

US Market Blog: Digitization Series

Introduction

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As a digital publisher since the late 1980s, when I produced the first searchable publisher's catalog on the Internet (a Telnet-accessible application that was more novel than useful), I've been a participating observer within the evolution.

I know that today is only partly as I imagined it back then, influenced by many commercial and social variables that I hadn't predicted. I'm sure the next ten to twenty years will be much the same, and that I'll be wrong as well as right.

So I tried, in these blogs, to pay attention to social and commercial trends along with the technological, and to demographic habits as well as venture-capital directions. If there is a narrative thread, it's about the current evolutionary moment in the US digital ecosystem, and how publishers, and especially Canadian publishers, should be perceiving the ecosystem -- and planning accordingly.

I hope that some of these short posts spark some ideas, some discussions, even some irritation -- because the next decade will require all of those.

A Baker's Dozen

Michael Jensen | 10/07/2009

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Let's Imagine

Michael Jensen | 10/13/2009

Let's imagine the publishing environment, five years from now.

As I wrote in the last post, in just the last five years, we've seen the rise of Flickr, Twitter, Facebook, Google Books, ebooks 2.0, YouTube, Flash, massively multiplayer games, iPhones and apps, the institutionalization of open source and XML standards, and plenty, plenty more.

Let's imagine five years ahead, and let's think about how to position Canadian publishing optimally for that future. I invite supposition, theorizing, and even pull-from-the-air hypothesizing, in the comments.

It's a fool's game, predicting the future. And at the risk of becoming Moliere's "knowledgeable fool" ("A knowledgeable fool is a greater fool than an ignorant fool")—I've been trying to forecast the next five years for the last, oh, twenty years.

I've done all right, being mostly correct on the things that matter.

I've also been wrong (about how quickly micropayment systems would be accepted, for example), but on the main I'm not embarrassed by my past prognostications.

If the last five years brought us such incredible, surprising bounty, then what must the next five years bring? At base, we will have the compound-interest effect making a hockey-stick rise in terms of digital connectedness, making five years from now disruptively different.

Here's a few of the things that seem clear:

* We'll have 1000 to 10,000 times more documents available for free on the World Wide Web than we have today. Consequently, certified quality and substantiveness (as defined culturally and algorithmically) will be ever more cherished.

* Ubiquitous information: you will connect with the Web in a way that allows you constant access to "your world"—your library, your house, your friends, your virtual portable personalized digital reality. It can be presented on your phone, on your laptop, on hotel widescreen TVs, in library kiosks, in Starbucks and in Chapters.

* The distinction between "work" and "life" will have continued to dissolve; that said, avatars that pleasantly say "I'm off the grid until about 4:00" to anyone trying to contact you, will have become a signal of sanity.

* Micropayments will have finally become institutionalized (which I first erroneously predicted as a near-future inevitability in 1996 [Google "michael jensen" micropayments]). But by now (2014), tossing a digital dime or a virtual quarter into someone's virtual hat, to access (or reward) something of value, will be trivial and accepted—in fact, the information economy will be turning to depend on these transactions.

* Increasing intersection between gameworlds and other virtual worlds (think frequent flyer miles as viable currency to buy a battle-axe in a medieval massively multiplayer online game) mean that APIs, digital transactions, automated access systems, and currency-neutral pricing models will be normalized.

* A functionally borderless digital environment predominates—in which tribes, communities, groups, causes, and the like wax and wane transnationally, based on brief, or enduring, interests. Think a potentially transitory, virtual association, the SESO, the "Society for the Exploration of Something or Other." These communities accrue link/search collections of resources—for free and potentially for pay—that become "vertical aggregations of the community of knowledge" about the thing they're interested in.

What should a publisher do in such a borderless, ubiquitous, always-on, micropayment world do?

* Design flexible systems that don't depend on a particular format of sale.

* Design niche-based marketing systems that attend to communities of practice and interest.

* Presume that contractual agreements can be arranged which preclude any interruption between interested audience and intellectual content (the only question is who gets what share of what money).

* Engage in every rational vertical market who asks—presuming at least 50% share in digital nickels.

