

Survey Summary

Publishing professionals, faced with tight budgets and increasing competition, are looking to create additional revenue streams by providing digital “eBook” versions of their print titles. They are hoping that eBooks can help them attract and maintain new paying customers without cannibalizing existing print sales.

But the road to eBook success isn’t well traveled; eBooks are relatively new publishing products, potential eBook distribution channels are not fully understood by publishers, and there’s not much historical data with which to make eBook business decisions or projections—except the constant reminder that eBooks sales growth continues to be in the triple digits*, which will be further fueled by Apple’s recent unveiling of the iPad. To be successful, publishers will need to better understand the digital publishing landscape.

That’s why we sought answers from more than 300 publishing industry insiders, across the Trade, Professional, and Educational markets, to find out what their plans for eBook publishing are and whether they think eBooks are important to their overarching business strategy (and future growth), and if so, how many eBooks they publish today, where they distribute them, and what display devices they support.

What did we learn? Some of the most insightful takeaways include:

- Those who are publishing eBooks are forgoing substantial revenue by vastly limiting their potential readership:
 - most publishers are using their own eCommerce sites and not taking advantage of major distribution channels that provide access to the largest available audiences of digitally savvy consumers
 - most publishers are creating eBooks that cannot be read on most mobile devices

Note: Contrary to these results, Aptara has noticed a recent and encouraging increase in the number of our publishing customers who have begun adopting ePub as a standard for content delivery via smart phones and dedicated eReaders.

- The above observation may explain why 52% of publishers see eBooks as having only low or moderate importance to their growth.

With the sales of eBooks skyrocketing and production costs decreasing, why aren’t more publishers profiting from eBooks? We hope that this survey, and the analysis that follows, can help publishers to better navigate and exploit this promising new digital marketplace.

A profile of the respondents, based on publisher type and volume, is provided on page 11.

This survey is the first in a series of eBook-related research papers designed to keep you abreast of this fast-changing publishing sector and to identify trends, challenges, and strategies of importance to publishing professionals. To be included in future surveys, contact us at www.aptaracorp.com.

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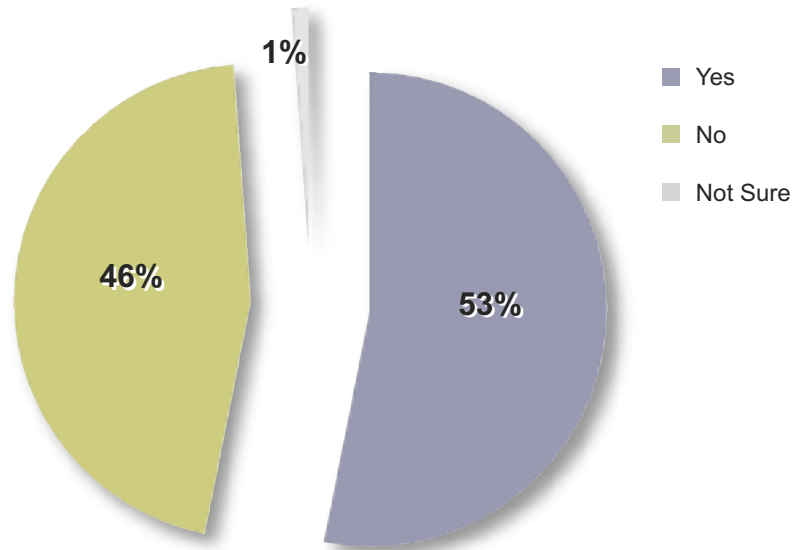
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About Aptara: [Aptara](http://www.aptaracorp.com) provides digital publishing solutions that deliver significant gains in cost, quality, and time-to-market for eBook publishers. Having converted tens of millions of pages to eBooks, Aptara offers comprehensive solutions across all content sources and delivery media, including eReaders such as the Amazon Kindle, Apple iPhone, and Sony Reader. Aptara’s expertise includes eBook production, [content conversion](#), custom content development, editorial and design services, and [content technology solutions](#). Founded in 1988, Aptara is a US-based company with over 3,700 professionals deployed globally and serving leaders in the Trade & Consumer, Professional, and Educational publishing markets.

