

For more information contact WIPO at www.wipo.int

World Intellectual Property Organization

34, chemin des Colombettes
P.O. Box 18
CH-1211 Geneva 20
Switzerland

Telephone:
+4122 338 91 11
Fax:
+4122 733 54 28



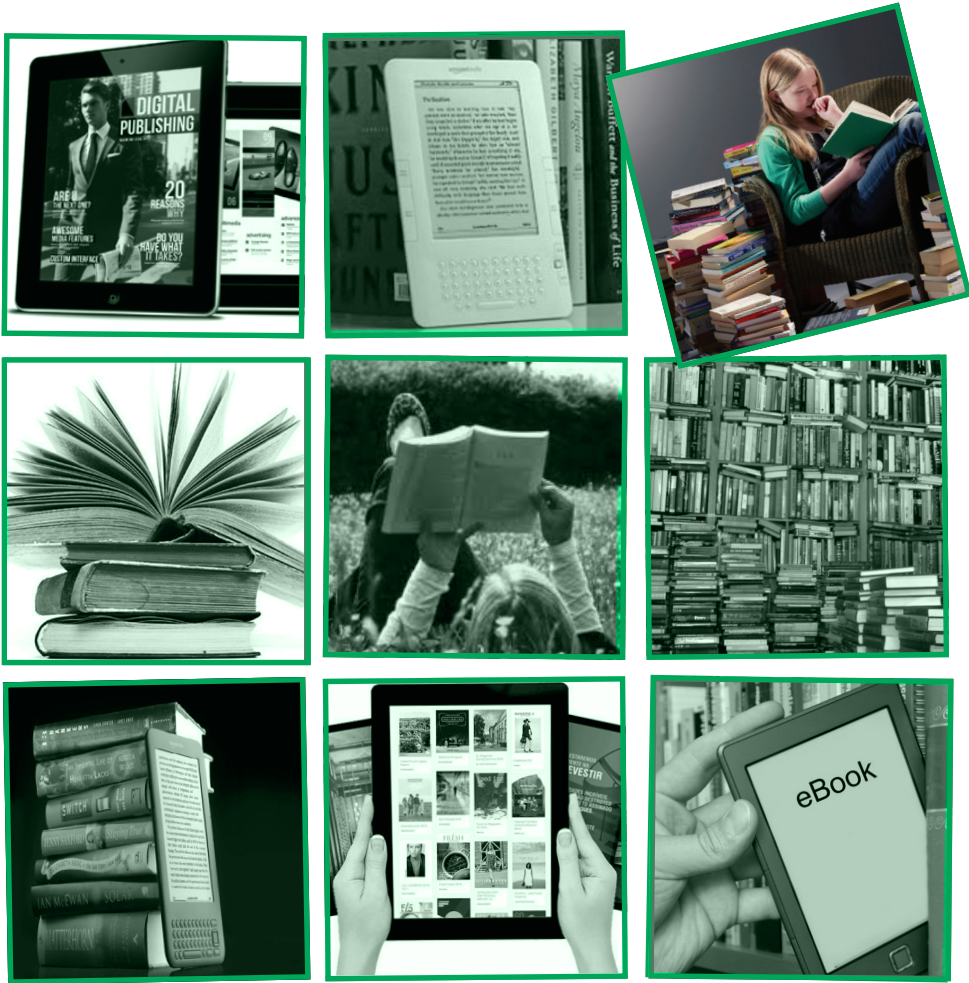
FROM PAPER TO PLATFORM

Publishing, Intellectual Property and the Digital Revolution

BY JENS BAMMEL

*Advance copy for the High-Level Regional
Conference on the Publishing Industry in Africa
and its Role in Education and Economic Growth,
Yaoundé, November 22-23, 2017*

CREATIVE INDUSTRIES No 9



FROM PAPER TO PLATFORM

PUBLISHING, INTELLECTUAL PROPERTY AND
THE DIGITAL REVOLUTION

by Jens Bammel

Creative Industries No. 9



TABLE OF CONTENTS

1.	PREFACE	5
1.1	Literacy, publishing, and public policy	5
2.	OBJECTIVE OF THIS PUBLICATION	9
3.	THE GLOBAL PUBLISHING INDUSTRY	17
3.1	An introduction to the global publishing industry	17
3.1.1	Global publishing at a glance	17
3.1.2	The consumer sector	21
3.1.3	The educational sector	22
3.1.4	The scholarly and professional sector	25
3.2	Global publishing markets	26
3.2.1	United States of America: the world's leading publishing market	26
3.2.2	The European Union: a diverse single market	28
3.2.3	Key Asian markets	30
3.2.4	Emerging markets	32
3.3	The international trade in rights and translations	34
4.	WHAT DRIVES DIGITAL MIGRATION IN PUBLISHING?	36
4.1	Socioeconomic, cultural and political drivers	36
4.2	The ultimate driver: consumer choice	38
4.3	Drivers of digital migration of consumer publishing	40
4.4	Drivers of digital migration in educational publishing	41
4.4.1	Digital educational publishing strategies	43
4.4.2	Publisher reaction to digital migration	44
4.4.3	Virtual learning environments, apps and MOOCs	45
4.4.4	Textbooks in tertiary education	45
4.4.5	Drivers of digital migration in scholarly and professional publishing	46
5.	THE BUSINESS OF PUBLISHING IN THE DIGITAL ENVIRONMENT	49
5.1	Introduction: publishing and the digital environment	49
5.2	The traditional publishing value chain	49
5.2.1	Consumer publishing	49
5.2.2	Educational publishing	50
5.2.3	Scholarly publishing	51

