Predicting the future of e-publishing and e-books in Finland

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Abstract
Electronic publishing or e-publishing is growing and the number of published e-books is increasing slowly, however, there are still many questions and concerns surrounding the future of e-publishing and the new business models that it may lead to. This research used Delphi forecasting technique to examine how professionals in the Finnish book publishing industry think about the future of their business when faced with disruptive technologies. The chapter reports on some of the key concerns and possible new e-publishing business models identified by the publishing professionals. The results showed that because of technological concerns, copyright issues and questions about consumers reading habits publishers are still waiting for the most favorable time to invest in e-books.

Keywords: e-books, e-publishing, publishers, Delphi technique, future research

Introduction
An e-book is “any content that is recognizably ‘book-like’, regardless of size, origin or composition, but excluding journal publications, made available electronically for reference or reading on any device (handheld or desk-bound) that includes a screen” (Armstrong, 2008). E-publishing is a relatively new industry that emerged approximately year 2000. The number of available e-books is increasing and digital publishing is growing in importance (e.g. Mussinelli, 2010; Li, 2010). However, the business models related to e-books are complex and there are a lot of incompatibilities between different producers and products (Vasileiou et al., 2009). The devices are becoming increasingly user-friendly, but there are still many different types of e-books and e-book readers and the different products and formats are often incompatible (Tonkin, 2010). This creates an uncertainty among both consumers and publishers. Publishers do not know in which format to invest and consumers do not know which e-book reader will be possible to use also in the future.

The attention towards e-publishing and e-books have significantly increased over the last few years, partly due to increased media coverage of issues related to e-books and e-book readers. After several years of considerable skepticism, the years 2007-2008 can be seen as a period of transition towards increased acceptance and adoption of e-books and e-book readers (Wischenbart, 2010). This was the time when the online bookstore Amazon launched the first generation of its e-book reader, “Kindle”, which has remained a market leader ever since. In the
beginning of 2010 Apple launched its new tablet computer called iPad, which has been predicted to increase both media coverage of e-books as well as the use of e-books (Stone & Rich, 2010). In May 2011 Amazon announced that it sold more e-books to Kindle devices than printed books (Yahoo Finance, 2011). This indicated a significant change in e-book acceptance and a certain maturity of the e-book market seemed to be reached. Hillesund (2001) notes, “modern society is unthinkable without printed books. E-books, however, make society thinkable without printed books”. This is how many publishers think as well, as they seem to think that the future of publishing will be in e-books.

The opinions about the current state and the future of the industry still vary a lot (Herther, 2005) and there are many possible scenarios of how e-books and the markets may develop. There is still for instance a lot of discussion whether e-books will even be a success or not (Dougherty, 2010) and whether printed books will be published at all in the future. Brown and Boulderstone (2008) question whether it is the users that change their information behavior and thereby force the publishers and device manufacturers to change, or if it is the other way around, and that the technology is changing – forcing the users to change their behavior. Either way, it is clear that we are in the middle of a major transformation.

The goal of this study is to examine how professionals in the Finnish book publishing industry think about the future of their business when faced with disruptive technologies. The research method that will be used is the Delphi forecasting technique (Dalkey & Helmer, 1963), which by the use of a panel of experts tries to gather and focus the opinions of the experts and in some cases reach consensus between these.