* The latest statistics released by the Association of American Publishers (AAP) and the International Digital Publishing Forum (IDPF) show a 200% increase in wholesale Trade eBook sales when comparing Nov 2008 figures to Nov 2009.

eBooks

Does your organization currently produce and distribute eBooks?



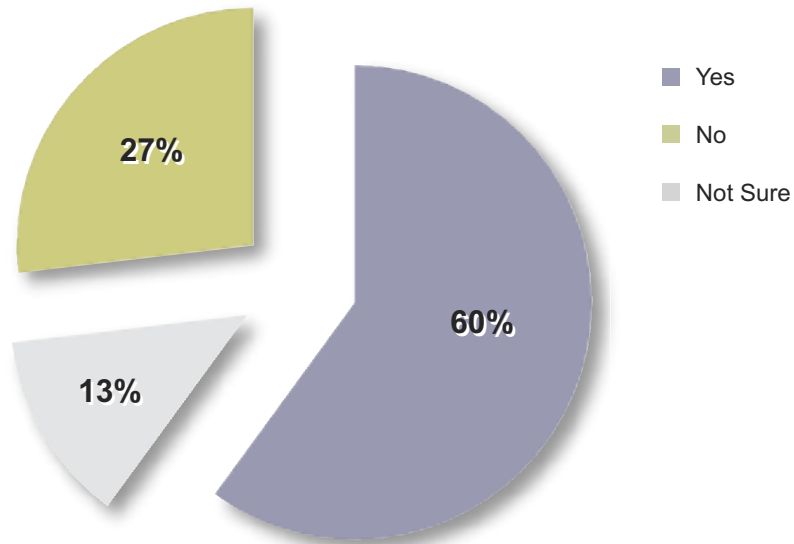
More than 50% of all publishers who responded are offering titles in eBook format, regardless of the type of content they publish, while 60% of publishers who offer K-12 Educational titles produce eBooks. This may be through their own proprietary delivery channels, which have been optimized by Educational publishers for some time and likely include online digital books, as opposed to portable device delivery. Regardless, this is a strong signal that Educational publishers are responding to the increased demand for eBooks among the large population of young, digitally-native consumers. Additionally, in the atmosphere of drastic educational budget cuts, eBooks offer greater content flexibility at often significantly lower costs. For example, the State of California has begun to mandate eBooks as an option for textbook purchasing by school districts.

Breakdown by publisher type:

| | Trade and Consumer | Education / University | Professional: STM | Education K-12 | Other |
|----------|--------------------|------------------------|-------------------|----------------|-------|
| Yes | 51% | 53% | 54% | 60% | 51% |
| No | 47% | 47% | 46% | 40% | 49% |
| Not Sure | 2% | 0% | 0% | 0% | 0% |

eBook Plans

If your organization does not currently produce and distribute eBooks, are you actively planning to produce and distribute eBook titles in the near future?



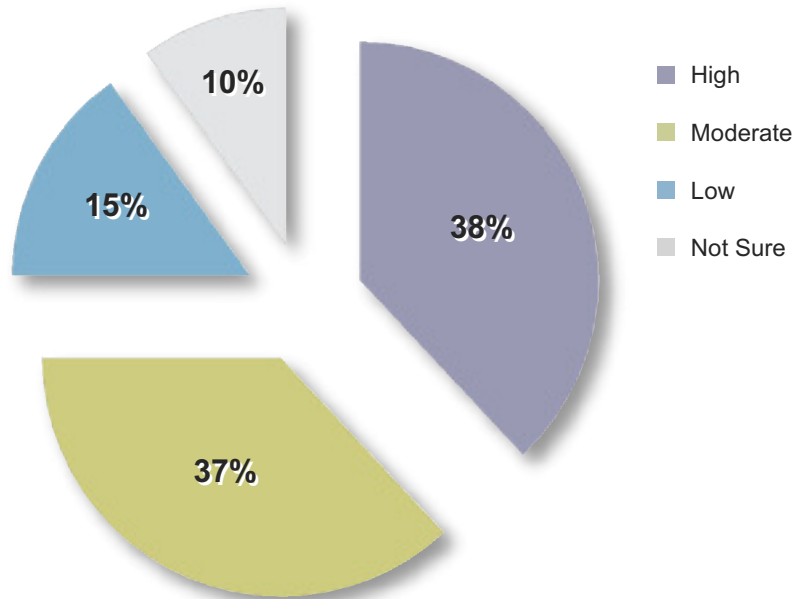
The majority of publishers that are not already producing eBooks plan to do so in the near future. This suggests that the majority of publishers surveyed believe eBooks are a smart addition to their product offerings. Not surprisingly, these statistics correspond to the dramatic and continual upward trend in eBook sales. On Christmas Day 2009, for the first time ever, Amazon.com customers bought more eBooks than hard-copy books. It is estimated by the year 2018, digital sales will overtake sales of traditional books.

