

# Amazon's digital reach enables a different publishing model

February 11 2014

---

For more than a decade, Hugh Howey wrestled with writing about the horrors of Sept. 11, 2001.

Before Howey became the best-selling author of "Wool," he worked as a boat captain aboard a ship docked in the shadows of the World Trade Center towers as two planes flew into them. Even as he began to make a living as an author, the idea of writing about the tragedy vexed him.

And then Amazon.com opened a creative door for him. The book-publishing unit at the online retail giant created an imprint devoted to fan fiction, Kindle Worlds, last May. Fan fiction is often dismissed as mediocre writing by wannabe authors.

But Howey, who lets "Wool" fans write their own stories in the universe he created, saw an opportunity to write his own work in a world conceived by Kurt Vonnegut, which Amazon licensed from the author's estate.

Howey created a short work, "Peace in Amber," that wove his 9/11 story with the life of Montana Wildhack, an adult-film star from Vonnegut's "Slaughterhouse-Five."

"It was terrifying," Howey said about writing in a world created by a literary icon. "What helped was that I was writing about something that was even more terrifying."

With Kindle Worlds and its 14 other imprints, Amazon is trying to create something of an alternative universe in publishing. For decades, the biggest book publishers largely followed the same narrative: Pay hefty advances to well-known authors to write best-sellers. Lesser-known authors working in niche genres were largely left to niche publishing houses.

While Amazon has tried its hand at publishing blockbusters, with middling success, its real business is trying to change the business of book publishing. Amazon has created 15 imprints - publishing everything from science fiction to romance to Christian literature - all with the notion of finding success where other publishers struggle.

Amazon is betting its alternative universe will succeed because its business model is different. The company doesn't need blockbusters to offset the duds in its library. That's because the lion's share of the books it publishes are read digitally. Amazon doesn't have to worry about printing costs, distributing books to stores and buying back unsold books from those stores.

Instead, Amazon sees its foray into publishing as an experiment, much like many of its other emerging businesses. Amazon's publishing executives like to talk of the business as a laboratory where they can tinker with new ways to connect authors and readers.

"We felt there were a lot of things that were possible in the digital world that weren't being taken advantage of," said Russ Grandinetti, vice president of Kindle content.

It's not just reducing the cost of printing and distribution. Technology also lets Amazon study customer tastes.

It follows shopping patterns, so it can suggest books to readers based on

the shopping patterns of other customers who purchase the same books. It studies customer reviews, working to sign self-published authors who have garnered high marks from readers.

And Amazon has the Kindle as well.

Sure, the e-reader and tablet give consumers a way to quickly purchase and read books. But the tens of millions of Kindles sold since the 2007 debut provide Amazon a window into how quickly those books are purchased, and how fast they are read. Data from each Kindle - "anonymized and aggregated," Amazon executives say - give the company insight into the types of books readers like.

Amazon's strategy didn't quite seem so digital when it tapped Larry Kirshbaum, a powerful literary agent and the former chief executive of the Time Warner Book Group, to run Amazon Publishing in 2011. Kirshbaum landed some big-name authors, including self-help guru Timothy Ferriss, Hollywood director Penny Marshall and former basketball coach Bobby Knight.

But the blockbusters from those efforts have been few, in no small measure because Amazon's archrival Barnes & Noble refuses to carry Amazon Publishing titles on its shelves. Many independent booksellers, wary of Amazon undermining their business, follow suit.

A little more than two years into his tenure at Amazon, Kirshbaum left the company in October. Daphne Durham, a company veteran who runs Amazon Publishing's adult trade and children's businesses and took over Kirshbaum's duties, said anyone who believed Amazon wanted to operate like big book publishers was wrong.

"We look at all opportunities and try to focus on what we do well," Durham said.

When it comes to publishing, there's one thing Amazon does better than any other publisher: make the best-selling electronic reader in the world. And the Kindle gives Amazon insight that no other publisher has. Amazon executives are cautious in describing the way they collect and use Kindle data. The company doesn't want customers to feel like the company is looking over their shoulder each time they open a digital book.

Amazon gathers that anonymous, aggregate data from Kindles to see how fast customers move through books. And it uses that information, along with sales data, customer reviews and other bits of information, to help guide its publishing decisions.

"That's how we found Karen McQuestion," said Jeff Belle, vice president of Amazon Publishing.

McQuestion is one of Amazon's biggest publishing success stories. She initially self-published her novel, "A Scattered Life," using Amazon's Kindle Direct Publishing platform. Amazon was able to see that Kindle readers were devouring the book, and quickly struck a deal with McQuestion for its AmazonEncore imprint.

To date, the book has sold more than 190,000 copies. Amazon has since published several other books by McQuestion, including "The Long Way Home," which has sold more than 200,000 copies since its May 2012 debut, according to Amazon.

Of course, Amazon uses more than just algorithms to guide decisions. There's plenty of editorial judgment as well, as editors sift through book pitches and manuscripts. Durham refers to those judgments as "art," which the company mixes with its data science.

"They've done a particularly good job of finding talented authors," said

Bill Ott, the editor and publisher of Booklist, the American Library Association group that produces 8,000 independent book reviews annually.

About 10 percent of Amazon's titles receive "starred" reviews, Booklist's designation for the best books. That's about the industry average, Ott said.

Finding books that connect with readers remains an imperfect process, though. Amazon's editors missed the hottest self-published title in recent years, "50 Shades of Grey."

