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STANDARDS BLOG:

Smart Phones, eBook Readers, and "Same Old, Same Old"

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Plus ca change, plus c'est la meme chose
- French Proverb

Ah yes - "The more things change, the more they stay the same." Isn't that how the old saw goes? Or, in the more impatient parlance of today, simply "Same old, same old." So perhaps it should be no surprise that the old proverb would also hold true in the rough and tumble world of standards. And that in fact is the case, not only generally, but more particularly in the suddenly hot war over eBook reader formats. This time around, though, there are a few new and interesting twists (on which more later).



It's 2009. Do you know where your Betamax is?

What's the "same old" part all about? There are two alternate behavioral flavors: (1) try and set a *de facto* standard that you control, perhaps even obtaining a near monopoly in the process (the "winner take all" strategy), and (2) pit your standard against another, where your standard gives you some relative, if not absolute, advantages (the "our team vs. their team" strategy).

In this case, it looks like Amazon is attempting to pull off the first, but in fact it's hard to tell whether they are serious, or just adopting a flawed strategy. Either way, I believe they will eventually have to admit defeat.

Here's the background, if you haven't been following the eBook contest. For years, some companies have tried to sell the public on the concept of electronic books with little success, largely because reading a book on a laptop or desktop simply isn't as appealing as reading from the old fashioned paper format. What was needed was a brand new "form factor" (as the consumer electronics industry calls it) that made sense.

Which is what eventually came along. Just as Apple's iPhone validated the concept of the Smart Phone, leading dozens of other vendors to accelerate their own development efforts to hop on the bus, Amazon's addition of wireless capabilities (and low book prices) to its Kindle eBook reader finally hit the right buttons. The Kindle sold enough units to prove that the public would indeed read eBooks if they had the right platform, and the land rush towards exploiting this new digital device opportunity was on.

Just how successful has the Kindle been? Jeff Bezos reports that in the case of titles Amazon offers in both paper and electronic form, 48 copies are now digitally shipping for every 100 that leave the loading dock in tangible form (that ominous creaking sound you hear is the sound of a venerable paradigm shifting).

There's just one catch: if you buy a book from Amazon, you'll only be able to read it on a Kindle (unless you can find another device that has licensed the rights to use Amazon's proprietary formats). That's because Amazon decided to use a proprietary format, called AZT, to display the books it sells for viewing on the Kindle.

And that, of course, is where the "same old, same old" part comes in. Did Amazon need to come up with it's own format in order to sell books? Of course not. There have been a number of open standards, and standards sets, developed over the years, one of which ([ePub](#), a suite of publication, packaging and container standards) is both mature and widely implemented in other devices. The Sony Reader supports ePub. So does the new Barnes & Noble Nook. Even the iPhone supports ePub. Adobe Digital Editions? Yup, even though Adobe obviously supports its own PDF formats for eBooks as well.



The ePub format is the work of the International Digital Publishing Forum

But not Amazon. Why?

Perhaps Jeff Bezos is trying to take a page from the Steve Jobs playbook. After all, the Apple App Store has been a huge success. Apple Apps are sold only by Apple, and developed only to run on Apple products. But there are a number of significant differences. Consider these, for example:

- ✓ Apple makes its money selling hardware; Amazon hits its revenue numbers by selling books.
- ✓ iTunes and Apps are bringing real money to the Apple bottom line, it's true, but their principle value is to increase the attraction of the far more profitable iPhone and Touch; the Kindle's biggest value is as a way to lower Amazon fulfillment costs and increase the number of books each customer buys each year.
- ✓ You can buy music from anyone and play it on an iPhone, so there is no reason not to buy an iPhone even if you already own music; but for now you can only buy books from Amazon if you want to read them on a Kindle.

