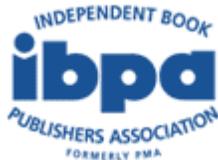




Beyond the Book®



For podcast release Monday, July 19, 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 2).

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

KENNEALLY: Now, I'd like to turn to David Hetherington. As I mentioned, David is Director of Major Account Sales for Baker & Taylor's Digital Service Group, as well as an adjunct professor at the Pace University Graduate School of Book and Magazine Publishing. And as I say, Professor Hetherington, welcome.

And let me ask you first about those students who come to your classroom, and they say to you, I want to be in the book business, Professor. Do you say, well, what do you mean by book, at this point?

HETHERINGTON: Yes. The first place we start is that – ask the question, what part of the book business you're interested in. And invariably, all of our students have editorial bents, and there are a remarkable number of would-be entrepreneurs in the class. Everyone, I mean, that I can think of, and my specialty is finance, is



Beyond the Book®



interested in striking out on their own and building the next Simon & Schuster, so to speak.

KENNEALLY: Well, how do they do that? And you know, when we chatted beforehand to prepare for the program, I mentioned about this very special audience here in the room today at the Roosevelt Hotel, but also online, and it's the Independent Book Publishers Association. That means something.

Do members of IBPA have any kind of advantage in this very dynamic environment?

HETHERINGTON: Well, I think the advantage you have is certainly combat experience. There is nothing like making sure that you can pay your bills at the end of the month.

As I had mentioned, I specialize in finance classes. And when you start to enlighten students about the miracle of accruals, and the importance of getting paid, it's an enlightening experience for them. I think that as an old boss of mine used to say, there's a fine line between vision and hallucination.

And what we try to do is to get the students to cross over that line and understand that managing the details of the business is especially important, and now, with the e-book revolution, and I must tell you that at this time last year, I never would have expected to be saying this. I mean, it is here. I mean, there is no ands, ifs or buts about it. The statistics that Chris mentioned before about the quarter over quarter growth, and a remarkable statistic – or, a remarkable forecast I saw today from RBC Financial Services, estimating that 200,000 iPads are sold each week. That is a remarkable change.

Also, Boston Consulting mentioned about how their view is that iPads and tablets will be endemic by 2014. It's just a remarkable change.

KENNEALLY: Even faster than swine flu, I guess. Well, now, with regard to your own background in finance, there are some numbers that we really have to talk about frankly here. And there is this law of publicity you introduced me to, which is, the more publicity, the less money, often the case.

HETHERINGTON: Yes. Yes.

KENNEALLY: How does that apply to e-books, to iPads, and what we're talking about today?



Beyond the Book[®]



HETHERINGTON: Well, the remarkable thing is that when you look at the publishing industry – I call it the inverse law of publicity, that the more publicity a particular product line gets, the less money there is to be made.

So for instance, if we take the trade business, margins are very tight, prices have to be low because of competitive situations. And then if we take the professional or the education business, price stability is much better and long-term prospects are strong. I mean, our own forecast suggests that with the numbers that were released today, the trade business is definitely on its way towards \$0.5 billion in e-book sales, you know, probably within the year.

KENNEALLY: Half a billion?

HETHERINGTON: Half a billion.

KENNEALLY: With a B?

HETHERINGTON: With a B. And the college business, and the professional business has even stronger prospects.

Some of those businesses, like professional, have been effectively in the e-book business for at least a decade, because people are reading professional books from their desktop. And the iPad just – it is the game changer. I would not call it the Kindle killer, but I would definitely call it the game changer.

KENNEALLY: Well, let's push that again a little further, and about the way that publishing works today as a business, and the way success is calculated, units sold, and why that may wind up being very much part of the old world. And you're suggesting some new ways of measuring success, I think.

HETHERINGTON: Well, remember, it's – units sold has various definitions. It's one thing for them to go out the door, but as most of the people in this room know, an ungodly number of them come back in.

And one of the fundamentals that I teach in my class is inventory management, and there are three types of inventory, right? There's just in time – JIT. There's JIC, which is the acronym for just in case, and then there's FISH inventory, which stands for first in, still here.



