

An Update on eReaders

Monthly Focus Topic



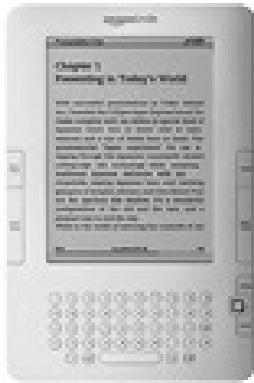
Key Findings

- Technological advances and the commercialization of the Kindle has brought eReaders to the masses and changed how millions of consumers read books
- This trend is projected to continue at an accelerated pace as unit price points decline and new devices with enhanced features enter the market
- The recent announcement of the iPad, a tablet PC which will be available commercially in March/April 2010, has created a significant amount of buzz
- Tablet PCs represent the greatest risk to print magazines and catalogs due to their larger screen size, color and video display capabilities and web search functionality
- High initial price points and the adoption curve for new devices will limit consumer acceptance in the near-term
- Additionally, several key issues must be addressed before there will be a major shift to digital magazines (eReader standards, subscription model, publisher control of subscriber information)
- Long-term, tablet PCs have the potential to spur electronic substitution of print magazines and, to a lesser extent, print catalogs

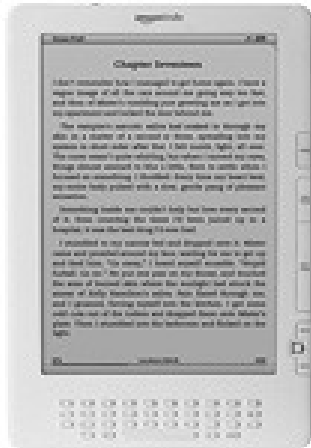
Amazon Kindle



Amazon Kindle



Amazon Kindle DX



- Introduced in November 2007
- First eReader device to gain market traction
- Today, the Amazon Kindle accounts for some 60% of the eReader market, which totaled 3 million units in 2009
 - Sony Readers have a smaller, 35% share
- Priced from \$259 to \$489 (recently-introduced Kindle DX with 9.7 inch screen)
- Design / technology limitations make it most suitable for reading books vs. newspapers and magazines
 - screen size (standard version has a 6 inch screen)
 - black and white display
- Doesn't accept advertising
- Currently only allow for subscriptions to a few magazines
- Subscription model limits revenue potential for publishers
 - Some 70% of Kindle subscription revenue goes to Amazon

Sources: Forrester, CNN, Fast Company, Kiplinger's Personal Finance, Amazon.com, PRIMEX 2010

Growth in eReader Demand Attracting New Devices



- The eReader market is forecasted to double in 2010 to 6 million units.
- Looking to capitalize on this, many companies are introducing new devices (30+ were showcased at this year's Consumer Electronics Show). Here is a partial summary.

eReader	Description	Price Point
Barnes & Noble Nook	Introduced for holiday 2009 and quickly sold out; Has experienced software and performance issues. Sold at Barnes & Noble bookstores.	\$259
Alex by Spring Design	Based on Google's Android operating system. Has dual screens. Available in Borders bookstores later this year.	\$359
Skiff Reader (A Hearst Venture)	Largest ePaper display yet. Designed specifically for newspapers and magazines. To be available at Sprint retail locations later this year.	TBD
Plastic Logic Que proReader	Aimed at the business user. 4Gb & 6Gb models. Online store to be supported by Barnes & Noble. Has partnered with a number of publishers for eBooks and Periodicals. To be available at Barnes & Noble bookstores.	\$649 - \$799
Samsung E6 & E101	Two readers – a 6 inch and a 10 inch device. Ability to share content with other Samsung users. To ship mid-year.	\$399-\$699
Copia Ocean & Tidal eReaders	To introduce 6 different models. All take advantage of their social platform, which allows users to share content with others. Available for purchase online beginning in April.	\$199-\$299

Sources: Huffington Post, Forrester, About.com

Apple iPad



- Commercially available March/April 2010
- Priced from \$499 to \$829 (fully-loaded version with 3G, 64 gigs of memory)
- Several advantages over existing eReaders
 - Displays text, photos and graphics in high-res color
 - Screen size (9.7 inch) – can display entire magazines
 - Functionality, including web searching capabilities
- Viewed as Apple's attempt to control books, magazines and newspapers as they do music with the iPod
 - Not a major technological innovation – utilizes the iPhone operating system
 - Apple to launch online bookstore called iBooks – similar to iTunes
- Mixed initial reviews
- Preliminary sales projections – 1 to 1.5 million / quarter
- Key challenges for publishers – design elements require major workflow changes, loss of access to subscriber information, need to develop successful subscription model
- HP and Samsung slated to introduce similar devices in 2010

Sources: CNN, Time, The Economist, PRIMEX 2010

Next Issue Media



- Joint venture between leading publishers
 - Time Warner
 - News Corp.
 - Conde Nast
 - Meredith
 - Hearst
- Has been referred to as a “Hulu” for magazines
- Key objectives:
 - Develop a standard content format for digital publication development
 - Establish a digital storefront for distributing digital publications
- Still in the early stages
- If successful, this initiative will address issues related to device fragmentation and revenue sharing and enable publishers to maintain control of their subscriber information

Sources: Folio, The Economist

Segment Impact



Device	Books	Magazines	Catalogs
eReader (Kindle and others)	<ul style="list-style-type: none"> •Despite explosive growth in eBook sales, they still only represent ~3% of total trade book sales •Adoption rates will increase with lower unit price points and new, enhanced devices 	<ul style="list-style-type: none"> •Limited magazines available •Key barriers include design elements, revenue sharing model, and the absence of advertising opportunities for publishers 	<ul style="list-style-type: none"> •No web searching capabilities
Tablet PC (iPad and others)	<ul style="list-style-type: none"> •To accelerate electronic consumption of books •Significant growth potential with textbooks (color illustrations) 	<ul style="list-style-type: none"> •Consumer acceptance to be restrained initially by high price points and new device adoption curve •Key issues yet to be resolved include digital standards, subscription model, publisher control of subscriber information •Improved screen technologies (large, flexible, full color screens) to drive significant adoption in 2015+ 	<ul style="list-style-type: none"> •Introduction of new devices with web searching and high res color capabilities will provide additional access point for the online channel

Sources: Folio, CNN, Time, The Economist, American Association of Publishers, Huffington Post, About.com, Amazon.com, MediaIDEAS, PRIMEX 2010