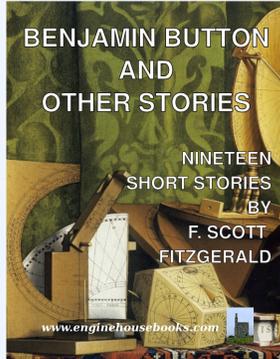




ENGINE HOUSE BOOKS

BOOK BITS #8



We began our discussion of e-books in *Book Bits #2*. A lot has changed in the months since then, so now is probably a good time to revisit the topic.

Q: What in particular has changed since *Book Bits #2* was produced?

A: The big changes are: (1) there are now many more e-book readers on the market; (2) there has been a noticeable move toward the EPUB format and away from other formats; (3) there is currently a battle to determine who sets prices for e-book content: the content provider or the store. For example, the entity that hosts our e-books (lulu.com) has begun to charge a much higher price for making new e-books available. All three of these changes are affecting us.

Q: Let's take these in order. How does the availability of many more e-book readers affect you?

A: The problem for us is that our e-books are produced in PDF format. There can be little doubt from a technical standpoint that PDF allows the most control over the quality of the final typesetting of the book

E-BOOKS (2)

as it appears to the purchaser. However, PDF files are produced with the expectation of being viewed at a particular size. The e-book readers that are now appearing, though, are in a wide range of sizes. So a PDF that is created for the Sony PRS-550 and PRS-700 devices will use the space of a larger reader less effectively, and will generally be scaled downward to a lower quality in order to fit a smaller reader. This results in a less-than-optimal experience, which we try hard to avoid.

Q: What about using the re-flow feature that is now available in PDFs?

A: The re-flow feature is designed to allow a single PDF to be displayed on multiple devices of different sizes, so at first blush it sounds ideal. Unfortunately, it suffers from several technical problems which can essentially be summarized as: the quality of the typesetting in the reflowed text is greatly inferior to the quality of the original document. It is also difficult to create good re-flowable documents using the current generation of typesetting tools. It is possible (even likely) that the situation will improve in time, but at the moment we do not find re-flowable PDFs to be a practical alternative to the single-size PDFs that we have been producing.

Q: So is it time to switch to a different format?

A: Probably. This problem of optimizing the content for multiple sizes is helping to drive the second change, towards the EPUB format. EPUB is an XML-based format that, at least in theory, should be able to produce good-looking text on many different kinds of readers. Sony has announced that they have dropped their old format in favour of EPUB, and almost all the new e-readers coming on the market support the format. Amazon's Kindle devices currently do not directly support EPUB, though: the user has to convert from EPUB to the Amazon AZW format, and the quality of that conversion is often less than optimal. Nevertheless, it is our impression that Amazon will eventually be forced to support EPUB natively. Unless some new format changes everything in the near future, the signs are that EPUB will be the dominant format for e-book readers for some time to come.

Q: So will you be switching from PDF to EPUB?

A: We are looking at it carefully. Probably the answer is Yes, but we haven't made a firm decision yet.

Q: And what about the issues you mentioned regarding the cost of e-books?

A: This strikes very close to home. In *Book Bits #2* we announced that we expected to make all our books available for \$2.50 (except those that we chose to give away). This seemed to us (and still seems) to be a very fair price that allowed the store and the publisher (us) to make a reasonable profit, while letting the purchaser benefit from the much lower production costs associated with the electronic versions of books. However, not long after we announced that price, the store through which we sell our books announced that they would add a new fee of approximately \$1.50 to each sale — a fee that they would keep in addition to their percentage of the sale. So a \$2.50 purchase became a \$4

purchase, with no obvious benefit to the customer. It also incidentally increased the store's revenue by a factor of roughly four while leaving the publisher's revenue unchanged. It seems likely also to reduce sales materially and makes piracy appear more profitable. We find it difficult to justify supporting such a change. On the one hand, it does seem reasonable for a store to have the right to charge what it wants for the wares it makes available; on the other hand, it also seems reasonable for the content producer to look elsewhere when a store, in its view, overprices a product. Consequently, we are looking into how best to make our e-books available to customers, perhaps in EPUB format, at the original intended price of \$2.50.

Q: Most other publishers charge a lot more than \$2.50 for their e-books.

A: That is true. It is not yet at all clear what is the “right” price to charge for an e-book. The situation is complicated further by the fact that e-books are generally produced after the paper version of a book, and so benefit at no cost from the editing and other effort that has gone into the book. And yet, of course, the distribution cost is much lower for an electronic book. So there are arguments for several different ranges of price. Ultimately, we think that the low cost of distribution will be dominant and e-books will cost much less than the paper equivalent; also, they will be available from multiple stores which are free to set their own prices. However, that ideal has yet to appear — and indeed it may never appear, although we remain hopeful — and in the meantime the pricing landscape is best described by the word “mess”.

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