

# E-BOOKS vs. P-BOOKS: WHO'S PROFITING?

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## Abstract

The Internet has had profound effect on changing consumers' behavioral patterns, not least by making consumers more involved in creating the content and offering products themselves using Internet. Web 2.0 applications as well as latest generation of hardware such as iPads, are enabling Internet users to invent, produce and sell content with more practicality and speed, often completely skipping the need to have them in "hard" format such as printed books, CD's or DVD's.

This paper will discuss the changes in publishing industry only but also will take into account the changing trend of the economy: from labor & capital intensive to knowledge intensive production. Furthermore, comparisons between traditional paper based books (p-Books) vs. digital based electronic books (e-Books) will be made while analyzing profit and other figures from major surveys, advantages/disadvantages and other issues of comparative importance. Finally, this paper will try to draw what the future holds for both cases (hardcopy/electronic) of the readable materials that people buy to enhance their knowledge.

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**Keywords:** p-Books, e-Books, Screens, Internet, Reading, Profit

## 1. Introduction

There has been very little change in the way people obtain knowledge, since the invention of the printing press. Until last decade, as Internet revolution was unfolding, people were still generally gaining the knowledge and information from books and other printed material. Even the more basic issue of supporting the book content still is paper, although some minor changes in the way this support is produced.

Similarly, until the dramatic changes in technology of last decades, the shape of economy was appeared to be much more static, the principle economic modus operandi being driven by labour and capital intensive trends of economic development. (Wilson, 2005)

Books and printed material (newspaper, magazines) were primary platforms of obtaining information, education and personal development.

But things have changed rapidly in last few years. Largest information technology companies such as Apple, Amazon, Yahoo, Dell, RIM (Blackberry), Nokia, among many others are in the midst of a war to invent, produce, promote, and sell latest products that will become the future platforms for people to obtain information and knowledge. It appears that the principle aim is to make customers read from portable gadgets rather than printed books. Christie and Siegele (2010) in an article written for The Economist's publication "*The World in 2011*", recognize that "*proliferation of new devices will transform the book itself*". What is expected to happen is the actual market segmentation where readers, books, and publishers will all have to direct certain activities for certain type of reading. The industry and the products will be much more interactive, and it will not suffice anymore to simply print content on the paper.

What helped significantly to this trend was when the advertising sector recognized the change in the nature of general consuming. Internet presented both hopes and challenges for technology companies. It was clear that there is no way back to the classic way of advertising where companies used single TV commercials to promote products. The syndrome of change introduced the different kind of advertising, from the "tell medium" to the "dialogue medium" (Smith & Taylor). In other words, the one way communication know is replaced with sort of advertising and marketing where clients have bigger and bigger share of influence and the interaction ability made possible by the use of the artifact.

Reading tablets and products like iPad, Kindle, PlayBook are all making huge impact on global market but their role in everyday activities and customer behavior will only increase in years to come.

This change of the ways how we receive information and education is promoted by most powerful opinion-makers in the industry. Among them, the former Microsoft CEO and founder Bill Gates has recently stated in one of his latest lecture that:

*"Five years from now on the Web for free you'll be able to find the best lectures in the world. It will be better than any single university"*.

Mr. Gates, now leading philanthropist, recognizes the effect that the e-based knowledge is becoming a trend and that the culture of using printed books is vanishing, or at least he strongly implies it.<sup>1</sup>

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<sup>1</sup> Bill Gates speech in the Technomy Conference, August 2010

Libraries and Universities across Northern America started to invest in e-book technology by removing old bookshelves and buying new technology so students use e-books for their studies (Findley, 2010). This trend has an impact on many issues regarding the publishing industry and the way people use books, libraries organize them and all the logistics regarding library service and publishers/bookstores business.

### Printed Book

Before describing the e-books, we are real witnesses of how technology is changing the shape and the content of our lives. Even much more than the logistics impacts as we learn and get and distribute knowledge mostly using paper based books and other paper based documents.