**Literature review**

Publishing in the digital age and the use of e-books have been extensively researched (e.g. Snowhill, 2001; Armstrong et al., 2002; Shiratuddin, et al., 2003; Anuradha & Usha, 2006; Bradley & Vokac, 2008; Nikam & Rai, 2009; Nicholas et al., 2010; Hillesund, 2010) and the devices used to read these e-books, the so called e-book readers, have also been studied to some point (e.g. Tonkin, 2010; Burk, 2001; Wilson et al., 2002; Rao, 2003). The number of available e-books on the market is growing and the use of e-books is increasing as well; especially related to the use of scholarly information where we have seen a rapid decline of the use of printed journals and books while online journals and other resources have gained in popularity (Kriebel, & Lapham, 2008). Chu (2003) found that the most important reasons to use e-books among students were that e-books are available at all times and that they are searchable. Nicholas, Rowlands and Jamali (2010) came later to similar conclusions. Students could easily find the snippets of information and content they needed from e-textbooks, without reading the whole book. Ease of access and convenience of e-textbooks were the main reasons for students to use them. But the opinion or conception among those who have not used e-books is that they are difficult to read, and because of that the users are reluctant to read their books from a screen (Chu, 2003). Customers also want some additional incentives, like ease of access to the content or multimedia, before considering a move to e-books (Oppenheim & R andall, 2002; Mercieca, 2004). There can also be some environmental benefits in e-books that could direct customers to e-books instead of printed books (Moberg et al., 2010).

There are many players involved in the e-book industry. Authors, publishers, sellers, readers, libraries and device manufacturers all have concerns and expectations about e-book market
development. Concerns that publishers have surrounding e-books deal with issues like delivery of the e-books, author royalties and digital rights management (Oppenheim & Randall, 2002; Rosen, 2009) and before these issues have been solved publishers may be reluctant to increase their investments in e-publishing. In another study Herther (2005) found that publishers are also concerned about standards, pricing, technology, market development and copyright issues. Questions related to copyright remain to be answered and perhaps digital rights management (DRM) may be the right answer as long as users are able to do the same things with their e-books as they are used to do with their paper books (Calow & Egan, 2008). The music industry faced similar copyright challenges a few years before the e-book industry and the publishers can probably learn a lot from their experiences.

E-books have also made a new type of publishing possible, the so-called self-publication or print-on-demand where anyone can become an author and a publisher. Laquintano (2010) argues that “if self-publication becomes an increasingly important avenue for satisfying the demand for informational goods in niche markets, and an increasingly important dimension of the future of the book as the idea of the long tails suggests, then understanding the dynamics of e-book production and circulation requires understanding of the digital writing practices that support constellations of authorship” (Laquintano, 2010). This also means that the traditional labels, “author”, “publisher” and “reader”, have to be redefined, as “mass-authoring” is becoming increasingly common. When the author becomes the publisher and the seller, traditional publishers need to rethink their position and services. Self-published books or so-called print-on-demand books also raises new questions to libraries as they need to decide whether to include these titles into their collections or not (Dilevko & Dali, 2006).

As stated above, the industry is still fairly new and the user base, although increasing, is still only a fraction of the total book consumers and library users (Yahoo Finance, 2011). The majority of earlier research is from the time before what can be considered as a turning point in the development of the e-book market; hence this study makes a significant and important contribution to the collective understanding of the present situation. This study focuses on the Finnish market and Finnish publishers and gives insight into an area and segment that has not been previously researched to any greater extent. The situation in Finland is not unique; however it is very different from the situation in large English speaking countries. While books published in major languages, such as English or Spanish, can be sold across national borders, the market for Finnish books is concentrated to Finland. The market is concentrated and the volumes are small – which is a situation shared by several countries with smaller language areas.

Method

This study examines how professionals in the Finnish book publishing industry think about the future of their business and it discusses possible future e-publishing business models. Predicting or speculating about the future is never a very exact science, but a method named after the oracle of Delphi is a widely used method that through the use of a panel of experts tries to increase the accuracy in forecasting and minimize the error margin of the prediction. The philosophy of the Delphi method is that wisdom of crowds always supersedes the knowledge of individuals.

