

## **E4BOOKS PROGRESS REPORT MAY 2007**

We are three quarters of the way to e-Day, with only one year to go! The e4books project was initiated in early 2004 and Simon Edwards's report – which formed the basis for most of the work done to date - was published in the early autumn of that year.

How much has been achieved?

E4books has been a focus for activity to drive electronic transactions. It has been used as a reason for change and a way to persuade the reluctant that there is a real risk of exclusion for those who don't participate. It has galvanised small publishers and booksellers to make key decisions about investment in new systems or to take strategic decisions to outsource distribution, engage with wholesalers, or adopt book trade electronic services.

In 2004, major distributors and wholesalers had already developed a high level of EDI with their significant trading partners. Order lines in were typically around 70-80 percent electronic; invoices out lower but still substantial. The main web-based services were all in place but take-up had been rather sluggish. With time, we have seen these percentages rise significantly in the UK market, with the potential to extend e-commerce to export markets being increasingly exploited. Wholesalers, whilst happy to trade using paper documents where there is no alternative, have striven with great success to persuade their customers to conduct their transactions electronically, by a process of constant improvement of their own bookshop management systems and integration with other book trade services. At the same time, both Bertrams and Gardners have successfully developed publisher services businesses, enabling publishers in effect to use them as stockholding distributors. Add to this links with print-on-demand suppliers and we have seen highly significant new trading models emerging around the wholesaler community.

What has really changed, however, has been the expansion of web-based services and the real possibility of using the internet as a medium for free or nearly free transactions. FTP was already in place in 2004 but usage has grown enormously, and concerns about the security of using an unregulated space for moving messages around have been addressed by AS2 and secure web networks such as Atlas's. The trend continues, but it seems a fair bet that the web will be the definitive medium for conducting B2B transactions in the future. This is still massively underexploited, despite the growth of web-based services such as Batch.co.uk, PubEasy and Nielsen BookNet Web – and many others.

Simon Edwards's report highlighted just how standalone most book trade systems were at that time. It was possible to check stock availability and order from PubEasy, for instance, but that was the end of the e-commerce chain. E4books has always been about establishing full-cycle e-commerce, enabling order information to be keyed once and then reused untouched in subsequent transactions. In the three years since, we have seen a succession of integration initiatives, among them:

- Password integration of PubEasy and Nielsen BookNet Web with Batch.co.uk, allowing ease of movement between services;
- Integration solutions with generic accounting packages, permitting full updating of payments made through Batch, for example;
- Moves by publishers towards fully-integrated publishing management systems;
- Bertrams integration of BIC web services standards into their Bertline 301 product for seamless real-time integration with PubEasy and other implementations.

E4books has held two highly successful technical workshops, hammering home the point that systems must be e-commerce compliant, standards compliant, and integrated with the major trade services; and one of the chief outcomes of those events, too, was the decision to develop the BIC web services standards and provide a mechanism for seamless real-time integration between systems and services in fulfilling customer requirements.

Another point raised in the original report was the lack of available information about e-commerce. The implication was that potential customers were being driven away from making efficiency gains by fear of the unknown or, worse, by the impenetrable jargon typically adopted by systems providers. The e4books web site has demystified the notion of e-commerce. It is a complex subject and not all problems are easily soluble but the web site content provides core information in readily understood language, with clear pointers to other contact points and sources of information. Similarly, our e4books forum in Oxford last October was clearly seen by attenders as a unique opportunity to get to the truth about how e-commerce works and how they could find out more about it. The project itself has been at pains, too, to simplify what needs to be done, by defining in specific terms what messages need to be sent and by whom, according to each organisation's place in the supply chain.

Above all, there has been a marked cultural change in attitudes to e-commerce. What was an object of fear and uncertainty has now moved to centre-stage, especially for smaller publishers and booksellers. It is now accepted that it is beneficial to businesses, whether by cutting out unnecessary cost, or streamlining unwieldy and time-consuming activity, or distracting key personnel from the real business in hand, or – in the case of product information – actively contributing to sales growth.