For centuries, the combination of letter, paper and ink made the perfect product from which people developed their skills and senses to compete in respective societies.

Gold was always used in trading and economy as the most valuable standard of evaluating the goods. That being said, people required more than gold to confirm their position in the society. When it comes to people, it was the knowledge and education that enable them to become strong in their living environment. The evaluating standard in this case was (still is largely) the book. This also implies that we have a particular notion that books represent more than been a paper based packed of knowledge but rather a kind of institutional representation of the importance of knowledge and a reputation builder for teach particular authors and publishers.

Books are used by people to read, learn and grow. Book is there for pupils, students, and academics as a tool to exchange the ideas and theories so world gains in various inventions and share knowledge in manageable pieces of information.

Classic shape of the book is written text in the pages, covered with soft or hard cover page, with price tagged to it and ready to be purchased and used by the reader.

Libraries, bookshops, street sellers, schools and universities were the places where buyers obtained the books, and, as we shall see below, it has been so for many centuries.

## **2 Introducing the age of Screens**

Everyday life nowadays includes usage of many different gadgets to get information, maintain communication and read different contents.

People all over the world are using a large number of screens through which they get the desired content – many types of readable screens are in use in every human activity and its number is growing. The screens can be divided into big (cinema, TV, PC) and small ones

respectively (fixed portable players, information screens, mobile devices) (Jaokar& Fish, 2006).

Just recently introduced, products such as iPad, Kindle, and other tablets enabled the consumer to change the reading behaviour by integrating online applications to a book-sized screen that can be used to both work and read. All in one book, all in one screen!

## 2.1 E-Book

According to simple definition of Cambridge dictionary an eBook is “*a book that is published in electronic form, for example on the Internet or on a disk, and not printed on paper*”. This mainly express the notion of the electronic book, that uses the digital to support the same basic paper book characteristics, by emulate them.

CNN published a lengthy article by Ochoa (2010) which also cited what Amazon.com thought on the immensity of the emerging e-book industry. In the later words, if "Harry Potter and the Goblet of Fire" would have been released online, people wouldn't have to spend so many times in the queue only to get the most recent book launched by Harry Potter.

Instead of this, they would spend their time with full conformity home and read the book through the newest technologies- whether an electronic book or eBook.

Marshal (2010) through the figure bellow presented main types of reading electronic books. There are seven types that range from: (1) Reading, (2) Skimming, (3) Scanning, (4) Glancing, (5) Seeking, (6) Rereading and (7) all of them include different modes of reading which readers usually use. Figure 1 summarizes these seven types as they provide different requirements for user experience and need quite different functionalities to be included.

Type	Characteristics
Reading	Canonical careful reading. The reader traverses the text linearly. The aim is comprehension.
Skimming	Faster than canonical reading. Traversal is still linear, but comprehension is sacrificed for speed. The aim is to get the gist of the text,
Scanning	Faster than skimming. Traversal becomes non-linear, with the reader looking ahead and back in the text. The aim is often triage or to decide on further action.
Glancing	Pages are turned very quickly. The reader spends almost as much time turning pages as looking at them. The aim is to detect important page elements (as the case of illustrations and other key elements)

	until something hold sufficient interest to transition to another type of reading.
Seeking	Reader scans quickly for a particular page element with the aim of getting the whole picture or having a deep understanding of a particular issue of the text.
Rereading	This is a meta-type that is included as a reminder that any type of reading may occur multiple times and in an interchangeable way.

**Figure 1, Source: (Marshal, 2010)**

### **3. The Discussion: Who`s more Profitable?**

When analyzing the p-books and e-books and the differences between them, you come up with many ideas to make a comparison between them.

This new ground of competition was largely been discussed in the media since it is starting to have an effect in publishing industry, schools, universities and other who have some sort of activity related with the use and exploration of books.

The paper includes some of the news and content reported by major media houses in the world. Furthermore, comparisons between p-books and e-books will also be drawn in profits and other examples.