The method was developed at the RAND Corporation after the Second World War but it was not openly published until the 1960s since the method was kept secret for national security reasons (Dalkey & Helmer, 1963). The method was developed to help in decision making in issues when
exact knowledge and information were unavailable. The Delphi method collects anonymous responses from the experts, avoiding the possibility that authoritative and strong individuals or group pressure could influence the groups’ opinions (Loo, 2002). The method collects the experts’ opinions using several iterations of questionnaires (or interviews) where the respondents receive the results from the previous questionnaire iteration and can comment, revise or add to their earlier answers in order to eventually reach consensus. The method has evolved over the decades and the goal of reaching consensus is no longer considered to be a requirement (Landeta, 2006). How strict the original design is followed also depends on what kind of research is to be made. In this study, a “less strict” design has been used, as the goal of the study was to examine different opinions and not necessarily to find a single answer and reach consensus among the respondents.

There are several papers giving the basic guidelines to design a Delphi survey (e.g. Loo, 2002; Landeta, 2006; Hasson et al., 2000; Okoli, & Pawlowski, 2004; Grisham, 2009) and in all of them the research design starts like any other research by defining the research question or the problem that has to be solved. Next a panel of experts is selected. The panel should include experts from the relevant area and preferably involve a diverse representation from the field. There is no rule for how many members there should be in the panel and the number has varied in earlier studies between less than ten to several hundred members. In some very narrow research areas there may not be many experts to choose from and in that case the panel could consist of every expert in the field. Once the panel has been set up, a questionnaire is designed and when the answers from the first questionnaire have been collected, they are summarized and fed back to the panel of experts, who can then revise or add to their earlier answers. This procedure will be repeated until a consensus has been reached, no new knowledge can be obtained or when the number of responses will decrease significantly. The method requires the panel to be very committed since the experts often may have to participate in several questionnaire rounds and answer seemingly similar questions over and over again (Landeta, 2006).

The oracles of this study were CEOs of Finnish publishing companies, directors of libraries, chiefs of development at publishing companies, heads of sales, and experts in e-books. The panel consisted of 17 individuals. In June 2011 they were invited to answer an online questionnaire that was designed to collect the respondents’ opinions about the future of e-publishing in Finland. The questionnaire consisted of nine open-ended questions. The results from the first round of questionnaires were summarized and presented back to the panel. The panel then had a chance to comment or revise their answers. The respond rate was significantly lower in the second round and those that responded did not have any revisions or comments that would have significantly altered the answers. This was considered as a sign that a no further rounds were required. The respondents’ summarized answers are presented below.

Results

Describe your view on the current situation of e-books in Finland

The 17 experts involved in the study have high expectations on development of e-books in Finland, even though the development so far has been slow. E-book markets are still developing and currently e-books are taking their first shaky steps. The volumes of published e-books are still small and the consumers have not yet really found them. The experts believe that consumers, publishers and copyright holders are still waiting for the e-book market to develop.
Consumers find it difficult to buy e-books and many readers hesitate in a situation where multiple formats exist and the books they buy cannot be read on all e-book readers. The experts state that e-book readers have sold less than they expected, but that the sales are increasing. It seems that before e-book readers can be sold in larger quantities there must be more e-books, and before e-books can be sold in larger quantities there must be more e-book readers. The experts conclude that e-book readers and e-books seem to be both waiting for each other and they expect that a lot of work will be required in marketing and in educating customers in order to establish a viable and profitable e-book market.

The producers still have questions and worries concerning copyright issues, profits and partly about the technology. Distribution systems of e-books are just developing and the possibilities to make a profit are only partly realized. However, many parties seem to be interested in selling e-books and there is an ongoing race in the distribution chain as different actors try to find their positions in the emerging market. The value chain is still in flux, nobody really knows who does what, and those that currently have a place in the traditional industry system might soon find themselves obsolete.

**How will publishing of e-books develop in the future?**

The oracles predict that e-book publishing formats, industry business models and user behavior will change a lot in the next ten years. E-books are only in the beginning of their development, and e-book publishing will definitely increase in importance in the future. Format problems are expected to soon be resolved and once this obstacle is removed, the awareness and impact of e-books will grow and the development of e-books will be faster than before. Publishing will also increase and e-books will become part of publishers’ normal publishing processes. It is interesting to note that the experts believe that e-books will not compete with traditional printed books, not now nor in the future. Rather, they believe that e-books compete with other types of media, such as television and internet based services.