* Resign ourselves to a low price for an ebook (currently “\$9.99” is the sweet spot) compared to a p-book—but make up for it in volume and lower distribution costs.

Let me be clear: we will have to do this AND continue to do what we’ve always done, during this transitional half-decade.

US and Canadian publishers will, in 2014, still be making at least a third of our income from print sales, and probably more than half. But an increasing (and obviously inevitably increasing) proportion of our sales will be digital, through a complicated compilation of micropayment aggregations via multiple vendors, single-chapters-for-a-dime sites, online specialist libraries, Google Libraries subscriptions, direct e-book sales, aggregation e-book sales, and open-access-leading-to-sales systems.

“Export” of Canadian ebooks will be technically trivial five years hence—*if* you’re ready as a publisher. “Ready” presumes that you have 20% to 40% of your entire list (or at least the last 10 years of your list) available in ebook format, and that you are flexible and adventuresome with your e-titles.

Think I’m crazy, or even just mistaken?

Feels like Christmas

Michael Jensen | 11/25/2009

So the Kindle comes to Canada. Finally.

What that means to Canadian publishers is that the toe of their stocking may be squarish this Christmas. And by January they'll have hands-on experience. And by February they'll be wanting to get their books into Kindle format right away.

Amazon Kindle is a tiny market compared to print, but the Kindle is still (for now) the biggest digital marketplace around.

Getting into it is pretty simple, especially for publishers of fiction and other text-heavy books. For anything with tables, graphs, images, or complex typography, wait for a year or two. But for long-form and short-form text, it's worth the investment of a little time and effort.

Surprisingly little.

Amazon provides a [Quick Start guide](#) for publishers—and also provides free code-translation and light editing tools to make it relatively easy for publishers to upload and publish a Kindle-ready publication, particularly if you have anyone on staff who understands HTML.

In a few years, Kindle may be the Laserdisk of ebooks—but that's a few years off. Now's a good time to get your feet wet with a book or two whose rights are clear, and perhaps whose first-blush sales have peaked.

You then can begin to experiment with the expanding export markets (100 non-US countries) as well as the new Canadian market for Kindle publications—and experiment with methods of promoting the Kindle versions, from your own site, your authors' sites, and in other venues.

You'll get hands-on experience, not only with Kindle and its marketplace, but the experience of having a Kindle ebook or two that you can show off to authors and friends.

Smashing

Michael Jensen | 12/04/2009

A recent announcement by Smashwords (www.smashwords.com) of a sales partnering arrangement with Amazon (and B&N, and Sony, and Shortcovers) raises a number of key questions.

Smashwords is a self-publishing and small-publisher-assistance site that uses “affiliate” promotion, and distributes and sells only ebooks. It’s a hands-off intermediary, a “non-publisher publisher,” that presumes authorial promotion and engagement—Smashwords just provides a platform for distribution and sales, somewhat like other “new intermediaries” (like Scribd and others).

For trade publishers, the following explanation from the founder should be food for thought:

“Smashwords pays authors [or publishers] up to 85% of the net proceeds from the sale of their works. Net proceeds to author = (sales price minus PayPal payment processing fees)*.85. Authors receive 70.5% for affiliate sales. Our generous royalties mean if an author has a book they might otherwise publish via a traditional commercial publishers as a \$8.00 mass market paperback with a 40 cent royalty, they could publish the same book at Smashwords as an ebook and earn \$6.45, or 16 times more. Or, they could price their ebook on Smashwords for \$4.00 and make nearly 8 times the per unit amount of selling a traditionally published print book. The economics are equally advantageous for publishers.”

Further:

“It’s free to publish on Smashwords. There are no hidden fees. We earn our revenue by taking a cut of all net sales on the site. The cut is 15% of the net for sales at Smashwords.com or on Stanza, 15% of the net proceeds from our retail partners, and 18.5% for sales that were originated by affiliate marketers. If your book is purchased via one of the major online retailers we distribute to, you can expect your royalty to be approximately 42 percent (or higher) of the suggested list price you determine.”

Currently, then, as a publisher, you could use Smashwords as a distributor to Amazon, Shortcovers, B&N, and others, for very little besides a bit of up-front investment in .epub format. Smashwords eschews Digital Rights Management, though the “partners” could add a DRM envelope.