In reference to the same article published on CNN, many strong publishers have already created e-book divisions so that they can work more closely on this emerging market. Amazon.com and Barnes & Noble`s took also action by creating the extra features to enable customers to buy easily the books using Internet as means of distribution.

The major challenge however remains, how people adapt to the changes and the different user experience that is provided by a p-book and a e-book.

There are various ongoing debates as to whether reader can get quality knowledge and information by using intensively screen reading devices rather than printed books, with many experts forewarning that reading habits may change to the detriment of qualitative reading.

In some cases, like in Norway, state took radical steps to protect the printed book, and it put 25 % VAT on digital materials whilst there is no VAT for printed books (Saltness, 2010), providing a fiscal barrier to the simplest substitution of p-books by e-books.

These issues will be discussed later but the fact remains that the new emerging market in the publishing industry are actually the electronic books. Such trend will also change the power relationship between all possible supply chains for the booking industry. This may bring same new winners and losers as the physical books need different kinds of logistics when compared with digital based books.

Amazon.com came up with latest figures that show, for the first time, that the sales of e-books were bigger than those of printed books. But the other fact remains that printed books maintain by large the largest market share.<sup>2</sup> Although that, we need to consider more recent numbers that show this may change in near future.

A creative poster was published by Newsweek which describes in best way current status of p-books and e-books in the market. Figure 2 presents it as a possible comparative operational study between p-books and e-books.

This poster presents a lot in one place. The total sales for p-books overtake e-books for 20 approximately by 10 times (\$249.2 mill vs. \$29.3 mill). On other hand, the production cost and author royalty is much lower for e-books than p-books.<sup>3</sup> (Newsweek)

One of the most interesting information shared by figure 2 is the question: “Does one have to win?”, when placed in confront books and e-books. We defend that the issue is not to have winners but the impact each one have into the other as they will evolve as a result of its interaction and the way the book industry reacts to the readers’ feedback.