The experts believe that large publishers will steadily increase the number of published e-books, while smaller publishers will react more slowly, although e-books could be a cost-effective way of publishing – especially for smaller publishers. The problem is that the underdeveloped distribution channels in a small language area do not attract investments in e-books.

The number of fiction e-books that are published in the national languages in Finland is expected to grow slower than in genres such as scientific publications and textbooks. Within a short period of time we will see a significant growth in the acquisition and use of e-books in academic libraries. All significant textbooks will be published electronically and textbooks will be in the forefront of the development, but in the general literature we will have to wait a long time before consumers wake up.

The experts believe that the use of mobile devices will grow and that people will increasingly use these devices to access content such as e-books. They believe that it will not be enough simply to transfer the traditional manuscript into an electronic format, but that the electronic products need to combine text, images and audio as the consumers e-reading habits develop. The direction of the development of e-books will be towards multimedia and interactive reading experiences.
The respondents expect that new companies that operate as e-book publishers in cooperation with traditional publishers will be established and that the cooperation between publishers and libraries will become stronger.

How will the business models of publishing industry change because of e-books?

Publishing e-books is about providing access to knowledge and entertainment. The experts involved in the study believe that ownership of e-books is not as significant as the ownership of paper books. Consumers may therefore be willing to accept subscription models and to pay a monthly fee for access to a certain collection or a selection of e-books. The pricing of e-books is expected to differ and it is the experts believe it is possible that by introducing revenue models based on advertising, consumers will be able to acquire e-books for free.

The respondents believe that publishers’ – especially smaller publishers’ – position will become weaker as their relationship to the authors changes. Multitalented authors will publish their own e-books and do their own marketing. Publishers will have to justify and prove that their existence is necessary.

The experts involved in the study predict that publishers will increasingly sell their own publications by themselves and that the distribution path will become shorter, and eventually become completely electronic. A physical bookstore as a distribution channel of e-books will not be successful and the stores have to add other items than books to their collections to survive. In the future we will see many experiments of different ways and locations to sell books, and different licensing, pricing and business models.

Business models will become more complex and more players than before have to be taken into consideration. To increase the business models’ viability, wider cooperation networks have to be established. Cooperation with other companies in the media sector and telecom operators will increase. The experts believe that libraries are in a key position if we want to really increase the use of e-books. Publishers and libraries ought to come up with operating models that would benefit both parties.

The respondents anticipate that new book formats will result in the birth of new publishers. Publishing e-books may become a branch of business in its own. According to one expert opinion, the traditional business models will remain viable also in the future. New business concepts may emerge but they will not replace the traditional models.

What kind of pressure do publishers perceive to make investments in e-books? Where do this pressure come from?

According to the respondents, traditional publishing peaked ten years ago and therefore publishers have to evolve and change. The change towards e-books is necessary when more content is created, reading habits change and e-book readers become widely available. The experts state that the consumers and their changed reading habits will create pressure on publishers, but so far the pressure from consumers is not very significant. On the other hand more and more library users want to get e-books from the libraries, which create some pressure on the publishers to increase their cooperation with libraries.
The experts conclude that the consumers are not demanding e-books as much as the distributors. The pressure on the publishers seems at the moment to come from the distributors who are trying to find their place in the changing value chain. Traditional distributors, bookstores and libraries, would be keen to take part of e-book distribution and some new distributors (like telecom operators) also try to enter the e-book market.

The experts believe that many publishers’ image and brand requires that they are seen as modern, cutting edge operators, and therefore they have to invest in e-books. For the traditional publishers, the pressure comes from fear that they let a new market slip through their fingers without a chance to be part of it. Ultimately the pressure comes from the fact that publishers are unable to see a future without e-books.