Thus, by using Smashwords to export and distribute e-versions of your publications, you could point directly to Smashwords from your own website, and get a higher rate of return per sale than via Amazon.

And while that's great (and worth exploring further), Smashwords also is an indicator of a new pressure in the publishing ecosystem: the non-publisher publisher.

As Mark Coker, Smashwords founder, writes elsewhere:

“Any self-published author or small publisher, anywhere in the world, now has the opportunity to instantly publish their book at Smashwords and reach a worldwide audience, and all at no cost.

“In the next few years as ebooks rise to account for an ever-increasing percentage of all book sales, more and more authors—including big name authors—will starting asking themselves, ‘What can a publisher do for me that I can't do for myself?’”

What a publisher can “do” is selective acquisition, promotion/marketing, quality assurance, and much more, of course. But especially with the organizational “partnerships” being made between digital players, and the substantially higher royalties paid directly to authors, for trade publishing in particular, Smashwords represents a new kind of competitor, appealing directly to authors (meanwhile Amazon is promoting a similar author-publishes service as well).

Should we be taking advantage of this opportunity, by using these “non-publisher publishers” as e-book resellers—or should we do our best to delegitimize this threat by treating it as “self-publishing,” and avoid conferring status to them by listing “real” publishers' work on them?

Your answer to that question will vary depending on how you publish, what you publish, and what your publishing mission is—but regardless, “non-publisher publishers” are venues to watch.

New Year's Resolution: Re-read These Articles

Michael Jensen | 01/04/2010

As I reflect on 2009's events in e-book publishing—the release of Android, the rise of the handheld user experience, the next iteration of the Kindle (and the competitor Nook), the establishment of .epub as the de facto open e-book standard, the decline of newspapers, the dominant rise of Facebook, the explosion of strategies to attempt to control the releases of e-

books (delayed, simultaneous, and pre-press), the attempts to control access through Digital Rights Management regimes, the continuing confusion and consternation over Google Book Search, Amazon's Big Brother-like intrusion into *1984*-holding Kindles across the US, the shifts in user habits seemingly inexorably toward brief distractions rather than deep dives into immersive experience—I'm somewhat astonished.

E-books became for the first time more substantial than print for a major publisher (O'Reilly), late in the year. Amazon reported bigger e-book sales than p-book sales in the few days before Christmas.

Much humming and humbugging was made about data points, advances, and what they did or didn't signify... there was much sound and fury, perhaps signifying something (but nobody's sure just what, yet).

Sometimes change simply signifies change. We have yet to see what the landscape will be for book publishers—because the book-publishing (and book-exporting) ecosystem is still exceedingly unsettled. Will it settle in 2010? I suspect not.

Instead, 2010 will see continuing experimentation, exploration/ exploitation of new markets, and attempts to retain old markets. Being willing to experiment is the only way to stay with the waves of change.

2010 will be an interesting year—and thoughtful perspectives will likely often be drowned out by breathless next-now-next reportage.

Here are a few key articles that can help with developing “thoughtful perspective,” well worth rereading. If you haven't read these yet, they're a great way to start the year—pertinent to the future of publishing either directly or indirectly:

A smart, canny, nuanced analysis of ebooks as a cultural artifact, with imperatives of their own:

Wall Street Journal:

How the E-Book Will Change the Way We Read and Write by Steven Johnson

<http://online.wsj.com/article/SB123980920727621353.html>

Two of the most influential and connected members of the new media environment, on the megatrends of the Web and society. These themes are what we as publishers must compete with, as well as work within:

Tim O'Reilly and John Batelle

Web Squared: Web 2.0 Five Years On

<http://www.web2summit.com/web2009/public/schedule/detail/10194>

And finally, Canada's digital conscience, Cory Doctorow, in his seminal presentation to Microsoft Research on Digital Rights Management. Five years old, and still fresh and pertinent, true, and pretty much undeniable:

<http://craphound.com/msftdrm.txt>

On iPads and Tablets

Michael Jensen | 02/23/2010

The US is all a-buzz about Apple's iPads, and about What It All Means.