Beyond the Book[®]



So anyone who's had to manage a cash budget knows the importance of making sure that your inventory investment – that you don't let your enthusiasm get away with you. Well, the e-book takes significant steps to eliminating that risk. It takes the risk out of the returns. It is essentially a no return sale, unless the buyer encounters some problem.

So there's remarkable upside to the publishing business, for that – through the e-book.

KENNEALLY: Right. But it also has an impact on the way books are marketed, I think, right? In terms of how one gets the customer to buy the book in the first place is a kind of a marketing push that has to happen.

HETHERINGTON: Absolutely. I mean, I think as Jack mentioned, and Mark did as well, the notion of the bricks and mortar retailer is clearly – I won't say under assault, but certainly facing some challenges in the near term.

KENNEALLY: Well, I want to give you an opportunity to tell us about a model that Baker & Taylor is working with for what we're calling enhanced books, and maybe you can tell us what you think of that term, but that's the Blio. And it comes to us from the 21st century Thomas Edison, Ray Kurzweil. Tell us about the Blio.

HETHERINGTON: Yes. Well, I must tell you, when I first saw the Blio demonstration in October of 2009, the first words out of my mouth were, if I owned stock in a printer, I would have sold it that day. I'd never seen anything so remarkable. And I assure you that this is not me drinking the Kool-Aid. I am a curmudgeon in the strongest possible sense, with the possible exception of Gene Schwartz (sp?) being a bigger curmudgeon than me.

But in any event, Blio is an application – it is not a reader. It is an e-book application that runs on the desktop, runs on multiple devices, whether it's on a Macintosh or an iPad or an iPhone or a netbook or Android devices. And what it does is, it effectively converts your electronic files into a mirror image of the book, so that it's what we call an immersive reading experience, where you – the reader gets to see the faithful reproduction of the product on their device.

And the other interesting thing about it is the business model. Our business model is that we are anxious for content. We're reaching out to the publishing community for content, or we have a no-investment conversion program, so that you come to us with the right files, we'll convert the files for free. We take ePub, PDF and XPS



Beyond the Book[®]



files, and at product launch, which we expect to be July 1, we will be launching with 250,000 trade books and 1 million free books.

So at Baker & Taylor, we are clearly aware that the scene is changing, and that it's time to reinvent ourselves. So we are embracing the digital revolution with both arms.

KENNEALLY: And as I understand, the Blio model right now, the capacity for the enhancements is there, but it doesn't have to be turned on, to use Jack's point. I mean, you can take text, you get that reading experience. If you tip it over, you see two pages, all that kind of thing, and you don't have to worry just yet about investing in video, doing other things.

HETHERINGTON: Absolutely. I think there's no – there's nothing here that essentially – that requires the publisher to invest in enhancement technology. I think that while enhancement is certainly important, the jury is still out as to whether it's going to drive sales. And I think that the enhancement processes at this stage, there's a learning curve.

So we're quite satisfied, quite open to bringing in content that is not enriched. A faithful reproduction of your product, whether it's a cookbook, whether it's a travel book, whether it's a trade book, whether it's a professional book, whether it's an educational book, is something that we are definitely interested in.

KENNEALLY: Well, before we move on to Sara, I want to just ask you one last question, David. And that is about your students. We started talking about your students, maybe we'll end with a question about that. When they talk to you about books, are they thinking about these kinds of elements, these enhancements, these enrichments as sort of a natural progression? Or do some of them come – maybe they're a bit young for their age, but they're curmudgeons all the same and they really love the print?

HETHERINGTON: Well, I think everyone has a dedication to the print, and I think clearly, my students have a love for the independent bookstore, as certainly do I.

But they are so energized by the prospects of this revolution that I have to admit, it gets – every once in a while it drives me over the edge. When they start talking about Facebook and Twitter and things like that, my eyes roll back in my head.

KENNEALLY: Now, now, hush, because we're Tweeting here at – pashtag pound (sp?), what is it? Pashtag IBPA University –



Beyond the Book®



HETHERINGTON: I understand that, and I swore to my daughter that I would start Tweeting soon, or Twitting, whatever it is. (laughter) But every time I think of the word Twitter, I think of something from Monty Python, so I'll leave it at that.