**What can publishers gain by moving into the e-book market?**

According to the panel of experts, in the short-term is largely seen as an extra cost. However, in the longer term, publishers will be able to reduce both costs and risks involved with printing and distributing books. Publishers can among other things easily sell additional copies when an edition is out of print.

The informants also point at other benefits such as easier and cheaper updating of material in textbooks and encyclopedias. As e-books make also search possible, they allow linking of data and content, and they can lead to the creation of completely new types of products and services. The experts stated that consumers are probably more than willing to pay for extra services and new product families. Other benefits include new cooperative models, customer profiling, development of publishers’ brand and other new things that can be learned in the process.

**What downsides can publishers expect from e-books?**

Slow development of markets, general decrease of prices, increased costs and a strong decrease of profitability or even collapse of profitability were seen by the panel as clear downsides and even dangers of e-books. Publishers have to invest in knowledge and production without any guarantees that they will get their money back. Early investments may also become worthless when technology continues to develop. It is expected that only large publishers have the necessary resources required for these investments, which would lead to monopolization of the e-book market. It is also possible that the new business models will fail and that content is distributed for free, which would not generate any income.

The panel feared that as investments in e-books along with readers’ interest in e-books increase, the traditional book business will not develop at all in the next few years and will probably even decline.

The panel also explained that authors are worried about the protection of their rights. The respondents considered online piracy as a real concern as it probably will take some time to find functional and yet user-friendly protection solutions. The experts conclude that strong protection of e-books could make it difficult to distribute them, but on the other hand leaving e-books without any protection at all would take away the business altogether.

**What will e-books and the devices used to read them look like in the year 2020?**
The respondents highlighted two possible directions in the development of reading devices; a single-purpose e-book reader or a general-purpose device that combines text, sound and images. In both alternatives respondents believed that e-books will include multimedia elements, such as sound and video. They foresee devices that are light and portable; have with color displays, and obviously with internet connection.

According to some of the expert opinions the lower price of the single-purpose e-book readers will make them competitive against the so called tablet computers which will become more of a general-purpose entertainment center. The experts speculate that e-book readers will be very thin and light as paper – possibly they will be shaped as light 3D glasses that can be operated by eye movement or electronic paper that can be folded and placed in your pocket.

Some other expert opinions state that there will probably not be a single-purpose device to read e-books in year 2020 as the devices have developed to general-purpose devices that allow users to access all types of media. Already today people are reading e-books from their tablet computers, smartphones and laptops and these will continue to develop and evolve into even more diversified devices.

How should publishers react to the development of e-books in the short term (1-5 years)?

The panel stated that every publisher ought to be in the market and acquire e-book knowhow and prepare to defend their current positions. Within the next five years every publisher must have a solution for e-book production. At the same time it is important that publishers are able to sustain the current pricing levels since it is very costly to produce a book, no matter whether the end product is printed or electronic. The experts also emphasized that it is important to remember that once the e-book market has become the mainstream, an e-book will only be a book in electronic format – the content is still what really matters.

The panel felt that in the short term publishers need to offer more e-books, develop new business models, invest in resources, distribution channels and marketing, and perhaps most importantly publishers have to follow the market development. It is important to become familiar with the e-book industry in small steps while gaining more experience. At the same time publishers ought to agree on common practices and try to create more and deeper cooperation with different actors within the field and with different interest groups.

Publishers should start to prepare themselves for the fact that the consumer demand will be increasingly fragmented and will expect to access the books in different formats. According to the experts, publishers can choose between three different strategies: (1) stick to traditional books, as there will always be a small market for them, (2) outsource their e-book business to a partner, or 3) transform into an e-book publisher and eventually completely stop publishing printed books.

How should publishers react to the development of e-books in the long term (5-15 years)?