E.L. James self-published the steamy title in 2011. Amazon executives could see how quickly Kindle readers downloaded the book and how fast they read it.

But it was Random House that ultimately acquired the book. And "50 Shades" has since been translated in 52 languages and sold more than 90 million e-book and print copies worldwide.

"I know we had a conversation about that book," Grandinetti said. He declined to elaborate on those internal discussions. "I tip my cap to Random House."

The Kindle has given Amazon the ability to rethink the publishing business. Take Howey's "Peace in Amber." Amazon began selling the 41-page short story for \$1.99 last month, where it's become the best-selling title in its Kindle Worlds category and received 32 reviews from readers, all of them five stars.

It's hard to imagine how the work could have appeared in any other medium. Perhaps a literary journal would have been interested. But it never would have been able to obtain the rights to let authors create

works in Vonnegut's oeuvre.

And while big publishing houses might have figured out a way to secure those rights, they would have struggled to turn a profit on short works such as "Peace in Amber."

To some, it might seem wrong to tinker in a literary world created by a revered author such as Vonnegut. But Howey believes that the best pieces will be revelatory, and the bad ones will simply fade away. He said he couldn't have created his short story without Amazon licensing the rights to Vonnegut's world.

"I would have worried about Vonnegut's heirs coming after me," Howey said.

Most of the worlds that Amazon has licensed are less literary than Vonnegut's. The company has inked deals to let fans create works in worlds from such series as "The Vampire Diaries" and "Gossip Girl," as well as comics such as "Shadowman" and "Bloodshot."

And Kindle Worlds on Wednesday announced a deal with Hasbro to let fans write stories in "the next few months" about G.I. Joe. The companies didn't disclose the terms of the deal.

Hasbro sees Kindle Worlds as a way to let fans connect to G.I. Joe, something Michael Kelly, the company's director of global publishing, describes as "open-source storytelling."

Hasbro is putting few restrictions on authors. Writers can't produce pieces that are sexually explicit, racist or sexist. Given that G.I. Joe is a military figure, violence is expected.

"Gritty is OK, but gratuitous is not," Kelly said.

And Hasbro, based in Pawtucket, R.I., deep in Boston Red Sox country, threw in one other restriction: G.I. Joe's comrade, Snake Eyes, cannot be portrayed as a fan of the New York Yankees.

Amazon's focus on digital publishing allows it to zero in on niches that major publishers might overlook because sales wouldn't justify the investment. It can acquire books with small markets and not have to worry about printing too many copies.

And it doesn't have to consider the cost of shipping those books to the thousands of bookstores around the country and across the globe. That changes the business model.

"For people who like a particular flavor of steampunk or historical romance of a particular period ... , digital publishing allow for the ability to publish those works," Grandinetti said.

So while Amazon caught the New York publishing world's attention when it hired Kirshbaum and targeted A-list authors, it's more quietly been making hay in niche markets. Its 47North imprint focuses on science fiction, fantasy and horror. Thomas & Mercer publishes mysteries, thrillers and suspense books. It has Montlake Romance and Jet City Comics.

AmazonCrossing publishes books that have sold well in foreign languages elsewhere - data Amazon gleans from Kindles and its international websites - and translates them into English. That's how it found Oliver Poetzsch's "The Hangman's Daughter," which has sold more than 1 million copies and is among the publishing group's five best-selling titles of all time.

And last month, Amazon launched its 15th book imprint, Waterfall Press, which will specialize in Christian fiction and nonfiction titles.

It's not easy to get a bead on the financial performance of Amazon's publishing businesses. That's, in part, because the main monitor of book-publishing data, Nielsen BookScan, isn't privy to Amazon's digital-book sales, leading it to underreport the sales of its titles. And like all its businesses, Amazon provides little detail about specifics, such as revenue and earnings of its publishing business.

Belle said the company is generating "triple-digit revenue growth" in 2013, on top of "triple-digit" growth in 2012. He declined to disclose the revenue figure, though.

"The business is growing very quickly," Belle said.

What's more, Belle said Amazon is the fifth-largest publisher on the Kindle platform, in terms of sales, which would put Amazon ahead of at least one of the big five publishing houses - Random House, Simon & Schuster, HarperCollins, Hachette and Macmillan.

But publishing doesn't exist in a vacuum at Amazon. Like every Amazon business, Amazon Publishing proves its value by contributing to the Flywheel Effect, a concept introduced by business theorist Jim Collins in his best-seller "Good to Great." The core business is seen as a flywheel. As small initiatives are added to it, their impact is boosted by spinning the flywheel faster.

With its publishing business, Amazon feeds the flywheel by adding titles, many of which wouldn't be available elsewhere because Amazon can thrive by [publishing](#) them digitally. That lures more readers, who wind up shopping on Amazon for more than books.

Publishing, of course, also feeds Amazon's Kindle business, producing an ever-increasing collection of titles that makes the e-reader more appealing.



As the Kindle market grows, it becomes more appealing for authors, who might forgo significant physical book sales and publish their books through Amazon's imprints.

That's hardly the path of traditional book publishers.

"People automatically assumed that we would take the same approach as other publishers," Grandinetti said. "People created expectations that we didn't have for ourselves."

©2014 The Seattle Times

Distributed by MCT Information Services

Citation: Amazon's digital reach enables a different publishing model (2014, February 11)  
retrieved 24 April 2024 from

<https://phys.org/news/2014-02-amazon-digital-enables-publishing.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--