KENNEALLY: Well, David Hetherington, it's been fun to chat with you. And I want to move now to Sara Nelson, before we have a chance to open it up to questions from the floor. And Sara, welcome again. You're Books Director for *O, The Oprah Magazine*, and you were editor in chief at *PW*. But mostly, you're here for your common sense, Sara, all right?

NELSON: Now we're really in trouble.

KENNEALLY: And I think also, to add the perspective of the consumer, because very much, the *O Magazine* and Oprah herself is concerned about readers. So you've been listening, as everybody else in the audience has, to what the others have had to say. What do you think?

NELSON: Well, I've never felt like such a Luddite in my life.

In this job, this – people have asked me how this job is different from being at *PW* or any of the other places that I've been. And this, as the Books Director at *O*, my job is entirely about the content. Which is not to say that we don't address issues of how that content is delivered, but the magazine, Oprah herself, and the magazine has a strong, strong commitment to getting people to read, and choosing – I think of it as a curating job. I'm going to curate – I look at a lot of books, a lot of books, in a lot of forms, every month.

And we have quite a lot of real estate. We have six to eight pages of the print magazine a month, and then that plus on the website, on Oprah.com. And we talk about books in all formats. In the magazine, we tend to concentrate on books that are – may be available in e-format, but because it's a print format, we can't really – we can't run an example of a vook, for example, though that could come later or sooner on the website.

You know, I have given a number of talks and been on a number of panels that the title of which is, *Are Books Dead?* And as – I think that's where we started. And my response to that is, it depends how you define a book. I mean, I think this is getting towards what my fellow panelists were saying earlier.



Beyond the Book®



If a book only means to you that it's printed and it's on paper and it has hard or soft covers and an illustrated jacket, I think that that product is not dead, but there are going to be fewer takers of that version of the product. I think that a book is, as we've heard from these three gentlemen, a book is – there's a much bigger definition of what a book is now. It's a narrative that involves video of Guns N' Roses.

Now, you may not think that that's a book, but I'll tell you, my 16 year old thought it was a book. And it involved reading, and looking at pictures, and looking at videos. When I was a kid, they called those comic books, but – except for the video.

So I'm a big believer in anything that gets people reading, gets people interested in narrative. I mean, I used to say, when I started *Publishers Weekly* before there were vooks, and there just very beginning of e-books, well, people would say, well, you know, do you think it's OK for kids to read comic books, and do you think – various things.

And I would say, well, as long as they're turning the pages, and they get into the habit of going to something and turning the pages, that's good for all of us.

And now I would say that they don't necessarily have to physically turn the page, but to follow a narrative and to be able to see it in many different forms is all to the good. It's to the good of readers, it's to the good of the culture, it's – yes, we don't always like – we serious readers complain that there are a lot of books or e-books or vooks that are non-books – you know, they aren't serious books.

I think there's a real snobbism in the book business that tends – not anybody here, of course – but that tends to think that those things aren't really books. And I think that's one of the places where we really make a mistake. I do think that people reading, casting their eyes over print words in whatever medium they do it is called reading, and that's – counts as a book to me.

KENNEALLY: So you don't make that distinction, then, between screen culture, page culture? It's a reading culture that you see?

NELSON: Well, for my readers, for people in the habit and with the desire to read fiction, narrative non-fiction, what we traditionally think of as books, I think it is really just a format question. And one of the things that I wanted – want to make clear at the magazine is get across to people what formats the books are available in, because they want to buy it at – you know, they might want to buy one in an e-book form for their kid, or they want to buy it in a hardcover, or they may want to wait for the



Beyond the Book®



paperback, or they may want to buy an audio book. I mean, I think that the publishing industry mistakenly blames technology and says that this is going to be the death of the book.

I actually think it's an opening up of the book, if you are able to open up your definition of what book is.

KENNEALLY: Right. And I think that point's a good one for this audience here, and it's interesting, of course, just to remind people that we are webcasted live right now. So it's a book publishers' organization that has made the leap. It's not as if it's the first time, but has basically said, we know we can reach our audience online, we have to be there. We can't choose not to be, in addition to having a real conference and getting people in a room together.

NELSON: Right. Well, I mean, I think technology is important to book publishers in two ways. One is in the ways of being able to create e-books and enhanced e-books, obviously. And the other, also obviously, I think is in the marketing of books.