The experts believe that e-book publishing must become integrated in the normal business but at the same time publishers have to remember that an understanding of the content and communication about that content will continue to be important also in the future. According to the panel it is important in the long run that publishers monitor the situation and development in the industry and that they offer e-books alongside printed books, but that they at the same time
follow the development of new formats and publishing tools to improve work processes and increase their cost-efficiency.

Viable business models will continue to change and publishers need to adjust to them, which requires the ability to react rapidly and flexibly. Publishers ought to have several ongoing competing projects to map different possibilities for the future of e-books. For instance it is important to research the possibilities social media has to offer the e-book market and to follow how especially young people are using the internet and the devices that can be used to read e-books.

**Discussion**

This study used Delphi forecasting technique to examine how professionals in the Finnish book publishing industry think about the future of their business when faced with disruptive technologies.

According to the panel, e-publishing still is in its infancy in Finland. Some initial steps have been taken but there is still a long way to go before the market matures. Currently it seems that everybody is waiting for something to happen. The publishers are waiting for the consumers to buy e-book readers and the consumers are waiting for more e-books before buying e-book readers and the authors are waiting for clarity in copyright issues. As a consequence, publishers are still reluctant to invest in e-books.

As e-publishing facilitates niche strategies and diversification, it could be a very fruitful venture for small independent specialized publishers (Deahl, 2009). However, the initial investments required acquiring knowledge and equipment may be significant and small publishers may not have the resources needed. As formats continue to change and the e-book technology develop, publishers are concerned about the risk associated with an early investment in the field which may suddenly become worthless when technology changes. But if publishers want to enter the e-book market they have to invest in knowledge and production without any guarantees that they will get their money back. It may be difficult to know when the time is right to invest in e-book publishing. A way to meet the future and to come up with the innovations needed, is for publishers to work together and to share relevant and reliable data on e-book sales and trends (Mussinelli, 2010). This kind of information may be crucial when trying to decide the right time to take the next steps.

This study shows that there is a lot of pressure on the publishers to make a move towards e-books, partly from the customers, partly from the distributors that are eager to start selling e-books, and mainly from the publishers themselves, as they want to appear as modern companies. Increased awareness about e-books and e-book readers is a crucial factor when moving from early adopters to the e-book user majority. According to some of the respondents, libraries may be in a very important position to increase this awareness. Some libraries already lend e-book readers to their patrons and the service has been found to be very popular. For many people, libraries may be in a position to offer their first contact to e-books and e-book readers. Libraries can also offer their patrons training that would lower the barrier to purchase e-books and e-book readers. Internationally the value of libraries as distributors of e-books and of knowledge about
them has been recognized and many e-book vendors market their products to libraries, especially to academic libraries (Vasileiou, et al., 2009).

A couple of opinions found in this study require some special attention. Some respondents believed “e-books will however not compete with traditional printed books, not now nor in the future”. This statement suggests that printed books will still have their readers and that those readers would probably not be interested in reading e-books. It is possible that customers’ reading habits change and whether they prefer e-books or printed books becomes dependent on the situation where they read and the type of book they read. The above statement is also to some degree contradicted with another opinion shared by the respondents. According to the panel “a bookstore as a distribution channel of e-books will not be successful and the stores have to take other items than books to their collections to survive”. The divided opinions of the experts may suggest that perhaps the current situation where early adopters are consuming e-books while others are still buying printed books creates an illusion that both e-books and printed books will have their readers. The situation may change radically when it is not just the early adopters that are buying e-books.

Another statement that deserves some special attention is that “publishers have to justify and prove that their existence is necessary”. The thought behind the statement is that talented authors do not need publishers to publish and sell their e-books and publishers need to find other ways to add value in order to justify their existence.

The findings from this study follow similar results from other studies from other countries. The e-publishing industry has not yet reached market maturity, not in Finland nor in the rest of the world, and publishers are still waiting to see what happens and how technology and standards change. One thing is certain, that we are in the middle of a transformation and publishers need to react soon if they want to be part of development of the mainstream e-book market.

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