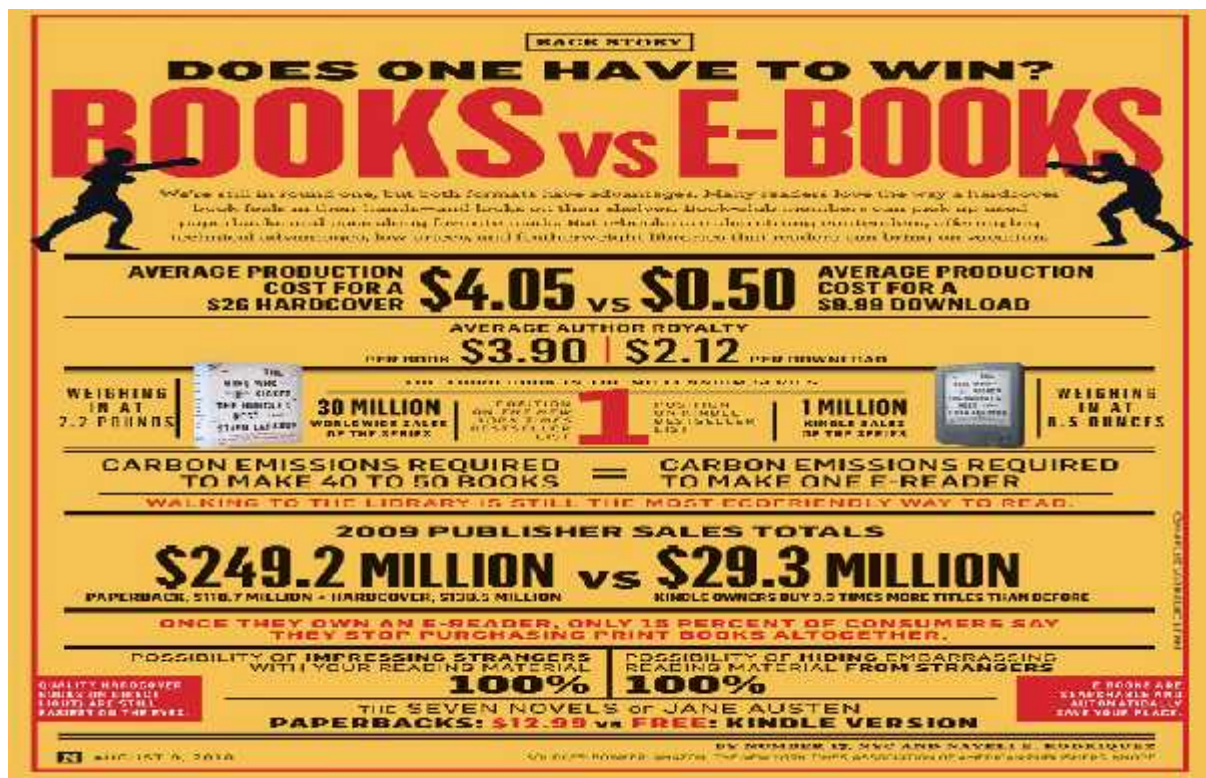


Figure 2, Source: Newsweek

Additionally, CBS reported the news that in “recent survey conducted by Publishers Weekly and the organizers of BookExpo America, the industry’s annual convention, found

<sup>2</sup> New York Times reports on Amazon revelation: more e-books sold than books this year, July 2010  
<sup>3</sup> Poster published by Newsweek that was created merging figures from different sources, August 2010



*that only 60 percent of respondents were familiar with the format and that 70 percent of those who were familiar with e-books said they didn't expect to buy one in the next six months.*"<sup>4</sup>

Another major survey was conducted by Books Industry Study Group (BISG) which analyzed the Consumer Attitudes Toward e-Book Reading. The figures that came out were affirmative to the new wave of people shifting to e-books.

Respondents said that affordability will push them to buy e-book rather than p-book and that the most important findings were that there are still more books bought (both p- and e-books), generally less p-books and that buyers are focusing on decreasing the dollar spent to buy the books. The last element goes clearly in favour of e-books.<sup>5</sup>

A major player will be the role that governments may have if they go for the decision of protecting paper based books in same way, as the case of the Norwegian government (there may be more alternatives to fiscal barriers as the case of subsidize book printing or make some incentives and buying deals oriented to both local authors and publishers).

By other side, what makes the eBook even more attractive is their versatility. You can go through an eBooks up and down and moreover you can copy, paste or cut sections that you might need for a future use, which makes the life easier. In addition, if you save the e-book while you have access to Internet, you can use it afterwards if when the internet connection is not available. One of the other major benefits would be for people who are active travelers. You don't need to take several books with you to enjoy the travelling or the flights, but rather you just buy an online book and read it through many electronic devices such as lap top, Kindle, iPad and so on.

According to Michael Lewis, author of Moneyball and Liar's Poker regarding the Kindle, he declared: *"This is the future of book reading. It will be everywhere"* Kindle as a portable e-books reader was created by Amazon, through which you can buy, browse, download and read different e-books, newspapers, magazines and so on.<sup>6</sup>

The average price of an eBooks is comparably the same as the paper counterpart, which is approximately 20\$. Concerning the pricing, there are divergent positions where many are argue that the price between p-books and e-books need to be more similar as this will be needed to pay all the involved actors.

Ochoa (2000) article include further views that, one may say that both formats of books may co-exist for some time to come. Here's the stakeholders had to say:

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<sup>4</sup> CBS online article "Book buyers loyal to paper", September 2010