Breakdown by publisher type:

| | Trade and Consumer | Education / University | Professional: STM | Education K-12 | Other |
|----------|--------------------|------------------------|-------------------|----------------|-------|
| Yes | 68% | 55% | 62% | 53% | 47% |
| No | 23% | 33% | 29% | 40% | 30% |
| Not Sure | 9% | 12% | 9% | 7% | 23% |

Importance of eBooks

How important are eBooks to your company strategy and growth plans?



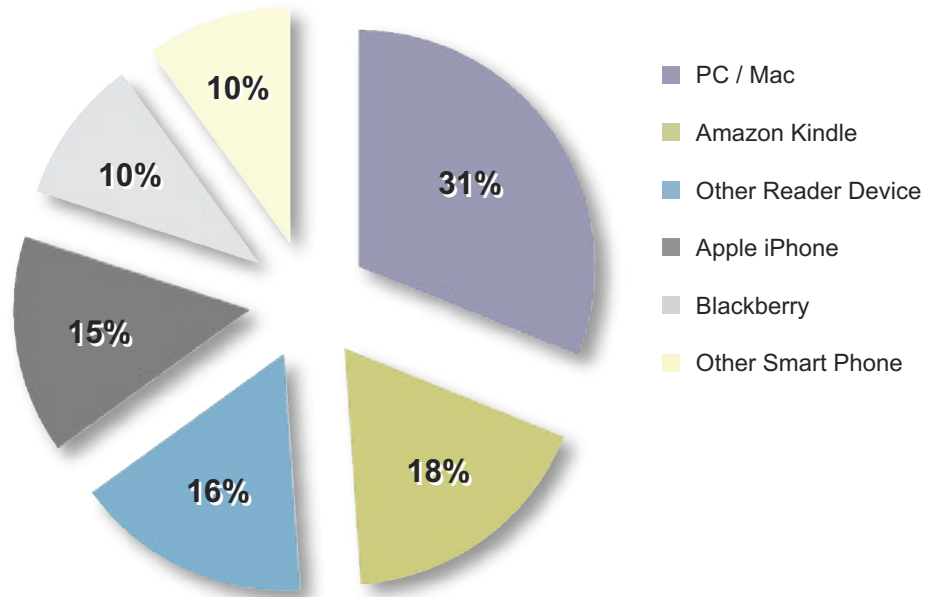
eBooks are seen by many in the publishing industry as fuel for strategic business growth. However, the responses to this survey question confirm that there is no general consensus as to how important eBooks actually are. This uncertainty is understandable given the fact that eBooks are a relatively new publishing product, their potential distribution channels are not fully understood, and there's not much historical data upon which to make business projections. Nevertheless, interest in eBooks is rising, driven by the steady increase in consumer demand for digital, portable content. As such, more titles are available in eBook format than ever before, and there will be even more next month and the month after. As mobile devices like iPhones and Tablet PCs and single-function eReaders such as the Amazon Kindle, Sony Reader, Barnes & Noble Nook, and Plastic Logic's Que create new markets that didn't exist just two years ago, the strategic importance of eBooks is expected to continue rising.

Breakdown by publisher type:

| | Trade and Consumer | Education / University | Professional: STM | Education K-12 | Other |
|----------|--------------------|------------------------|-------------------|----------------|-------|
| High | 39% | 47% | 43% | 47% | 38% |
| Moderate | 38% | 31% | 35% | 20% | 36% |
| Low | 15% | 14% | 18% | 20% | 21% |
| Not Sure | 8% | 8% | 4% | 13% | 5% |

Device Support

On which of the following device(s) can your eBooks be read?



