blend video and other mixed media elements into – with a book, into a single form.

And to give a little bit of background, I think one of the easiest ways to describe what we're doing is sort of how we got founded. And we were founded by a serial entrepreneur, again, out of Silicon Valley, who –

KENNEALLY: I think I notice a trend here.

SALLAY: Yes. (laughter) And who is – one of his previous companies, it's a company called Turn Here, which had done thousands upon thousands of videos for high profile authors for Simon & Schuster, and Random House, and whatnot. And he ran that for several years, and they also worked with a number of other companies.

But what he saw was – you know, there's millions upon millions of books of text flooding to the Web that was really not being enhanced the same way that our favorite websites are. So if – I think of going to the NewYorkTimes.com, and I go there, and I can watch a video, I can read an article the same way I would in a paper, I can interact with people, I can post to Facebook, I can see an interactive chart. And so what Vook –

KENNEALLY: And Jack, can I just say on that point, you're making a really good point, I think, which is about how the experience on the Web has trained the readers, the screen readers, to expect something which goes beyond text, really. And I was surprised to see a headline just over the weekend – the *Boston Globe* had won an Emmy Award. And I thought it was a misprint. But in fact, it was not at all. They have a multimedia division, which had produced a series on Ted Kennedy when he died, and they won an Emmy for that.

So if the *Boston Globe* can win an Emmy, maybe some book publisher out there is the next in line.

SALLAY: That's right. Or go for an Oscar.

KENNEALLY: Or an Oscar, absolutely.

SALLAY: So – and what we do is, we partner with major publishers, and we came out with Simon & Schuster with our first four, what we call vooks, last year, in October, where we use our previous – the Turn Here network of about 10,000 independent filmmakers to



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shoot high quality, low cost video and enhanced text. And along with video, enhanced text with hyperlinking, with social media functionality, and a lot of other mixed media elements. It's so interesting that Dominique was speaking of earlier.

And right now, I'd say we sit somewhere in her three categories of an e-book, or enhanced e-book, an app, and then Web. We sort of go across all three, and that primarily, we develop for these enhanced tablets – I've got my iPad here. But we also develop for the Web, and we have a Web reader. And so we're somewhere in between both a Web reading experience, an app experience, which is a little bit more, certainly, than even an enhanced book experience, which is still yet to be defined.

KENNEALLY: Well, in fact, I was just about to ask you to help us define that question. What is an enhanced book, really? And it brings to mind those conundrums that other industries have faced in the past. The lesson for Kodak wasn't that they were in the camera and film business, they were in the image business. The lesson for the trains – we were talking about this before we started.

SALLAY: Sure, and the lesson for the trains – and the example there is that in the early 1900s, a lot of trains got into trouble. And the reason was is they thought themselves as in the train business, and not in the transportation business.

KENNEALLY: Or as we would call it, the supply chain management business.

SALLAY: Exactly. And – but getting back to your question about where Vook stands, and the difference between an app and an enhanced book, I think is yet to be defined, in that enhanced e-books don't yet really exist. And what I mean, that in terms of massive scale. And they're going to exist soon. I think it's – a number of players in the industry are going to start, and Steve Jobs spoke very specifically about this, when he launched iBooks, saying that they were going to put video in text. Actually, we were delighted, in that – the same way that we put video in text, so we were the forerunners of Apple there.

But going from that – and so, I think one of the first elements will be similar to things that we've done, or enhanced editions, is putting audio in e-books, and so forth.

But I think as you lean more and more towards app is things that are incredibly more enriching, and things that feel very different from your traditional book experience. And things where you might have an interactive test within an application. You could have a webpage pop up within an application, which is very different from a book experience, which is very singular, very unitask.

KENNEALLY: Right. I have to, though, raise the criticism that maybe some people in the audience feel, and it's a natural one, to think about the book as this ultimate antisocial



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experience, right? We talk about social media all the time, Twitter and Facebook, but the antisocial experience of reading print on page is one of immersion, and sort of putting away anything that's distracting you, and focus.

How do you respond to the criticism that maybe a lot of this is just going to be so distracting to readers that they'll be turned off?

SALLAY: I think that's a very good criticism, and something that we're very careful to take into consideration. And I think the key there is allowing the reader to have the experience that they want to have. And whether they want to interact with people immediately, they can do that. Perhaps there can be a fold alongside, where you can see who else is reading the book. But having the ability to hide that, and put yourself away solely into this immersive experience is key also.

And it's something that we think about, not only sort of in the form, but in the functionality of what we design as well. When we have our readers, do we want the video to pop out first, or have it kind of hidden along as a side button? Do we want the hyperlinks to be blue and in your face and pop out, or is it something that is more subtle?

And it's that reading experience that – I think, which I love, and which we all love, being engrossed in a great book, that we're hoping to enhance and not take away from.

KENNEALLY: Well, you know, you just used the word subtle, and I think for the first time in history, I'm about to use the word subtle in nearly the same sentence as Guns N' Roses, the band, OK, who are far from subtle, obviously. Slash himself is the definition of not subtle at all. And you've just published – created – what's the right word that – when something from Vook appears? Is it published? Do we still call it publishing?

SALLAY: Yeah, we use that word.

KENNEALLY: We still call it publishing? OK. But you've published a book – a vook – called *Reckless Road*. Now, it has a couple of co-authors, one of whom is a filmmaker. So we've got Mark Canter, who is apparently a lifelong friend of Slash, and a filmmaker, Jason Porath, working on something.

And again, so the audience can understand better what this enhanced or enriched vook experience is like, tell us more specifically about *Reckless Road*.

SALLAY: Sure. So, *Reckless Road* was, again, a project that we did with Slash of Guns N' Roses, and it tells the story of them making their – one of their first albums. And one of the authors was an early childhood friend of Slash, and had lots of pictures from when he



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was actually learning to play the guitar. And not only pictures, but videos, and all sorts of memorabilia.

And so what we did is, we put it into – through the iPad and on the computer, a single experience, where you can read the book, which was written by the co-authors, but also watch videos. And you can watch video interviews of the band early on, interviews with the band now, you can watch interviews of the authors speaking about what it was like to be there at the time with the band, and you can see and interact with all these amazing photos of the band early on, when they were just getting going, and how they would beg for money to get enough money to play for a set or two.

And so – and then, of course, is the sharing functionality that I was talking about, is – we have new functionality where that you can share and e-mail someone a video from within the text, and you can share and e-mail a photo, or a small bit of a chapter, to get them engrossed, and let your friends know what you're reading.

KENNEALLY: Well, you know, I'm thinking that with a project like that, you're targeting the readers that Mark was speaking of, the ones who are familiar, comfortable, who live in a screen culture more than a page culture. Does that seem fair?

SALLAY: Exactly. And it goes both ways. And the way we think about it is – and Dominique mentioned this in her talk as well, is really, opening up readership to all those people online, who may have read when they were younger and don't read as much as they do anymore with a physical book, but still read a lot online. And it's a way to reintroduce them to the authors that they love.