<sup>5</sup> Press Statement by Books Industry Study Group (BISG), January 2010

<sup>6</sup> Reactions to Kindle, Michael Lewis quoted in Amazon.com

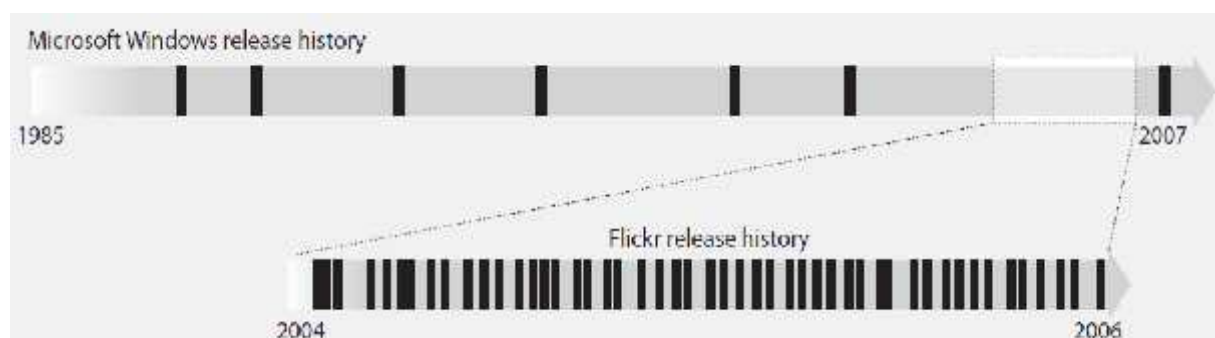
*“In June, at a forum at BookExpo, the American Booksellers Association convention, the vast majority of participants -- ranging from publishers to authors to Web site entrepreneurs -- said that the familiar bound volume will still be available well into the future. One panelist observed that - “Videotapes didn't kill off movies; the two have co-existed for years and even benefit one another. The same will be true of e-books and p-books, she suggested.”*

It must be noted that this article was published in 2000, only just as the e-book revolution was starting. What can be observed from this statement is that initially people were sceptical, if not scared, from the new developments after e-books started being sold in bigger numbers. There is not the case, a decade later. As a result, it seems that the issue is not anymore if the use of e-books will outcome p-books, but when.

#### 4. From Here To Where?

Consumer behaviour always changes and is becoming even more sensitive to bigger pool of products with shorter business cycles (Musser, 2006). This is precisely the case of the books industry.

The figure bellows shows how new Web based products, by Flickr, are being realised much faster than the industry's giant, Microsoft.



**Figure 3, Source: (Musser, 2006)**

It can also be said that still consumers need to go through the process of acceptance of product and change their behavior towards using the respective products often in the future. The idea is that consumer must go through specific process that from the change of the idea to the change of behaviours. (Heath and Heath, 2010).

So are the consumers really changing? Norwegian ex-publisher and expert in publishing and reading, says that not everything will change. His idea is that the e-books are here to stay and are part of the new products invented by new generation of business people. What is expected to happen is that e-books will actually concentrate more on “bestsellers”



part of industry where they publish and sell more of those books that have shorter life-cycle and bigger margin of profit. What is expected to remain a feature in publishing industry for years to come is the professional and academic literature remaining in the printed domain, while more leisure and travel books shifting more rapidly to e-format. Another supporting theory on co-existence of p-books and e-books says that actually it is up to the reader to recognize that electronic reading, enhances, but does not replace the traditional book reading (Galernter, 2009).

## **5. Conclusion**

While there is long history of p-books being used by people and the printed book remains a foremost platform in publishing industry, it's clear that things are changing rapidly, as there are mounting numbers of facts that show the new financial feasibility of e-books. Additionally it will be our generation of consumers that will define the future of printed books. Decision on whether we take a book or a tablet to our summer holidays, schools and offices may ultimately sway the publishers, writers and agents to drop the book for the benefit of e-book. Last but not least elements of discussion are the children of early age. It will be very intriguing to see how, those who attend kindergartens and primary schools, react to the changing habits of reading and studying. Is the time coming for e-parents?

Still many questions are open and this means that more research is needed to understand both the role of p-books and e-books and the future of the publishing industry. Also, we can advance that the best potential for digital based books is not yet fully uncovered as the digital can provide an all new set of functionalities not possible in paper based books.

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