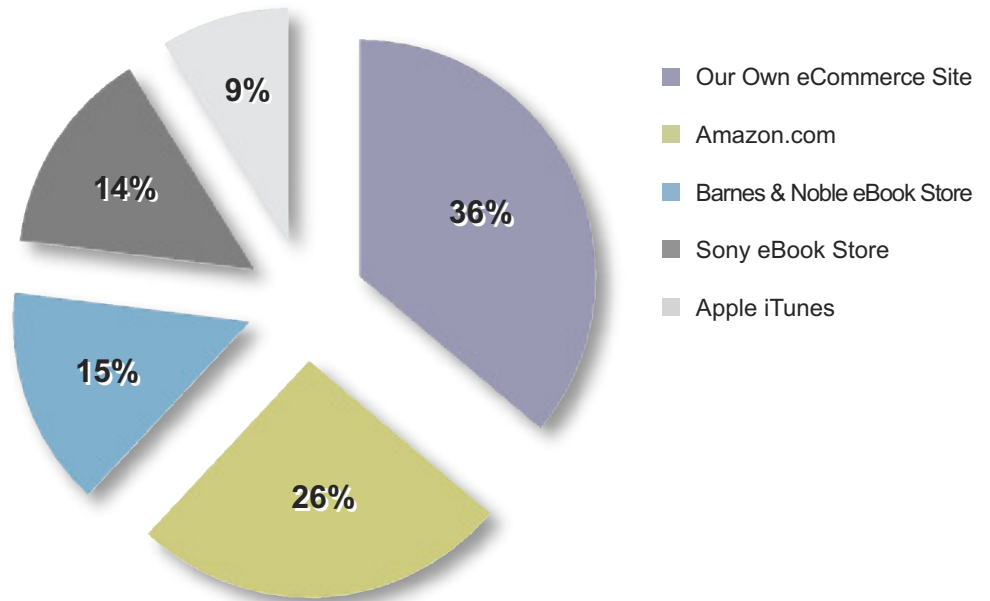
Because it's difficult, if not impossible, to predict what types of devices consumers will ultimately select as their preferred way to read eBooks—let alone predict what new devices will appear—savvy publishers know they must prepare eBook content in device-agnostic formats. By providing users with access to eBooks on whatever device they prefer, publishers can make their catalogs available to the largest audience possible. As the survey results show, most publishers are not there yet. But with more eReader manufacturers adopting the EPUB digital publishing standard (an XML specification that supports “reflowable” content), publishers are in a better position to “produce it once and distribute it via multiple eReaders and other channels.” Many industry experts are predicting that EPUB will become the de facto eBook format standard. By adopting standard formats, publishers can spend less time worrying about hardware compatibility and concentrate on their core business of producing content.

Breakdown by publisher type:

| | Trade and Consumer | Education / University | Professional: STM | Education K-12 | Other |
|---------------------|--------------------|------------------------|-------------------|----------------|-------|
| PC / Mac | 22% | 35% | 34% | 35% | 24% |
| Amazon Kindle | 14% | 16% | 20% | 15% | 16% |
| Other Reader Device | 17% | 12% | 14% | 15% | 13% |
| Apple iPhone | 16% | 8% | 13% | 12% | 15% |
| Blackberry | 10% | 6% | 11% | 8% | 10% |
| Other Smart Phone | 11% | 7% | 8% | 4% | 9% |

Distribution Channels

Through which of the following channels are your eBooks distributed?



