

The strategy for the development of electronic publishing in small markets

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Summary

This paper analyses technological trends which affect the business models in the publishing industry and create innovative publishing products which reflect the reader's needs in the digital environment. Although technology already offers many possibilities, the way it is used is both a technical and a market-related issue. The migration to the digital environment has stimulated major changes in publishing and other media industries. Publishing sectors such as scientific publications quickly accept the new technological opportunities. Free content and self-publishing models shake the publishing industry and change the publisher's traditional position in the book publishing chain. Advanced software solutions offer authors easy access to virtual 'shelves', allowing publishers a simpler, quicker production and distribution. Changes carry many challenges and threats since the technology is still at an early stage of implementation. This paper presents new trends and predictions, and their potential impact on publishing, with a special focus on small linguistic distribution markets such as the Croatian book market.

KEYWORDS: electronic publishing, self-publishing, free content, strategy, Croatia.

Introduction

Can the digitized book be considered a milestone like the invention of Gutenberg moving letters? "One of the most dramatic factors shaping people's lives is technology. (...) Every new technology is a factor of a 'creative destruction'" (Kotler 2008: 92). Kotler provides examples of how new technologies endangered old ones; transistors vs. the cathode tube industry, photocopying vs. the indigo paper industry, cars vs. the railroad industry and television vs. newspapers. We could also say that television, newspapers, the Internet and e-books also jeopardize printed books. Kotler further states that "the essence of market capitalism is in the dynamics and the tolerance of creative destructiveness of technology because it is the price of progress" (Kotler 2008: 92).

In his article *Publishing 2020*, Richard Nash tries to predict the progress of publishing under the influence of digitization, which is transforming the media industry. The author predicts a new organization scheme in the publishing industry, the collapse of major publishers and booksellers due to their focus on retail and insufficient investment in innovation. He recognizes the problem in the unwillingness of senior management to adapt to new business conditions and investment in innovative products (Nash 2010: 114). According to Shilling's research, it is essential to focus on the future needs of readers in the digital environment (Schilling 2012: 7).

Joseph L. Bower and Clayton M. Christensen describe the disruptive impact of technologies on major market leaders who invest in the technology required to keep their customers and fail to recognize their future needs. According to the authors, some publishers make this mistake because they are too close to their readers and are therefore unable to respond to new changes that new technologies bring to the market (Bower and Christensen 1995: 43). Market leaders should take care of their current and future customers in order to recognize the potential needs of their users, which are still not clearly expressed (Kotler 2008: 636).

In their research on the impact of digitization on the media industry, Clark Gilbert and Clayton M. Christensen state their belief that only 9% of companies will survive. One way of surviving in such markets is the application of strategies specifically designed for the digital market. The authors argue that a new business unit should have a separate business strategy with a separate physical space and separate balance sheets, as well as a new team of people focused on creating content for the digital environment (Charman-Anderson 2013).

Modern society often claims that the publishing industry is dying and that the invention of e-books will lead to the extinction of printed books (Carreiro 2010: 219). Although most heated debates ceased after the collapse of Internet companies in 2001, poor sales of e-publications and high prices of e-readers have led to publishers' scepticism regarding the success of the e-publishing business. Claims that e-publishing needs to be promoted through conferences in order to become lucrative clearly illustrate the general scepticism regarding new business models and the e-book market (Thompson 2005: 309).

Christine Borgman (2002: 69) lists some of e-publishing development scenarios which were current in 2000 but are still valid today. The first one predicts the revolution of e-publishing, while others have a more moderate approach to the changes in book publishing development. The author concludes that the most likely outcome is a balance between continuity and discontinuity, since people do not reject their old habits and activities whenever a new technology emerges. Hillesund (2005) sees changes in publishing as just another step in the five-thousand-year long process of technological development and the impact of digitization on the text as an advancement strongly influenced by cultural and social factors. Borgman (2002: 69) states e-publishing is one of

the emerging disputed areas, based on digital media and computer networks. The advancement of technology and the emergence of a simpler and cheaper process of digitization, will probably lead to an increase of content published in digital form.

