

Publishing experts take dim view of rules for iPads, iPhones

February 18 2011, By David Sarno

LOS ANGELES - Remember how Apple Inc. shattered the music business? Publishers do too - and they don't want it happening to them.

Since [Apple](#) rolled out its iPod music player a decade ago, album sales have dropped by more than half, record stores around the nation have closed, and Apple's iTunes online store has become the nation's top [music retailer](#).

Now the Cupertino, Calif., company is taking on the publishing industry [with a set of new rules](#) governing how digital publications will be sold on its [iPad](#) and [iPhone](#) devices. Among them, Apple will take a 30 percent cut.

"If you're a print publisher, whether it's books, magazines or newspapers, you've seen what Apple did to the music industry - they decimated it," said Porter Bibb, a consultant at Mediatech Capital Partners and the first publisher of Rolling Stone magazine. "Apple owns the music industry now, and publishers are loath to have that happen to them."

But as consumer demand grows for e-books and new electronic versions of newspapers and magazines, Apple's iPad remains the only popular device for reading all three - and publishers are finding that their options are limited.

Apple has sold nearly 15 million iPads since the product's release last April, and the device now accounts for close to 90 percent of all tablets

shipped worldwide, according to market research firm IDC. Apple also says it has 160 million users who have credit cards on file. That means if publishers want to sell books or magazines to tablet readers, they have to go through Apple.

Amazon.com Inc.'s Kindle e-reader is aimed more closely at books than digital news and magazines, and [Google](#) Inc.-powered Android tablets from Samsung, Dell and others have not gained the traction with consumers that could present publishers with a clear alternative.

"If you look out over the coming several months, there's probably nowhere else (besides iPad) for those content producers to go," said Yair Reiner, an Apple analyst at Oppenheimer & Co.

Apple's devices have attracted so many users, in fact, that even Apple's rivals have set up camp on its devices. Amazon, Barnes & Noble Inc. and Google have all created applications for the iPhone and iPad that allow readers to access books they've bought through the companies' websites.

But Apple now says that those booksellers must also sell their books through Apple's store or risk getting their applications booted from the iPad. Apple is also requiring that any e-books a company sells outside of Apple's store must be the same price - or higher.

"Apple is trying to repeat its strong-arm strategy that worked in Round 1" against the music industry, said Sarah Rotman Epps, an analyst at Forrester Research. "But in Round 2, the game has changed. Other content publishers have had the benefit of learning from the music industry's missteps."

"I honestly see this as a big mistake," she added. "Apple invited its competitors to be its partners and is now changing the rules on them."

And unlike Apple's assault on the bricks-and-mortar [music industry](#), some of its publishing competitors, including Google and Amazon, are formidable technology companies themselves and may be more difficult for Apple to muscle around.

"I don't believe any of them would be able to accept a 30 percent tax on their books," said Mike Shatzkin, head of Idea Logical Co., which advises book publishers on digital issues. "From my perspective, the idea that Apple can make these people do that is a nonstarter."

For its part, Google on Wednesday announced its own mechanism for publishers to sell subscriptions to consumers on an array of tablets and other devices. The company said its product, One Pass, would charge publishers only 10 percent of the sale price for processing user payments, but offered few details about how the system would look to consumers or how publishers would work it into their online offerings.

It was not immediately clear whether Google's service would be a direct competitor to Apple's subscription system, and Google said it would be "weeks" before the first [publishers](#) would implement the service.

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