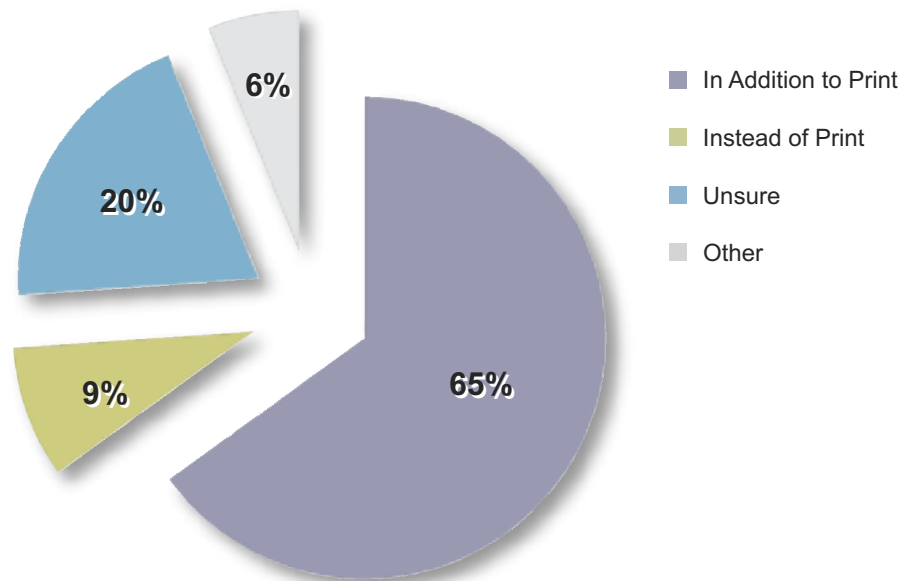
The number one channel that publishers use to distribute eBooks is their own eCommerce websites. This is surprising because third-party content distributors like Amazon.com and Apple iTunes can provide publishers with a direct connection to much broader audiences of potential customers—technologically savvy, digital content consumers; the people most likely to purchase eBooks. How large of an audience is being missed? Amazon.com is one of the top ten websites visited by U.S. consumers with over 69 million unique visitors a month. The Apple iTunes store has more than 50 million customers and is the largest online entertainment store in the world. Publishers seeking to increase revenue and open new markets should consider these networks business-critical distribution channels for eBooks. Realistically, costs levied by these types of distribution sites may be a prohibitive factor, but must be weighed against the long-run revenue potential associated with exponentially greater reach.

Breakdown by publisher type:

| | Trade and Consumer | Education / University | Professional: STM | Education K-12 | Other |
|----------------------------|--------------------|------------------------|-------------------|----------------|-------|
| Our Own eCommerce Site | 25% | 39% | 34% | 54% | 31% |
| Amazon.com | 25% | 24% | 20% | 15% | 31% |
| Barnes & Noble eBook Store | 17% | 20% | 14% | 8% | 12% |
| Sony eBook Store | 20% | 11% | 13% | 15% | 18% |
| Apple iTunes | 13% | 6% | 11% | 8% | 8% |

Digital vs. Print

Are your eBooks primarily produced in place of, or in addition to, print editions?



The vast majority of publishers are producing eBook versions of the titles they offer in print. Offering digital versions of printed content meets consumer demand and reveals potential new markets for publishers. What cannot be gleaned from the survey results is whether the creation of eBooks is primarily for new publications, or whether it extends to catalogs of backlists. With the market for digital publications growing so rapidly, publishers of all types of content will need to consider adopting a new publishing paradigm in order to effectively meet the changes in customer expectations. eBooks that are produced in addition to print are most often achieved by retrofitting existing print workflows. This inefficient approach results in publishers on the defensive, constantly reacting to changing market conditions and struggling to provide content in an increasing number of formats, often dictated by hardware manufacturers. Aptara is beginning to witness the adoption of a “digital-first” production approach by an increasing number of progressive publishers interested in future-proofing their content and leveraging it in new and unanticipated ways. Doing so allows them to prepare device-, platform-, and format-independent content that can be easily and quickly output to print, web, smart phones, eReaders, and whatever technologies lie around the corner—while reducing production costs and opening new doors for revenue growth.