Miha Kovač claims that „digital technology combined with new business models turned book publishing into one of the most democratic media industries on the most developed markets” (Kovač and Tomašević 2009: 262). Today, online bookstores offer titles published by the authors themselves, without official publishers. Online bookstore services allow the author to become a publisher. Apple has launched the *iBooks Author* program which allows the author to graphically shape his work and forward it directly to the bookstore. Technology has cheapened and simplified the book publishing process, and opened the door to new players.

Analysis of the global market – indicators of market development and comparisons

E-publishing is globally developing towards the distribution of digital content to various devices through aggregation and distribution via platforms. Platforms can be bound to a certain device or an application. There are two content playback technologies on the market: electronic ink (e-ink) and liquid crystals (Liquid Crystal Display). In theory, each platform has a lot to offer, their popularity depends on the market’s capability to accept their potential advantages.

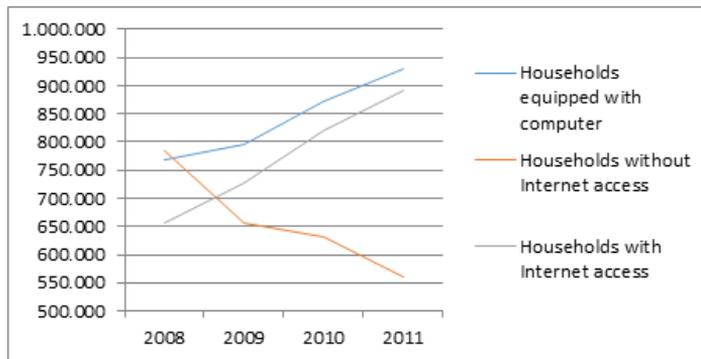


Figure 1: Trends of personal computers possession and Internet access in Croatian households

Several market leaders managed to successfully incorporate the device, the content, and the payment. These platforms belong to companies like (in the alphabetical order) Amazon, Apple, Barnes&Noble, and Google, containing millions of printed, electronic and audio books and applications. Except the aforementioned, there is a large number of less popular platforms which might excel in the future. They might be less appealing to the global market due to the language barrier or some economic factors. The German publishing endeavour and telecom service based on the *Tolino* platform (DBW 2013) can be considered

successful on the European level. Figure 1 represents the trends of personal computers possession and Internet access in households (SYRC 2010, 2011, 2012).

In Croatia, platform developments are currently in the market examination stage, where the key criteria are the device itself, payment and content amount (Velagić and Pehar 2013). In the past few years, publishing production has changed; the content is additionally prepared on digital platforms and sometimes there is simply no need for printing (exclusively digital content production). It is necessary to adapt the existing content in terms of complete digitalization or conversion of one format into the other. The two factors affecting the development of e-publishing in Croatia are market size and language coverage. According to the Digital Agenda for Europe in 2010 (DAE 2013), feasibility indicators from 2012 (DAE Scoreboard 2013) and 7-point goals, there are no indications the e-publishing market in Croatia can be considered developed. Drafting an e-publishing development strategy in accordance with Digital Agenda guidelines and other similar documents includes defining the vision, mission as well as general and specific goals which would entice the development of e-publishing by 2020.

According to statistical indicators, Croatian society currently does not possess the necessary prerequisites for successful e-publishing development, but it is slowly moving towards reaching that goal.

