



Book-Apps: Going beyond the E-Book

Examining the market potential of a new product that combines the educational power of the linear narrative with the fun of interactive technology.



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Book apps – a new direction for

Something interesting is happening in the traditional publishing world – and it goes beyond the simple transfer of linear paper texts to the digital medium. As always happens when a new medium emerges, artists and publishers are starting to experiment with the form to create new artistic concepts.

All of which explains the emergence of the book app. These products dispense with the linear narrative to take users on a journey that comprises elements of gaming, music, animation, video and – yes – reading.

Already, a host of fascinating products from innovative developers have emerged.

This ME report, written by Stuart Dredge, examines the phenomenon from all angles. You'll find information on the wider app market, on the smartphones and tablets powering them and on the companies shaping the sector.

And to get to the nitty-gritty of what's happening in the space we profile 70 of the most intriguing products in circulation.

It's all presented in a frankly linear style; sometimes there's no substitute for good old-fashioned writing.



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INTRODUCTION

Book publishers are by no means the only creative industry companies getting excited about the potential held by mobile apps. It's a trend that extends across the entertainment market, taking in record labels, broadcasters, newspaper and magazine publishers and games developers, to name just a few. All have their different reasons for leaping aboard the apps bandwagon, but the common thread is a belief that app use is exploding; that it may change the way people consume content and also interact with its creators and each other; and that most importantly, that there is money to be made here.

There is no shortage of research and analyst predictions to back up these hopes. Canalys predicts that direct revenues from mobile apps will total \$7.3 billion in 2011, rising to \$14.1 billion in 2012 and \$36.7 billion in 2015. Meanwhile, rival analyst firm IDC sees app downloads rising from 10.7 billion in 2010 to 182.7 billion in 2015.

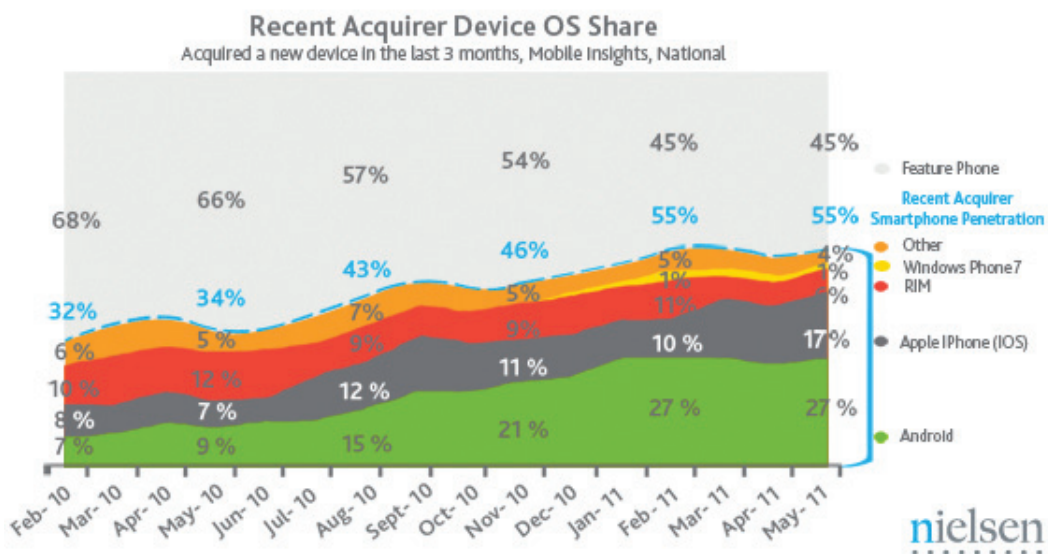
There are more general trends to support this. US market research firm Nielsen claims that 55% of all mobile handsets bought in the US between March and May 2011 were smartphones - the first time they have outsold traditional 'feature phones' in a three-month period. During that quarter, 27% of all phones sold in the US ran Google's Android platform, while 17% were iPhones, meaning a market share of 44% for the two platforms at the head of the mobile apps market. Separately, Gartner has predicted 69.8 million sales of 'media tablets' in 2011, rising to 294 million in 2015.