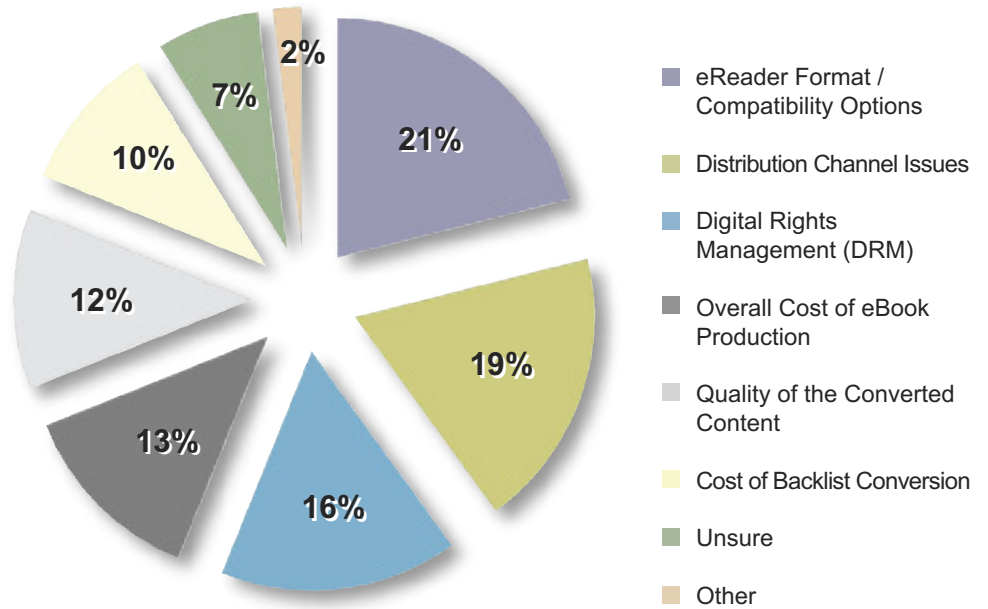
Breakdown by publisher type:

| | Trade and Consumer | Education / University | Professional: STM * | Education K–12 | Other |
|----------------------|--------------------|------------------------|---------------------|----------------|-------|
| In Addition to Print | 22% | 35% | 34% | 35% | 24% |
| Instead of Print | 14% | 16% | 20% | 15% | 16% |
| Unsure | 17% | 12% | 14% | 15% | 13% |
| Other | 16% | 8% | 13% | 12% | 15% |

* It's interesting to note that more professional/STM publishers are offering eBooks instead of print publications than any other type of publisher. This trend is likely driven by the fact that (1) STM publishers are traditionally the most technologically progressive, and (2) their subject matter, readership, and often regulatory compliance laws, dictate that their content have the widest possible reach with the fewest technological impediments and be accessible in the fastest manner possible.

eBook Challenges

What are/were the biggest challenges in bringing eBooks to the market?



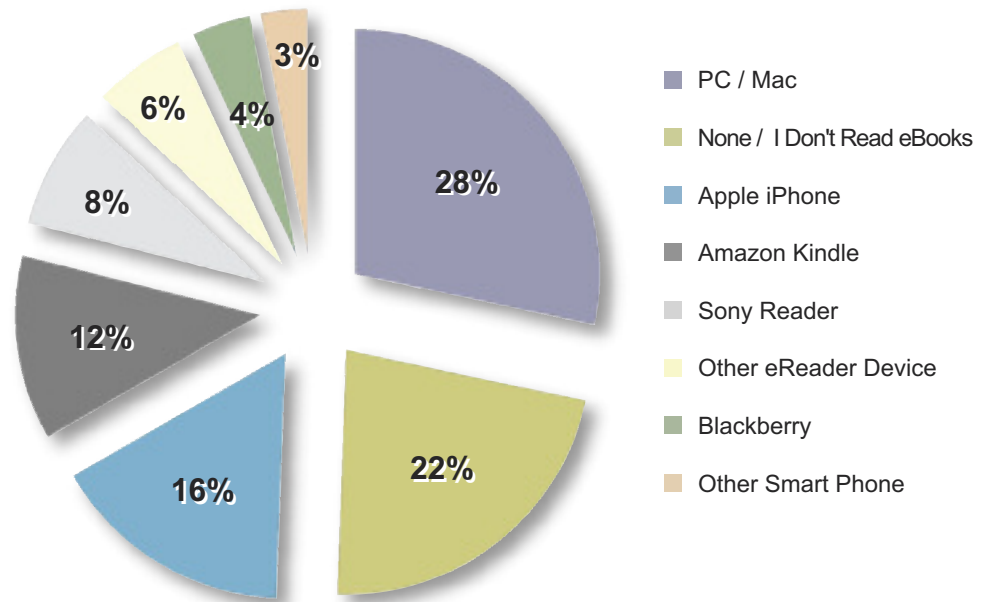
The issues publishers see as challenges to eBook production vary, depending on the type of publications they produce. Publishers of professional scientific, technical, and medical (STM) publications are twice as likely to view eReader format and eBook compatibility as a challenge than are publishers of trade and educational publications. This is not surprising since, as noted in the previous question, STM publishers tend to be the most progressive. Tying related content to a single eReader format is often not an option when laws, compliance regulations, and scientific best practices dictate that their content have the widest possible reach. So, in lieu of global eBook formatting standards, STM publishers face significant eReader and eBook format compatibility hurdles. eBook distribution channel issues are also a major concern for STM publishers, perhaps because of the global nature of their business. Unlike trade and educational publishers who, for the most part, serve a defined and often very specific geographic territory, STM publishers know that content aggregators popular with customers in Western nations may not be the best channels for eBook distribution elsewhere around the globe.

