Consumer Intelligence Series:

The eReader explosion:
The new publishing frontier

pwc

The eReader explosion: The new publishing frontier

Summary

Electronic readers such as Amazon's Kindle, Barnes & Noble's nook and the Sony Reader are captivating consumers with their convenience, portability, and wireless access to a huge library of content. Device owners say their eReader is changing how—and how much—they read, prompting them to read more often and to access more content. Non-owners, while somewhat skeptical about the products' price and longevity, still express strong interest in potential ownership. Both groups are looking for increased functionality in future models, they are interested in using eReaders to access the Internet, view graphics, and interact with other fellow readers.

Meanwhile, educators appear keenly interested in the eReader as a classroom tool—although they also express concern about cost, and desire more functionality to aid in education, such as the ability for students to take notes.

While consumers' receptivity to advertising on their eReaders is mixed, advertisers may be able to gain advertising acceptance through alternative models, such as sponsorships, or through incentives, such as reduced prices or access to more content. Industry participants may also benefit by better promoting the products' existing functionality and features, including the ability to highlight, as well as its audio components.

Key findings

1. Owners

- **Consumers who own eReaders are passionate about them:** From a behavioral standpoint, eReaders have the potential to transform the way content is consumed. From books to magazines and newspapers, eReader owners say they read more frequently since they began using the device. They also note that reading is now more convenient and personally relevant because they are able to create and access their own customized library.

- **Electronic readers generally appeal to those who are already avid readers.** In fact, most of the consumers in our panels actually received their eReaders as gifts; they are seen as avid readers by friends, family and/or peers.

– **The acceptance of advertising on eReaders depends on the type of content it accompanies.** Reading a book is seen as a personal and solitary activity that is not to be interrupted. Advertising (unless delivered in small, controlled measures) is not readily accepted in this context. However, consumers appear much more open to the idea of advertising within newspaper or magazine content. They are accustomed to seeing ads in print and online versions as they scan headlines and peruse articles.

– **Most consumers are receptive to the idea of advertising as a way to minimize their content costs.** While consumers expressed a strong aversion to advertising in books, they were still receptive to considering some form of advertising as a way to minimize book costs, such as a sponsorship. Most importantly, they seek options that allow them to choose how ads appear within the book. Consumers feel strongly that advertising should have limited intrusion on the experience of reading or on the content of the book (such as turning a page and seeing an ad pop up unexpectedly).

– **Advances in displays, interfaces and applications are welcome.** Consumers desire color **3D graphics** (helpful in tutorial, how-to, or educational books) and **video**—factors that point to their interest in possibilities for future versions of the eReader. They are excited by ideas for the "next big thing" for this device.

– **Social networks are not welcome.** Owners strongly oppose the idea of bringing social networks into the eReader environment. Reading is viewed as a solitary and personal type of activity. Any intrusion is unwelcome—they don't want to have to stop reading to see that "someone wrote something on my (Face book) wall."

– **Consumers are frustrated by the inability to share or interact with the content.**

   o eReader owners long for the ability to pass on great articles (or excerpts) in the same way they do with magazine and newspaper articles online. They appreciate getting mail in their eReaders, but are frustrated by the one-way access.

   o For some, the eReader could be more engaging if it allowed for increased interactivity, such as the ability to take and share notes, or, in the case of test preparation, administer self tests at the end of each chapter.

– **Consumers appear to be interested in the eReader as a product, rather than in a specific brand.** Most of the owners had a Kindle, which is consistent with market share statistics. But as many of those owners were "gifted" their devices, the Kindle benefited more from market awareness than specific brand affinity. In fact, several readers were on their second or third Kindle (due to upgrades in technology or replacement of a problematic device), yet generally still lacked awareness of other brands.

– **Even among owners, awareness is limited about the breadth of features and functions the devices offer (such as audio capabilities).**

2.   **Non-owners**

–   **Those who do not own an eReader seem to consume content in a more perfunctory way than owners.** Their reading material tends to be driven by practical or purposeful pursuits, such as business or academic content, as opposed to pleasure. This may be why they are interested in eReaders, but are not yet owners.

–   **Non-owners are comfortable with reading digital content on computer display screens.** They routinely read digital content on laptops or cell phones. This behavior supports their considerable interest in the eReader, but may also be why they express some skepticism and have questions about the device.

–   **Compared with owners, they are even less aware of eReaders' broad capabilities.** Many were not aware of basic features. For instance, they were surprised to learn that they could subscribe to newspapers and magazines— and that each new edition is automatically pushed to the wireless device. They were also surprised to discover that they could email text files and other file types to an eReader.

–   **Non-owners are interested, but skepticism exists.** The biggest draw for a non-owner appears to be on-demand availability and convenient access to books—but some are still skeptical. Specifically, their concerns are:

    o   Whether the overall reading experience will be compromised. They are unsure whether they will derive the same level of reading enjoyment from the screen as they do from the page.

    o   Cost. Given the rapidly-changing technology, there is uncertainty about making the initial investment, which some consider a high price for greater convenience of reading. This indicates a need to promote and develop additional features, functions, and benefits of eReaders.

    o   Convergence: Some are waiting for a product that combines the capabilities of a cell phone with a quality e-reading experience, so they don't have to carry around multiple devices. A few mentioned Apple's iPad as one step in that direction.