HAKOM's¹ report for 2011 (HAKOM 2011) confirms the increase in the number of Internet users, but states that: "Broadband Internet access via technologies in fixed communications networks reached 20.07 penetration while mobile broadband access reached the penetration of 6.71 percent. The analysis of development of broadband access in the Republic of Croatia shows that it is lagging behind in the number of broadband connections in relation to the average in EU Member States. The Republic of Croatia is among less developed European countries in relation to penetration of broadband termination points. Despite a significant increase in the number of users in the Croatia, there are still significant possibilities for growth considering the penetration of 20.07 percent of broadband connections in the fixed public communications network compared to the average 27.16 in the EU Member States" (HAKOM 2011: 33). Furthermore, HAKOM states: "The level of development of broadband access in the Republic of Croatia up to 2011 and the determinants of the Digital Agenda for Europe represent the main starting points for the adoption and implementation of the Strategy for Broadband Development 2012-2015. The purpose of objectives and measures in this Strategy is the creation of preconditions for the further development of broadband access and the familiarisation of citizens and the business sector with broadband use and all advantages offered by broadband

1 Hakom - Croatian Post and Electronic Communications Agency, Retrieved 1 November, 2013 from <http://www.hakom.hr/>

use in different segments of the society, such as education, health and public administration. In relation to this, HAKOM played an active role last year in the development of the Strategy for Broadband Development in the Republic of Croatia 2012-2015, as well as of the action plan for the implementation of the strategy for which the competent authority was MSTI². HAKOM prepared these documents in cooperation with MSTI and the Central Office for e-Croatia. The Strategy sets out objectives and measures for the development of infrastructure and broadband access in the Croatia in between 2012 to 2015, and it focuses on the economy, civil society, state administration bodies and other public bodies, research and educational institutions, that is, all participants in the market of electronic communications networks and services that are involved or will be involved in the development and promotion of an information society, not only through activities in the area of business management, but also education, health, public administration and other. Special attention is dedicated to the role of local and regional self-government which is invited and encouraged, through a series of planned activities, to actively participate in the development of broadband access, in particular on the islands, in rural and highland areas lacking sufficient commercial interest for investments into broadband access infrastructure” (HAKOM 2011: 41).

According to the available global market data and the predictions of global markets assessment companies like IDC, Garner and Forrester, there will be a billion of smartphones and 650 million tablet PCs in the world by 2016. According to the research conducted by the Croatian Nokia Siemens Networks office in 2011, there are about 500.000 smartphones and 30.000 tablet PCs in Croatia (Petrić 2013). This leads us to the conclusion that the necessary prerequisites for successful e-publishing development will be achieved through the activities of other partners of the Digital Agenda for Europe implementation, so the following statements in this paper will consider these assumptions feasible and attainable by 2020.

New services and trends in ICT technology as guidelines for the development of innovative publishing products

Information and communication technology is developing at such a rapid rate that future products and services cannot be easily predicted. Leading companies in this field keep their future products and services secret until market placement in order to protect themselves from the competition. We can only discuss the trends five years in retrospect and the announcements for the upcoming five-year period, often referred to as the “post personal computer era” (“post PC era”). Nowadays we are faced with mobile applications used for various purposes, including the purchase of *virtual* goods. Data is stored in the cloud and users have access regardless of their location or device. The publishing

industry is announcing the emergence of the “pay as you read” business model allowing partial payment of content, unlike the previous practice of paying for the whole unit (book, magazine, etc.) (Nawotka 2013). When it comes to small markets, e-book publishing development strategies should not be fashionable, but rather aimed towards ensuring a long-term culture development in a new environment. The achievement of this goal can be seen by setting the foundation and publishing framework in a new environment while the concrete implementation and trends are left to the market in question.

Following the possibilities technology offers, publishers can develop innovative new products. The biggest step forward in the application of new technologies can be seen in the field of academic and scientific publications. Meeting the individual needs of each user is essential; e.g. allowing them to purchase a single article rather than an entire journal or one chapter instead of the whole book. Janke states the popularity of smart phones as proof such business models are accepted among the general population (Polanka 2011: 159). Users can create the book they need by combining different articles or chapters.

Borgman (2002: 72) cites three reasons electronic publishing is the best applied in academic and scientific publishing:

- the exclusive readership is not subjected to market conditions
- university staff and other members of the research community have Internet access and are accustomed to working with e-content
- due to a limited budget, it is often not possible to have a large number of published scientific journals in libraries.