What it all means is both small and huge.

On the one hand, tablets may become the perfect reading device—with processor smarts, page-turning grace, color, multimedia capabilities, likely (eventual) 3-D display capabilities, and an Amazon-Killer App with a business model, the iBookstore or other ebook stores, thrown in.

Yet that's the small meaning.

The larger meaning has to do with a transformation of technology into consumer commodity. Steve Jobs didn't talk about the gigahertz, about pixels, about storage. He didn't announce a new operating system, or the implementation of Apple's new chip, or the SDK or the API.

Instead, it was about coolness, and sexiness, and a lush reading experience.

Of course it also means that Apple is trying to define the landscape of the next few years, and that they're asserting that their vision of computing is the right one. Whether it works or not will

be seen around Christmas, 2010... but regardless, what Apple has done is frame the discussion, and massively raised the profile, of digital publishing, simply by bringing out a cool, sexy bit of proprietary hardware that is not about the hardware, but about the experience.

This first iPad version is a placeholder—the even better versions will be released rapidly, by Apple and others, with cameras, multitasking, phone, and 3-D videoconferencing, over the next year or two.

But Apple has made the digital-product experience luscious, and attractive—which is likely to be good for most quality publishing.

Watching to see the uptake of this mode of invisible, nongeeky computing, and the iBookstore in particular, may indicate how rapidly we need to ramp up our ebook offerings for export to the world market.

Hands-on with .epub

Michael Jensen | 02/24/2010

I recently constructed an .epub eBook using free tools, to see how it would work—how easy it might be, how attractive I might make it, how the more-complicated typographic elements of the Web (right-align callouts, tables, divs) might be represented in the .epub ebook format.

InDesign, and a few other professional typesetting/formatting systems can produce simple ebooks fairly easily, but I wanted to understand a bit more deeply what it entailed, hands-on.

The first time doing anything is the hardest, of course, and while I'd overseen the production of ebooks, I'd not gotten in with nuts, code, and bits for years. I tried out a number of awkward free systems, and built my own files from scratch.

So far, the best tool right now for experimenting with ebooks is probably Calibre—an opensource and free ebook management (but not editing) system.

Calibre reads many file formats, and can also export many formats—which means you can take a well-formed HTML file, read it into the system, add metadata to it, view it within the

(forgiving) Calibre reading software, and then save as an .epub format file, one functionally ready for pulling into an ebook reader.

I say “functionally” because ebook-reading software (not the format itself) is at a similar stage of development to what browsers were back in 2000—when Netscape displayed the same Web page differently from Internet Explorer, or other internet browsers.

Today, the same file that renders well in Calibre or Adobe Editions may not render well in a Sony Reader, or on an iPod with Stanza. Text-wraps around pictures, for example, don't translate, nor do most typographic niceties. I tried a variety of experiments to test the boundaries.

With the .epub I was producing, I ended up having to rethink how to represent the pictures-and-captions that littered the text, even to the extent of moving their placement, in order to achieve a sort of lowest-common-denominator, very-simple linear presentation—a poor cousin to the print experience.

That will evolve, of course—ebook reader software will improve, and become more consistent across devices—but for now, as you experiment with digital export, choose a few straightforward texts, get someone on staff to experiment with Calibre, and then try reading it into whatever ebook reader and software that you have available.

Lowest common denominator simplifying may not be optimal, but at least you won't have grumpy customers.

The iPad – now, with marketing!

Michael Jensen | 03/12/2010

Now that Apple is launching promotional marketing for the iPad, not merely getting the hundreds of millions of dollars of free advertising generated by its well-honed media hype system, I'm changing my tune a bit—on the iPad specifically, and on the iPad within the tablet arena.

Apple's 25-second ad, first shown during the Oscar broadcast (<http://www.apple.com/ipad/gallery/#hardware06>) made me want the iPad in a way that Steve Jobs, and the breathless reportage of the much-vaunted announcement, simply didn't. The ad is fabulous propaganda, which Apple does better than anyone.

The other tablet manufacturers, interface providers, and business-model participants will have some real difficulty competing with an integrated device such as the iPad, but even more, will have trouble competing on desirability. What the ad communicated was the seeming consistency, as well as the breadth, of its information-engagement touchscreen interface.

