Tim O'Reilly on Piracy, Tinkering, and the Future of the Book

Tim O'Reilly has turned O'Reilly Media into a $100 million publishing powerhouse by correctly forecasting the tech industry's movements. He spoke with me on March 14 for a Q&A interview that appears in the April 11 issue of Forbes *magazine in abridged form. This is the full transcript of the interview.*

Jon Bruner: Borders just declared bankruptcy, and Barnes & Noble fought off a takeover attempt. The end of the printed book?

Tim O'Reilly: Not exactly. I think we're seeing a transformation of the marketplace. But I don't think print books are going to go away for a while yet. I certainly think that it's within the realm of possibility that print books will become as rare as L.P. records, with specialty producers and lots of used shops, but I don't think that's going to happen quite yet.

I find the biggest challenge is not the death of print. I think the more interesting question to ask is how all of this will change books. If you look at other kinds of print products that have been challenged by the Web, they've gone away in some sense, but they've also been transformed.

Tim O'Reilly has removed anti-piracy measures from his e-books. "We're delighted when people who can't afford our books don't pay us for them, if they go out and do something useful with that information," he says. Image by Jeff Kubina via Flickr

Take the map as an example. The print map has largely gone away—certainly not for everyone, and the industry has continued in some form—but online mapping has become the norm. And in the process, the form of what we expect from maps has completely changed. They tell you where to go. They include directions. They tell you where the nearest gas station is or, if you're using a location-based product like FourSquare they tell you there's a merchant nearby that has deals for you.

So the question we need to be asking ourselves about e-books is, are there similar transformations that we can expect in what we think of as the book and it becoming electronic. That's where the really interesting game is going to be played—in making it new. We're already seeing this in [Rupert Murdoch's] *The Daily*. It's just too close to the current conception of a newspaper. Meanwhile, FlipBoard and news.me did something much more interesting by turning your Twitter feeds into a kind of realtime newspaper. That's a completely different approach and angle of competition that newspapers didn't really think about. I look at news.me instead of the *New York Times* in the morning. The user interface is perfect for using on a tablet, great for scanning interesting news when you want to have your cup of coffee and just see what's happening in the world. And it's curated out of my social network. So you know that kind of transformation is going to

happen to e-books as well.

For example, there's a company called Instructables.com, transforming the way you do a particular class of book, including crowd-sourced features and an imagery base (by the way, I'm an investor in Instructables). So I think the format's going to change, but also the form that we take for granted.

JB: And is this transformation introducing such a phenomenal volume of content that publishers will have trouble getting their content noticed? You've mentioned the problem of obscurity in the past for authors and publishers. How is this changing the obscurity problem?

TO: It's like some other things. There are some areas in which the problem has gotten better, and other areas in which it's gotten worse. There are whole new channels now for getting e-books noticed, so you have new authors who can stand out easily from the crowd. In that sense, the obscurity problem has been really improved by these new channels. You've got e-book millionaires.

On the other hand, for certain classes of content there's a great deal of new competition. There's a class of books that we used to publish at O'Reilly that there's no interest in any more because people get answers from the Internet.

JB: And these are consumer-oriented?

TO: No—actually the consumer-oriented stuff has lasted longer. We've seen a huge shift from reference titles to tutorial. The reference half of the market has just disappeared because online provides a better source of quick answers. That's why we positioned Safari books online primarily as a reference solution, though we actually find that you can do a good job of teaching online and we just haven't sold it that way. But what we've noticed is that our books that are more introductory and tutorial continue to sell really well, and all the advanced reference material has just dropped. It's something like Craigslist killing classified advertising, but it's not as simple an answer as that.

JB: How do you get people to pay $30 for an e-book that they might just use as a PDF on their laptop instead of looking for a tutorial online?

TO: Again, there are a couple of interesting answers. One is we don't know yet what the right price for e-books is. And the right price is defined as in any market as the one that maximizes revenue. There are some really interesting opportunities to do some algorithmic pricing. There's been a lot of feeling that e-books are going to have to be much, much much cheaper, and it's certainly true that at the low end of the market there have been authors who are minting money selling 99-cent e-books or $2.99 e-books on Amazon. That may be the right price point for disposable fiction—you know, genre fiction, essentially.

Amanda Hocking, who has become a tremendously successful e-book author, wrote a very lovely blog post where she said, 'I don't think my success is going to be replicated by everyone. I was early, I was lucky, it was a lot of work, and you know, your mileage is going to vary.' And I think that's true. It's like not everybody who goes out in print is going to be like J.K. Rowling. There are a few lucky people who hit the jackpot, and then a lot of other people trying to emulate them. And I think the same thing online. We find if you look online or in print there are certain classes of information for which people will pay not just $30 but hundreds of dollars. So if there's a small audience that really needs the information, they may be willing to pay. Through our own pricing experiments we've found that for things that are targeted at consumption on the phone, lower price points seem to drive enough volume that total revenue is greater. When we're looking at things that are consumed on the P.C. or on tablets, we find that much less so. And that people are willing to pay. We're trying to find the right price.

JB: E-book sales account for a quarter of your revenues, up 42% in the last year. Did you need a strong print brand to do that?

TO: We could absolutely have emerged online without a strong print brand. Heck, we emerged in print without a strong print brand. There are always opportunities for new brands to emerge. I see publishers bemoaning their fate and saying that this is the end of publishing. No! Publishers will recreate themselves. Some of that comes from my experience as a print publisher. My entire class, if you like, of computer book publishers were all self-published authors who then extended their services to other people. O'Reilly, Peachpit, Ventana Press, Waite Group Press—we all emerged about the same time in the mid-eighties and all of the others were eventually bought; we're the only one that's still around as an independent publisher. But all of them were self-published authors that turned into publishers. And I will guarantee you that the next crop of publishers will be successful self-published e-book authors who start offering services to other authors.

JB: How are you approaching the problem that sites like Stack Overflow present for the higher-end, more technical part of the market?

TO: Stack Overflow has done a fantastic job, and I wish that we had thought of that or had done it or had acquired them. The way that we've traditionally dealt with things like that is by doing something else that's equally interesting. Stack Overflow is a great site and a fantastic business. Our own online property, Safari Books Online, is also a fantastic business. We took a different path to make it so, but it's a really substantial business with very large revenues. We built an enterprise sales force and licensed the service into companies, and that's been a really good business. There's room for lots and lots of businesses. At O'Reilly we tended to follow a certain kind of growth curve around technology, which is unexpected. So we look at things like *Make* Magazine and Maker Faire. They're looking at a very different part of the technology market than Stack Overflow, which is really in our old core, but not necessarily our new core.

At O'Reilly the way we think about our business is that we're not a publisher; we're not a conference producer; we're a company that helps change the world by spreading the knowledge of innovators. So we started a venture firm, for example. And because we don't think of books as our business but knowledge transfer as our business—and in particular knowledge transfer from areas that are unrecognized—we're out there evangelizing some piece of the future. That means we're somewhat less interested in stuff that's well known, so that tends to take us away from the competition.

So our competition with Stack Overflow, so to speak, is in a legacy part of our business in any case.