Bob Stein of Klopteka suggests that publishers are still oriented to the production of digital versions of printed books, and not fully accepting the possibilities of the new technology. Enriched e-books with added video and audio content open up new dimensions of the reading experience. The importance of virtual networking of readers and the benefit of this social component is emphasized (Wischenbart 2013).

Other media industries offer new ways to utilize the published material. Digital and printed newspapers, free services, free e-books and different content payment models are changes which can be integrated into publishing fields.

The development of software upgrades and various services offered by bookstores are steps towards free self-publishing. This, however, leads to content overproduction and its varying quality, hence a publisher is needed to help the readers select the best content available. Self-publishing has become a major trend, as testified by the success of the digital platform *Smashwords* and self-published e-books emerging on the top of Amazon's charts (Lulgjuraj 2013).

The onset of new book forms further simplifies the publishing process, giving authors an easier access to readers, which, in turn, leads to further content overproduction. The book chain is changing, the publisher's role is adjusting

to the new system, but it is still considered very necessary. Francis Gurry (2013) said at the Congress of publisher associations held in Africa's Cape Town that "publishers have a key role in the democratization and dissemination of knowledge and culture." In his book *How Many Books*, Gabriel Zaid (2005: 7) shows his concern about the increase in book production or "graphomania": "Reading books is growing by arithmetic progression. Writing books is growing exponentially. If someone somehow does not restrain our passion for writing, in the near future there will be more writers than readers."

Nash predicts that the emergence of the free content will continue, and that the raw text such as music, videos and other content will be free of charge (Nash 2010: 114). The trend of free content or the pressure of low-price content stems from the aspirations of major technological companies for higher sales of various devices.

Conclusion

Throughout history, publishing has been adjusting to market requirements, aiming for cheaper production and book prices in order to attract a larger number of readers. Today, in the majority of developed publishing markets, e-books managed to get integrated into the publishing business and capture an increasing share of the total book sales. E-products and e-communication are incorporated into everyday life as well as into the business environment. Electronic publishing is difficult to separate from classic publishing since it is already very present at all stages of production.

The e-book is a new book form created under the influence of new publishing technologies, and the evolution has lasted for decades. The emergence of a new technology often changes consumers' perceptions because new technologies create innovative products which affect behaviour and alter lifestyles.

The vision of e-book publishing development in small markets is to create an encouraging environment for digital and cultural content which will entice all stakeholders to participate and ensure the continued development and promotion of domestic electronic publishing on the new single European digital market.

In addition to different devices, formats, platforms and business models, publishers need to consider their leading role in the book production chain. Publishers must build their authority on the quality of the content delivered to any environment.

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Sažetak

Strategija razvoja elektroničkog nakladništva na malim tržištima

U radu se analiziraju tehnološki trendovi koji utječu na poslovne modele u nakladništvu i stvaraju inovativne nakladničke proizvode koji odražavaju potrebe čitatelja u digitalnom okružju. Iako tehnologija već nudi brojne mogućnosti, način njezina korištenja nije samo tehničko pitanje već i pitanje tržišta. Prelazak u digitalno okružje potaknuo je velike promjene u nakladništvu i drugim medijskim industrijama. Neki sektori nakladništva poput onog znanstvenog brzo prihvaćaju nove tehnološke mogućnosti. Sadržaj dostupan u otvorenom pristupu i modeli samostalnog izdavanja publikacija uzdrмали su nakladničku industriju i promijenili tradicionalnu ulogu nakladnika u lancu proizvodnje knjige. Napredna softverska rješenja nude autorima lak pristup virtualnim 'policama', a nakladnicima omogućuju jednostavniju i bržu proizvodnju i distribuciju. Promjene donose mnoge izazove i prijetnje s obzirom da je tehnologija još uvijek u ranoj fazi implementacije. U radu se predstavljaju novi trendovi i predviđanja te njihov mogući učinak na nakladništvo, s posebnim naglaskom na mala jezična tržišta kao što je hrvatsko tržište knjige.

KLJUČNE RIJEČI: elektroničko nakladništvo, samostalno izdavanje, otvoreni pristup, strategija, Hrvatska.