Another tablet may have a quality Web browsing experience, but won't have the iBookstore; another tablet may have a great touchscreen experience, but won't have the ability to have an App store; another tablet may have Google Book Search built-in, but won't have Mac-like email and scheduling.

The integrated package means that we, as publishers, will need to take the iPad and iBookstore very seriously (as Amazon, Google, Microsoft, and others will or should).

I suspect, as Apple rolls out its iPad in the States and in Canada (in April, they promise), that the iBookstore market, by Q4 2010, will be a growing, vibrant one. If the iPhone is any indication, iPad owners will be comparing the books they have on their iBookshelf, and buying books from the iBookstore just to have them.

Please note: Apple's iBookstore will only accept ebooks in .epub format, not PDF—so now is a good time to be initiating your .epub experiments.

Will Tablets Rule?

Michael Jensen | 03/15/2010

The answer is, not in 2010—but possibly by 2011, and likely by 2012.

I'm a longstanding, hardcore laptop user whose first, twenty years ago, was a two-floppy no-hard-drive Toshiba. I probably won't be one of the "tablet majority" ... except on plane flights, or except when I'm having a videochat with a colleague, or except when I'm reading a long ebook.

I expect to have a laptop (for my serious writing, serious email, serious programming, serious work), as *well* as a tablet (for most of my other digital engagement).

In the States, it's not just the geeky early adopters who will go for the tablets. In fact, for geeks, they're not optimal tools. But Apple, Microsoft, HP, Google, and other manufacturers hustling onto the tablet bandwagon, will be promoting tablets not as Microsoft Office machines (though they will function for that); not as database-entry devices (though, in a pinch, they'll also function for that).

Instead, the promotion is going to be for entertainment, enjoyment, and interaction. The tablets will be promoted for chatting with your kids or grandkids from 2000 km away, and watching their videos. For tweeting about something you just saw on the tablet. For drawing, annotating, mapping, photo-ing, audio-bookings, and (more to the point) for reading.

That promotion will encourage a relationship with the device—one that is very different from the clumsiness of a laptop, and that is more akin to the friendly, cuddly warmth people feel toward their iPhones.

If Canadian publishers' books are absent from that environment, we'll disappear from many markets, because other forms of distraction and enlightenment will replace what we do. When an existing niche is sparsely filled, after all, it gets filled by other things.

In the big media markets of the US, the tablets will rule the kingdom of onscreen reading—not as a tyranny, but as a preference, and in addition to other “work” devices.

E and P, together

[Michael Jensen](#) | 03/22/2010

The publishers who are able to sell directly to customers—which is a small proportion—are also able to sell “bundles”: get the digital ebook (E) *and* the print (P). For many of those publishers, the bundles sell better than either E or P.

Part of it is the ease of add-on: “For an extra 10%, you can have the digital form, too.” Another part is the pleasurable immediacy of getting the digital instantly, while knowing that the “real” print version is coming.

So far, I know of no instance of someone cancelling a print order after placing an order for a bundle and receiving a digital file. The publishers who sell bundles—O'Reilly, my own National Academies Press, and others—soon discover that the bundle is often the preferred mode, sometimes outselling either option even combined.

Selling a “bundle” presupposes, of course, that a Canadian publisher could sell directly to a US customer from their own website—something that few currently do. That market niche is worth exploring in other venues, however, by expressing your desire for bundle sales from any distributor who enables individual sales.

As I've said elsewhere, finding ways to "upsell"—even upselling something that just adds a wee premium to an existing premium product—is a big part of finding ways to stay solvent in the new information-abundant society.

Evolutions and Revolutions

Michael Jensen | 03/29/2010

As some of you know, I teach graduate courses at George Washington University's Master's in Publishing program, and have for years. Watching the cohorts entering the program, and seeing how they've changed, has become a social experiment of its own, for me.