I mean, five years ago, people said – less than five years ago, people said, oh, we don't need to market our books online. We'll take out an ad in the newspaper, or we'll – television ads or whatever.

I mean, I think that there is a deep seated fear that is eroding, luckily, against anything technological in the publishing business. And I think if we just look at how marketing online of traditional books has become a much bigger part of the business, you know, that's one way that technology has already changed the business.

And I just – I think that what enhanced e-books and e-books in general do is actually open the market, and create readers where there weren't readers before. I mean, I should say, as full disclosure, that one of my – one of the positions that I held in the last couple – in the last year or so, was as an advisor to Vook. So I worked – I didn't really work with Jack, because we sort of didn't overlap, but – and I did start out skeptically, and I did think, you know, well, I mean, I liked these guys, I liked this idea, but I don't really see how it's going to work.

And in my time there and since, when I'm now just on the advisory board, I see that a number of books – vooks that the company has produced have been bought by readers – I mean, this is anecdotal, but I know it's true – have been bought by readers who weren't buying the book. I think the first was with the Gary



Beyond the Book[®]



Vaynerchuk book that we did when I was at Vook, and this Slash thing is another good example. The people who are buying that vook, I would bet, will have not been going to their independent bookstore lately and buying the latest Man Booker prizewinner. And I think that's a good thing. I mean, I – sure, I wish they'd buy it all, and I know you all would too. But the reality is that the new technologies are creating more readers, not taking readers away.

KENNEALLY: Well, we'll take questions from the audience in just a minute, but I want to take you back to 2007, because I think you were one of the first to get your hands on a Kindle, and to write about it. You also were one of the first to lose it, as I recall, on an airplane –

NELSON: Absolutely. The very first, I think, ever.

KENNEALLY: Do you think for the consumer that these devices matter? I mean, is the iPad – I believe it was David said, it's not a Kindle killer, but it's darn close. How do you respond to the various devices, to even the announcement from Google just a few weeks ago about Google Editions? They've been announcing Google Editions for a few years now, and they may again.

But still, are consumers confused at this moment? Are they waiting it out? Do they just love the iPad, if the numbers are right, 200,000 a week, sounds like they do? How – what's the feedback you hear?

NELSON: Well, again, it's all anecdotal. I mean, I will say it – I mean, 200,000 iPads a week is an enormous number, but we don't know how many of those people are buying them to read books on them. I mean, the iPad does a lot of things.

And I think one of the experiences of the Kindle may have some bearing here, which is – I think that originally, people thought that the people who were – that Amazon thought that the people who were going to buy the Kindles were going to be the early adaptors and the young people and the technogeeks and all of that. And it turned out that they were business travelers in their 50s and 60s who were reading – largely, reading their newspapers on their Kindles. So I think we don't know exactly what people are using their devices to do.

I find anecdotally, among my readers and among my friends, that certain books, for some reasons that are personal, some reasons that are maybe quantifiable a little bit, some books you want to – if you want it right now – I mean, I get sent a lot of books, as you know. I buy a lot of books, which surprises some people. And I buy a lot of digital books.



Beyond the Book®



And it really is – it has to do – in my personal case, and I've heard this from friends and readers also, if I want it right this minute, and it's Saturday at 9:30, and it's available digitally, I'm buying it. If it's – my personal thing is, if it's a very, very long book, and I don't want to – I always have to be able to put it in my handbag, and if it's a big, fat book like this, I'd rather have it digitally. If it's something that I think I'm going to need to search, if it has a sort of research quality and I'm going to want to look stuff up in it, I prefer a digital version.

Something that I'm sure will upset publishers is a friend of mine who said to me the other day that she likes e-books because she will take a chance on an e-book by an author she never heard of, or on a topic she didn't think she was interested in, or something, because they were so much less expensive. And she wasn't going to spend \$20 on a hardcover book, but she would buy a digital book.

KENNEALLY: Right. Well, ~~as I've been warning everybody, we're going to turn it over to you in just a moment. But before we do,~~ I want to thank our quartet of panelists here. Sara Nelson, with *O Magazine*, David Hetherington from Baker & Taylor, Jack Sallay from Vook, and finally, Mark Coker from Smashwords. Thank you all very much.

(applause)