
Ten Predictions For The E-Reader/E-Book Market In 2010

This has been a breakout year for e-readers and e-books—device sales will have more than tripled by the end of this year, and content sales are up 176% for the year. But next year will be anything but boring. Here are Forrester's predictions for 2010:

- 1. E Ink will lose its claim to near-100% market share for e-reader displays.** Next year will see the first devices that are marketed as “e-readers” but that don’t exclusively use E Ink displays. Competition will come in three forms: 1) cheaper substitutions for E Ink that use the same electrophoretic display technology; 2) dual-screen devices that have both an E Ink and an LCD screen; and 3) devices that use an entirely different display technology, such as transfective LCD or OLED.
- 2. Dual-screen mobile phones and netbooks will eat into e-reader demand.** Most consumers don’t read enough to justify buying a single-function reading device, and according to Forrester’s data, more consumers already read e-books on mobile phones and PCs than on e-readers. Consumer electronics manufacturers will tap into the growing digital reading trend by launching new versions of their devices with reading-optimized screens. Mobile phones like the Samsung Alias 2 already have secondary E Ink screens, which could be repurposed for reading rather than typing or time-telling. Netbooks will also launch with dual E Ink/LCD screens, like the Asus EEE PC prototype that debuted at CeBIT in 2009. Since some e-readers will launch with dual-screens, too, like the E Ink/LCD Entourage Edge, the main difference between these devices and dual-screen netbooks will be software and marketing.
- 3. Apps will make non-reading devices more e-book-friendly.** E-readers like the Kindle have catalyzed demand for digital reading: e-books have been around for more than a decade, but no one bought them before Amazon (**NSDQ: AMZN**) made it convenient to buy and consume them. But the market for e-books is not limited to e-readers. This year gave us oodles of apps for the iPhone (Gizmodo called e-books the new fart apps), the B&N app for smartphones and PCs, and the beginning of apps for portable gaming devices like the Sony (**NYSE: SNE**) PSP and Nintendo DS. Next year will see more e-book apps on more devices. These apps will make it easier to view reading content on non-reading-optimized devices, which will provide a “good enough” experience for the majority of consumers who don’t read enough to justify buying a single-function e-reader, and will provide multiplatform convenience for consumers who do own e-readers.
- 4. eReaders will get apps, too.** As anyone with an iPhone knows, apps are where the magic happens: They make the device infinitely more useful. iRex Technologies, which has a B2B e-reader business in Europe and is launching its first consumer-targeted e-reader in the U.S. in December, will release an SDK (software development kit) so that software developers can make their own apps for the iRex DR800SG. We wouldn’t be surprised to see Amazon launch a Kindle app store, too. What kind of apps, you say? We think anything from a social-reading app from Goodreads to an enterprise app from Microsoft (**NSDQ: MSFT**) or Oracle would make e-readers vastly expand the possibilities for consumers and businesses.
- 5. Amazon will launch a suite of new touchscreen e-readers.** Awkward Kindle keyboard, begone! We think 2010 will bring several entirely new e-readers from Amazon, featuring touchscreens, color (by the end of the year), and flexibility (e.g., displays that don’t require a glass backpane, so they’ll be less prone to breakage). These new devices will keep Amazon in the news and top-of-mind for consumers who are considering buying e-readers.
- 6. B&N will steal market share from Amazon and Sony.** This year was a setup year for B&N, and 2010 will see its efforts start to pay off. In 2009, B&N acquired Fictionwise, launched its own eBookstore and reading app for mobile phones and PCs, announced partnerships with e-reader manufacturers Plastic Logic and iRex, and launched its own Nook e-reader (which it promptly sold out of). In 2010, B&N will rack up significant sales of Nooks and e-books, as some consumers look for an Amazon alternative. Sony will launch its own new devices, and will work on improving the software and book-buying experience. B&N will end up taking market share from both Amazon and Sony, but Amazon will retain its dominant position as market leader.
- 7. E-book content sales will top \$500 million in the U.S.** In the first three quarters of 2009 (through September), U.S. e-book content sales have more than doubled from a year ago: Wholesale revenues reported to the AAP for January through September 2009 top \$109 million, compared with \$52.4 million for all of 2008. And these numbers tell only part of the story: AAP data represents wholesale, not retail, revenue; what the retailer collects from the consumer could be more (or less) than what the retailer pays to the publisher. In addition, AAP data represents only a subset of trade e-book publishers, and it excludes major markets like education, libraries, and professional electronic sales. This means that AAP data, while directionally useful, far under-reports the true size of the e-book content market. Considering the growth rate of e-book trade sales (up 176% year-to-date), we think it’s reasonable to project overall e-book revenue will top \$500 million in the U.S. in 2010.
- 8. E-textbooks will become more accessible, but sales will be modest.** If you’re holding your breath waiting for the