–   **Key "need to know" topics for potential buyers include:**

    o   What about the ability to read textbooks? That, along with requisite graphics for books like medical texts, would mean "I'd buy it yesterday."

    o   Will the screen hurt my eyes after awhile?

    o   Can I get wi-fi service anywhere? Do I have to subscribe to a separate service to download?

3. **Educators**

– **Most educators think eReaders have great potential as a teaching tool.** Advantages for student/classroom use include:

   o Efficiency and portability compared to books and laptops;

   o Access to a wider array of books and resources;

   o Ability to share files;

   o No Internet connection (versus Internet-connected laptops, which some noted are distractions in the classroom); and

   o Potential for students to read more often.

– **Some, especially high school educators, express concern** about the cost of equipment, the potential for damages and loss of equipment, and the possibility that students could use them to cheat.

– **Many are unsure/unaware about whether text books are available in eReader format.** Most educators think ebooks will not entirely replace text books in the near future. (This is especially true for those who do not own an eReader.) They also express concern that ebook versions of textbooks won't be in color, even though they acknowledge the significant potential for anticipated interactive features to enhance the learning experience.

– **Many of their students say they would rather read print books as opposed to ebook versions—even though those students are part of the "electronic generation."** While this preference surprises educators, it is also likely that as students' overall eReader ownership and usage increases, their preferences will change. However, some might still prefer the experience of "cracking a book."

– **Most were familiar with—and many use—other digital teaching tools,** such as Blackboard and PowerPoint software.

– **Price is key in deciding what tools educators would potentially acquire or use.** There was some concern about educators underutilizing expensive technologies (such as SmartBoard), perhaps because they don't have proper training to use them to their fullest potential.

– **The ability to interactively share content was considered an essential feature, and would enhance the value of the eReader as a teaching tool.**

– **Educators who own eReaders:**

   o Educators say they are reading more—and buying more content—now that they have an eReader, mainly due to its convenience, portability and the low cost of content. They are reading books for pleasure and to advance their academic knowledge, as well as other content, including newspapers and magazines.

o Consistent with market share statistics, most own a Kindle and are very pleased with it. They are also aware of the Sony Reader and the upcoming release of Apple's iPad tablet.

– **Educators who are non-owners:** Findings among educators who do not own an eReader are consistent with the general non-owner population:

o **Interested but still wary:** Although they express a desire or intention to buy eReader, there is significant concern about the current price, as well as a perception that the device will suffer from obsolescence because it's a new technology. However, they are highly interested in eReaders for two reasons: (1) convenient access to content and (2) the potential to read more often.

o **View eReaders as a growing trend:** They intend to buy one when both cost and rate of obsolescence wanes ("when they work out the kinks").

o **Are hesitant to give up the tactile sense** that comes with holding a book and turning the pages, which they enjoy.

o **Are unaware of the various eReader capabilities**, such as audio and the ability to highlight.

Implications to your business

– **There is a significant opportunity for eReader marketers to address the lack of awareness around device capabilities.** Both owners and nonowners are hungry for information on content options, technological functions, and enhancements to the reading experience. Consumers believe current advertising focuses too much on the volume of books that can be stored on the device.

– As consumer acceptance of, and desire for, eReaders grows, there is significant opportunity for innovation in device capability and the ways in which content can be monetized, including **marketing to target groups.** There appears to be three markets for the eReader:

- **The Purist**: These consumers are avid readers and are looking for the isolated, indulgent, uninterrupted reading experience. The purist would accept advertising as a way to reduce the cost of the content he or she purchases, but it must be seamless and controllable by them. Feedback from consumers suggests:

  o Discounts based on volume purchase

  o Price reductions must be meaningful

  o Advertisements must be relevant and less intrusive, but also deliver higher levels of engagement than traditional approaches.

- **The Pragmatist:** These consumers, which include busy commuters, business executives, and students, are looking for convenience, information, newsworthiness and the ability to share and take notes. They are comfortable with subscriptions and advertising in magazines and newspapers, and they are interested in accepting advertising if doing so leads to lower consumer costs even for the device itself) and more widely-accessible content. Potential strategies include:

  o Employing a "cell phone" model, where a monthly fee is paid forunlimited downloads

  o Consider adding content sharing as a payable upgrade

  o Article-only subscription packages

  o Personalized and addressable advertising messages

  o Subscription-blended-with-advertising models

- **The Educator/Student:** These consumers represent an opportunity that may be farther away, as the required interactivity (such as note taking, self-testing, 3D graphics, and color) is not yet available. However, this market, which includes potential owners, as well as those who already have an eReader, are universally excited about the possibilities and potential of deploying eReaders for educational purposes.

  o The key barrier—price—represents an opportunity for monetization models. There are several models already in place for technology tools in the classroom environment that are advertising or sponsorship-based. This approach would make the device more affordable, thereby increasing its appeal to educators.

  o There is an immediate opportunity to "educate the educators" on the possibilities and capabilities of the eReader for educational purposes.

For more information:

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