And there's where the clue about Amazon's standards strategy presumably comes in: a customer will only be likely to buy one Kindle, but will hopefully buy many books, year after year, from Amazon. If that customer doesn't want to buy multiple eBook readers (who would? They're expensive), that means that she will need to buy all of her books from Amazon. Conjoin that with Jeff Bezos' stated desire to offer every book every written in electronic form, and there you have it: a plan to set a standards-baited trap to conquer the world of book selling. One format. One seller. One dominant vendor – Amazon as the Google of book selling.

Can Amazon pull it off?

The answer, I think, is no. And by trying to go for the gold, Bezos may throw away his early lead in eBook sales to boot. The reasons rate another short list, again using Apple for comparison:

- ✓ Apple's business model has always been to make lots of money per unit sale, pulling in fat margins on products that have become commodity items for its competitors. That means that even if Apple only gains a small percentage of the global smart phone market it can still be enormously successful – as it already has been. It can sustain this edge by out-designing and out-innovating the competition, exploiting a competence it has consistently demonstrated for many years. Amazon, on the other hand, can only sell books on eBook readers – a commodity item tailor made for a race to the bottom price war. Unless Amazon can be as successful at designing eBook readers as Apple is at designing computers of all sizes, Amazon will lose. Apple, of course, has been designing hardware and software since the dawn of the PC Age, while Amazon, well, you get the picture. Result? Amazon will only be able to compete on price, using the Kindle as a very expensive loss leader.
- ✓ eBook readers aren't the only platform on which people will read books – they are already doing so on cell phones and smart phones. There are not only formidable competitors in the smart phone marketplace (including Apple), but the phone market has other drivers and players (most notably the telecom companies) that are far larger than Amazon. On this chess board, Amazon barely rates pawn status.
- ✓ There's another little company out there called Google, and Google has launched its own smart phone operating system – it's called Android, it's taking off, and it could run an eReader, too. Google is launching its Chrome operating system soon as well. Finally, Google is well along in the process of digitizing every book in the world – and it isn't doing so out of public spirit. It's planning on you and me actually reading those books - in the Cloud - and it's expecting you to read some Google ads on your way to get there.

But wait – there's more. Remember that new twist I mentioned? As it happens, two of the most implacable enemies in the world are also uniting behind the ePub standard. I refer, of course, to the Peoples Republic of China (a/k/a, "Mainland China", to those that live in Taiwan) and Taiwan (a/k/a "Formosa" to those that live in the PRC). It seems that the two arch enemies have decided to ignore their differences when it comes to, yes, eReader standards.

That's what the two governments [announced](#) last week, and the facts of interest run deeper. For example, Prime View International, a Taiwanese company, is the contract manufacturer of the Kindle. It also recently bought E-ink Corporation, the developer and patent holder behind the displays used by just about every eReader today. Prime View and other Taiwanese manufacturers are already selling eBook readers in China. One sales partner is China Mobile – with 513.5 million subscribers.

In short, the world is moving to the ePub standard, with Amazon as, apparently, the primary holdout. That means that it will be in everyone's best interests to optimize every device (except the Kindle), and to convert every book, to the ePub standard. Amazon, on the other hand, will need to support its hardware and format standard all by itself. Of course, not being a hardware or software company, it will need to rely on...oh yes...the Taiwanese to supply them with the sort of cutting edge technology to be able to beat....Hmmm. That may be a problem.

The moral of the story, of course, is the usual one: standards are a great way to create big markets fast, for everyone's benefit, vendors and customers alike. If competitors get together and all adopt the same standard, they can then compete in other ways – cooler hardware and software features, better service offerings, and so on. The result? Everybody competes for a fair share of a much bigger pie, and customers get a broader and less expensive range of products and services to choose from.

There's another old proverb that goes like this: those that forget history are doomed to repeat it – and that holds true in commerce as well as in international relations. So I'd think twice before spending too much of your Christmas budget on a Kindle for that someone special.

It's a shame, though, that Jeff Bezos doesn't get it. And it will be an even bigger shame for Amazon's stockholders if he doesn't wise up soon.

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