Breakdown by publisher type:

| | Trade and Consumer | Education / University | Professional: STM | Education K-12 | Other |
|--------------------------------------|--------------------|------------------------|-------------------|----------------|-------|
| eReader Format/Compatibility Options | 19% | 24% | 45% | 8% | 22% |
| Distribution Channel Issues | 20% | 11% | 41% | 23% | 21% |
| Digital Rights Management (DRM) | 16% | 21% | 26% | 31% | 15% |
| Overall Cost of eBook Production | 8% | 10% | 17% | 15% | 13% |
| Quality of the Converted Content | 13% | 9% | 30% | 12% | 13% |
| Cost of Backlist Conversion | 15% | 11% | 23% | 4% | 11% |
| Unsure | 7% | 10% | 14% | 4% | 6% |
| Other | 4% | 9% | 3% | 4% | 1% |

Personal Preferences

Which of the following devices do you personally use to read eBooks?



While the market for eBooks is relatively new, it is widely accepted that it is the inevitable future of publishing; it's merely a question of when and to how large an extent. And yet, it's interesting to note that nearly one-quarter of publishing professionals don't read eBooks. The eBook marketplace is not yet fully understood, and the eReader device market is still in its infancy. This question will be repeated on future surveys to track what is expected to be an upswing in the number of eBook readers. But while eBooks become increasingly popular among digitally savvy consumers, there will always be a segment of the population that prefers print.

One undeniable statistic that should be of great interest to publishers is the popularity of the Apple iPhone as an eBook reader. While it was not designed for eBooks, its use as an eBook reader is more common than with single-function devices designed specifically for eBook consumption. This may signal several important issues to publishers.

First, just because manufacturers create single-purpose devices (e.g., the Amazon Kindle or the Sony Reader) doesn't mean the devices will become ubiquitous. Mobile devices like smart phones, however, are already widely adopted. In many global markets upwards of 90% of the population has access to a mobile phone. And it's clear that all mobile device manufacturers are taking a cue from Apple and providing enhanced user experiences, Internet connectivity, touch-screen interfaces, backlit screens, and applications designed to perform myriad functions, creating handheld computing devices capable of much more than placing phone calls.

Judging from the up-and-coming devices on display at the recent Consumer Electronics Show (CES) in Las Vegas, eReader manufacturers are taking the same cue and moving

Personal Preferences

(cont'd)

away from single functionality and in the direction of the smart phone. New eReaders now include note taking, audio and video recording, Internet connectivity, and access to email and business applications.

If Apple has its way, the convergence of all of these various devices, functionalities, and mediums may ultimately lead straight to their long-awaited new tablet computer. Only time will tell. But one thing is for certain: it will take several years for the eBook market to shake out and for any one device or platform to be deemed dominant.