Also important: people are paying for apps. A survey conducted by the Online Publishers Association in the US found that 79% of tablet owners have paid for apps in the last year, spending an average of \$53 each. Its survey found that 26% of all apps downloaded are paid, versus 74% that are free. Meanwhile, Screen Digest predicts that the four largest app stores - Apple's App Store, Google's Android Market, Nokia's Ovi Store and Research In Motion's BlackBerry App World - will generate combined app revenues of \$3.8 billion in 2011, \$5.6 billion in 2012, \$6.9 billion in 2013 and \$8.3 billion in 2014.

Canalys thinks that in 2011, there will be an addressable market of 419 million smartphones and 43.3 million tablets. Meanwhile, Parks Associates has predicted that by 2015, two billion people will own an app-capable smartphone worldwide.

How seriously you take all these figures depends how seriously you take analysts, who have been pulling ever-bigger predictions out of their magic hats ever since Apple launched its App Store in July 2008. Suffice to say, though, surging sales of smartphones and tablets, allied to the strong interest of those people in downloading apps, presents a significant opportunity for all the entertainment industries, even if it can also be one that is disruptive to their existing business models.

Android share of recent acquirers flattened in 2011; Apple is now driving Smartphone growth



It is important to note that the focus of this report is on book-apps rather than pure e-books. Some publishers have already begun to separate out these two areas in terms of job responsibilities, for e-books concerns the nuts and bolts of digital distribution, while book-apps (or 'digital products' as they are known by some publishers) are a separate and new revenue stream that complements rather than cannibalises their growing e-book revenues. Some publishers - notably those whose books are aimed at children - are putting more focus into apps than e-books, although that is partly due to the limitations of current e-book formats regarding images.

Publishers are certainly spoilt for choice when it comes to addressable devices. In early October 2011, Apple said it has sold more than 250 million devices running its iOS software - that includes iPhone, iPod touch and iPad sales - with its App Store having generated 14 billion downloads. Meanwhile, Google is currently activating 550,000 new Android smartphones and tablets every day - it uses the word 'activating' because these devices are made by other companies, but it corresponds to sales. By summer 2011, Google had activated 130 million Android devices and generated 4.5 billion downloads from its Android Market.

However, there are numerous other app-capable devices now, using several platforms. The key ones for publishers' perspective are BlackBerry (smartphones and the PlayBook tablet); Windows Phone (which will soon include Nokia smartphones as it switches from the existing Symbian OS); and webOS (smartphones from HP as well as its TouchPad tablet). If that weren't enough, dedicated e-reader devices like Amazon's Kindle and Barnes & Noble's Nook can now run apps as well as displaying e-books, opening up an intriguing new market of guaranteed reading fans.

Bags of potential, but 2011 feels like very early days when it comes to capitalising on these new opportunities. Book publishers are at varying stages in their app strategies, with some having already released half a dozen or more apps, while others are only on their first. Some are focusing on apps to promote new books, while others are looking to bring catalogue titles to the app stores with DVD extra-style features around the core text. Publishers are experimenting with pricing, and looking to establish good relationships with talented developers. It feels like an exciting time in that regard: while there is naturally caution about throwing money into the apps market that may not provide a return, the spirit of experimentation is afoot.

The focus of this report will be to explore the strategies of the publishers, and the views of the startups. It will explore the issue of book-app pricing in the context of wider business models around apps, and explain which of the different platforms are currently paying off for publishers - and which may do so in the future. It will also highlight 70 of the most innovative and creative book-apps to have been released recently, including *The Waste Land*, Jack Kerouac's *On the Road*, *QI*, *Kings and Queens*, *Cars 2* Storybook, *Our Choice*, *Nursery Rhymes with StoryTime*, *The Heart and the Bottle*, *On the way to Woodstock* and *myFry*.