The conclusion has been reached that for booksellers e-commerce – whether using wholesaler systems, or free or low-cost ordering services such as NBN Web or PubEasy, or Batch.co.uk either for payments or for returns requests - has become a way of life. This is not to say that all issues are resolved: many booksellers use these services in a haphazard way and have failed to adopt an organised strategy to get the most out of available services, but the infrastructure is in place. For publishers, the situation is substantially more complex. E4books has made the clear distinction between publishers who outsource distribution functions and those who self-distribute. For the former, the e-commerce issue becomes mostly one of product information maintenance and provision, transactional e-commerce being usually part of the deal done with a distributor. We have actively encouraged distributing publishers to review their existing arrangements and cost out a move to a professional distributor; and we have seen a steady stream of publishers doing so and finding it

altogether a more comfortable solution. Many publishers, however, continue to self-distribute and they – along with the dwindling number of small and undercapitalised independent distributors - have come to be seen as e4books' most challenging sector. Many of these companies operate in specialist sectors or a limited market, or distribute non-book product which cannot be readily handled using book-specific systems and software, or simply don't have the resources to invest in non-manual systems. Even for them, though, the decision by Nielsen BookNet to terminate the sending of posted or faxed Teleorders – a decision encouraged and warmly applauded by e4books - has enabled them to become part of the electronic supply chain: in the future, they will be alerted to incoming orders which can be picked up from a dedicated web site and be required to provide an acknowledgement to the customer. There are, however, many perfectly valid reasons why these self-distributing publishers are reluctant to engage with e-commerce and it may be that in some cases we shall have to leave them to market forces and commercial pressures from trading partners.

However, there is a bigger problem for distributors, also highlighted in the e4books report: the relationship many of them have with their third-party clients. Distributors are understandably sensitive to the demands of their publisher clients and frequently provide value-added services for them which may militate against the most efficient use of resources. Taking orders from reps rather than waiting for a bookseller to start the e-commerce loop is one example; sorting out informal returns authorisations another. Most damaging of all, however, is the encouraging of telephone hotline ordering in the pre-Christmas or back to school seasons, when normal e-commerce channels conspicuously dry up and all orders tend to become 'hot'. E4books has produced a report into hotline practices which shows how inefficient the processing of such orders is and how inconsistent the approaches are that have been adopted by different distributors. E4books has adopted a robust stance on this and has initiated discussions among the distributor community to limit the period in which hotlines are available and to discourage the use of hotlines for routine ordering as opposed to individual urgent orders; and to change the focus of trade press announcements to encourage year-round electronic ordering as the preferred alternative.

We have set up an accreditation scheme as a way of benchmarking individual successes with e-commerce. At the time of writing we have 53 organisations – publishers, distributors, booksellers, wholesalers and service providers – accredited, eleven of whom have been granted a special Commended status for achieving outstanding levels of e-commerce. It is an indication of the success of the scheme that the accredited organisations are of all sizes, shapes and business models, though it continues to be a disappointment that we have not seen more applications from the many companies which we believe to be compliant with the e-Day requirements. We hope that this scheme will increasingly be seen – by e-Day and beyond – as an essential indicator of supply chain efficiency and good practice to trading partners and clients.

In the remaining year, we expect to have other successes for e4books to record, but many of the changes documented here have come about by gradual steps, through the growing penetration of new systems and services, increased awareness of e-commerce and the real cost of non-compliance, and through the provision of information about the opportunities and benefits. There have been few 'big-bang' moments and very

little direct pressure so far applied by trading partners in the form of sanctions against those whose business is unduly expensive to conduct. As this is written, however, the news has arrived that Penguin have announced to the trade that they will only accept orders and returns requests in electronic form from January 2008. Whether this will lead to further announcements of the same kind remains to be seen; but it is steps like this which could tip the balance for e-Day.