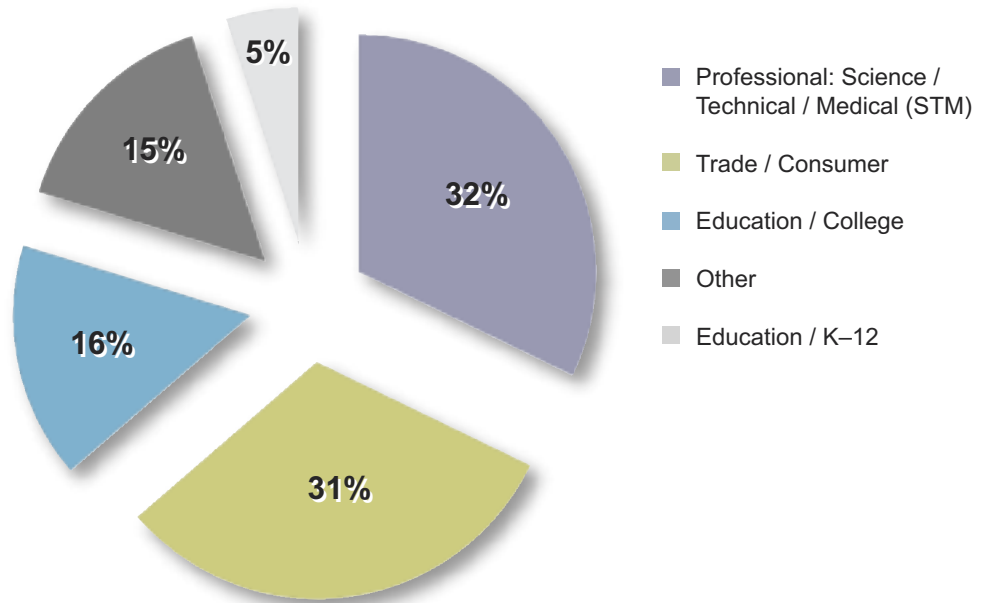
For this reason alone, publishers should recognize the importance of creating device-independent eBooks. The telecommunication industry understands the importance of standards, which is why we are able to place phone calls to others around the globe regardless of the type of telephone they are using. This needs to be the goal of the eBook industry.

Breakdown by publisher type:

| | Trade and Consumer | Education / University | Professional: STM | Education K-12 | Other |
|----------------------------|--------------------|------------------------|-------------------|----------------|-------|
| PC / Mac | 25% | 23% | 28% | 26% | 31% |
| None / I Don't Read eBooks | 21% | 20% | 25% | 22% | 19% |
| Apple iPhone | 17% | 18% | 15% | 22% | 14% |
| Amazon Kindle | 14% | 10% | 15% | 13% | 9% |
| Sony Reader | 11% | 6% | 5% | 9% | 7% |
| Other eReader Device | 5% | 9% | 5% | 9% | 7% |
| Blackberry | 3% | 3% | 3% | 0% | 8% |
| Other Smart Phone | 2% | 7% | 1% | 0% | 4% |

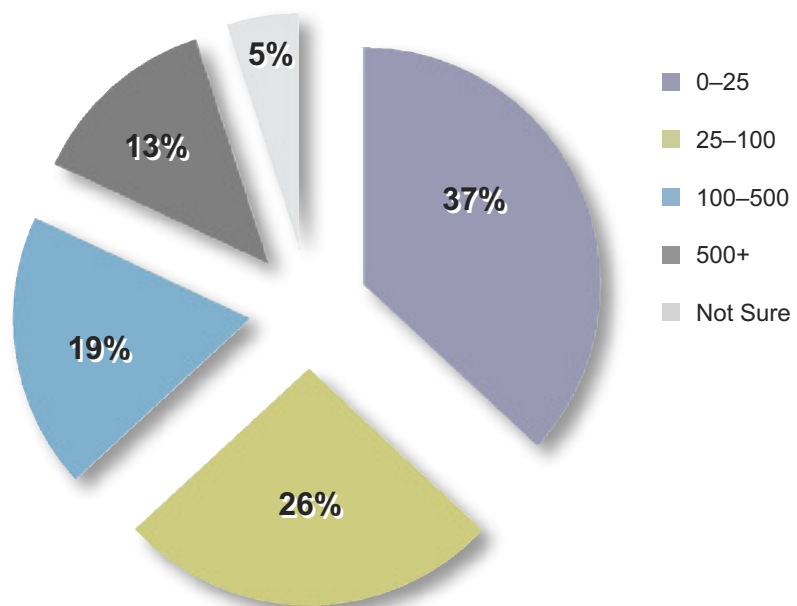
Publisher Type

What industry segment(s) best describe your publications?



Publishing Volume

Approximately how many titles/editions does your organization publish annually?



| | Trade and Consumer | Education / University | Professional: STM | Education / K-12 | Other |
|----------|--------------------|------------------------|-------------------|------------------|-------|
| 0-25 | 36% | 35% | 40% | 60% | 43% |
| 25-100 | 24% | 24% | 31% | 20% | 19% |
| 100-500 | 22% | 22% | 16% | 13% | 19% |
| 500+ | 16% | 14% | 10% | 7% | 15% |
| Not Sure | 2% | 5% | 3% | 0% | 4% |