The class this year was team-taught. In the first class, a colleague of mine and I overviewed the "Big Ideas" that we'd be covering in this "Fundamentals of Electronic Publishing" course, among them:

- It's the content not the container
- Disintermediation/Decentralization
- The end of tyranny of time and space
- Scarcity vs. abundance
- Value-add through structure and metadata
- Changes of channels Programmable "smart" content
- Changes in user expectations
- Dominance of "standards"

In the second class, I was outlining the changes in the world of publishing of the last 25 years: of going from an information economy of scarcity to one of abundance; from one of defined "channels" to one of interconnected communities; from a rich, biodiverse world of independent bookstores to a virtual monoculture of Barnes & Noble and a threatened Borders; from a robust library economy to one where the entire Philadelphia library system might have closed because of the mayor's "Plan C" budget in harsh economic times; from a "turn it on" relationship to technology, to an "always on" relationship to technology.

One of my students raised his hand and asked an important question: is this an evolution or a revolution?

My answer at the time was fairly instant: this is a revolution, because it no longer plays by the rules of its predecessor paradigm.

And in revolutions, the old paradigms get washed away.

I told the story of my multiple visits to Prague, post-Revolution, from 1990-1994, helping publishers understand what (at the time) was “the digital revolution”: desktop computers.

What I saw in 1990 in Czechoslovakia was a well-subsidized publishing culture that produced a rich publishing and reading popular culture.

A variety of visible and invisible translation, print run, distribution, or office expense subsidies made the process of publishing very cheap. In 1990, just about every hardhat and shopkeeper and working human I saw on the tram, the metro, the bus stops, was reading a book. Books were cheap and plentiful.

That was operating on a small-language-nation, social-subsidy publishing paradigm.

Subsidies for Czech publishing, because of its small market, was seen by the state to be required, to maintain high national literacy and intellectual vigor.

Naive, robust neo-capitalism changed that. By 1993 and 1994, publishing subsidies had disappeared in all sectors.

And by 1995, a book resided in the hands of only around 10% of the people I saw on the tram, the subway, the bus stop.

It's a lesson I've taken to heart (and written about elsewhere): that revolutions—whether political, cultural, or technological—have unexpected consequences, and that it's up to us to try to aim them in the best directions. That social goods which we've come to expect, aren't necessarily givens. And that four to five years can radically disrupt particular markets.

After the class, I was chatting with my co-instructor, who comes from the hypercommercial publishing sector. He said to me: “What you say about small language markets requiring subsidies makes sense, but in the English marketplace? What would subsidies subsidize? Who really cares if a publisher goes out of business? The cream will always rise to the top one way or another, after all, right?”

He was talking about a publishing revolution within a cultural revolution—which once started, iterates into some sort of weird fractal system of evolutions happening within revolutions,

which ends up... looking a lot like the workings of an ecosystem. Evolutionary pressures within a changing environment, in the end.

So maybe it's evolutionary after all, not "merely" a revolution. *Some* of the old rules still apply: know your audience, know your market, promote to the interested, ensure high quality, follow your mission.

To get philosophical: every day's weather pattern is a revolution (not following the patterns of the previous day) of temperature, wind, sun, rain... which occurs within a season that may be a tiny revolution of its own, within a year that is likely unlike any other in recent biological memory....

But flora and fauna evolve and prosper within that ever-changing, but pattern-persistent, ecosystem, especially if they're resilient and flexible.

Thus, our jobs as publishers is to be sure we build genetic resilience into our DNA, so that we can survive revolution after evolution after revolution, within the patterns of the changing cultural, political, economic, and technical ecosystem.

Conclusion

The six months covered by this blog may seem to those who avidly follow the development of digital markets to have been relatively uneventful in the UK. However, although most of the digital action has been in North America rather than in Europe, we have seen some critical changes in the landscape for books: the emphasis moving away from Kindle and other e-reading devices, now it seems largely commoditised, and a growing acceptance that multifunctional devices such as smartphones or the iPad are the way digital consumption is moving; seismic upheavals in the UK retail sector; the arrival of Apple as a potentially significant player in the future. What we have not seen here is spectacular growth in e-reading as an alternative to book-reading. We have not seen any sign of payback for publishers; nor have we seen much in the way of dramatic publishing initiatives. With hard times still here and still ahead, one wonders whether the industry is beginning to tire of its new toy.