5.3	Publishing value chains on the Internet	52
5.3.1	The traditional value chain goes digital	53
5.3.2	Dis-intermediation and re-intermediation	56
5.4	Pricing and new business models	60
5.4.1	Writers sharing their content for free	64
5.4.2	Sponsored content	65
5.4.3	Crowdfunding of books	66
5.4.4	Subscription and temporary licensing	67
5.5	Open-access and “free” content	68
5.5.1	Advertising-supported publishing	68
6.	MANAGING RIGHTS IN THE DIGITAL ENVIRONMENT	71
6.1	Copyright and the Internet	71
6.2	Relevant digital rights	73
6.3	New digital copyright challenges	74
6.3.1	Digital rights and the author-publisher relationship	74
6.3.2	Licensing print and digital rights	76
6.3.3	Licensing global rights	77
6.3.4	Agreements for self-publishing authors	78
6.4	Public domain, free, and orphan works	78
6.5	Managing Digital Rights	79
6.6	Blockchain and Digital Rights Management	80
6.7	Collective licensing	81
7.	PIRACY AND DIGITAL PUBLISHING	83
7.1	Anti-piracy strategies	85
7.1.1	Fighting online piracy	86
8.	CONCLUSION	89
8.1	Public policy checklist to enable digital migration	90
8.2	Author /Publisher Digital Strategy checklist	93
9.	ANNEX	94
9.1	Acknowledgements	94
9.2	A Note on the statistics and data used in this publication	94
9.3	About the Author	95



1. PREFACE

1.1 Literacy, publishing, and public policy

The history of human civilization begins with storytelling. Since mankind developed language, humans have been telling tales, sharing ideas and passing on knowledge, thereby establishing societies that transcend local tribes¹. The development of writing systems has enabled information to be shared more accurately and on a greater scale than ever before with future generations and other societies and nations, laying the foundations for modern-day culture, science and economics.

The history of ideas is inextricably linked to the history of the written word, from the first known written records dating back to the rise of civilizations in Mesoamerica and Mesopotamia around 3500 BCE² to the books that underpinned the spread of monotheistic religions; block printing in sixth century China; Gutenberg's movable metal type printing presses that brought the ideas of the Enlightenment to the broader public; and the revolutions of the modern era.³

The scientific revolution and the development of the printing press in the 15th century gave rise to publishing as a profession. Initially, publishers were printers and booksellers. Soon, though, they began commissioning talented or popular writers, paying them advances and organizing subscriptions to finance print runs ahead of completion. While printing and publishing have traditionally been closely related – and to this day are considered by some to be one and the same profession – publishing has developed into a core skill set for the book industry and other creative sectors such as music, film, software and gaming.

Since the 15th century, technology, public policy and behavior have repeatedly revolutionized the publishing industries. Printing and rotary presses, cheap paper and other advancements have turned books into mass products. Copyright laws, fixed pricing, censorship and government procurement, among many other policies, have shaped national book markets. Meanwhile, improved postal services, commercial libraries, international book fairs, book clubs, mail-order services and countless other innovations have made publishing the largest creative industry of our time.

The mighty publishing industry is now under threat from the digital revolution which, rather than giving precedence to any particular creative industry, is blurring the lines between text, audiovisual and sound recordings. The emergence and

¹ See *Sapiens: A Brief History of Humankind*, by Yuval Noah Harari, 2011.

² See <http://www.ancient.eu/writing/>.

³ See <https://www.britannica.com/topic/publishing>.

growing pervasiveness of the Internet have not made literacy and reading any less important. Indeed, promoting books and reading has continued to be an important global public policy objective in the early 21st century. Before delving into the effects of the digital revolution on the book culture and economy, it would be useful to note why this is.

Research has established a strong link between regular reading on the one hand and, on the other, a higher level of education, higher income, greater civic engagement and higher likelihood to vote.⁴ Studies conducted by the Organization for Economic Cooperation and Development (OECD) have shown that engaged reading is more important to academic success than socioeconomic background.⁵ Moreover, the World Bank sees textbook provision as the most effective way to strengthen education.⁶ Based on premises such as these, in 2003 the United Nations launched the United Nations Literacy Decade⁷ to extend literacy to illiterate adults and children out of school around the world.

The value of literacy and reading translate into valuable digital skills: research shows that good readers make skilled navigators of the digital environment. Test scores for “paper” literacy are also reliable indicators of test scores for digital literacy.⁸ So, while technology may have changed, literacy and reading remain important and should be reflected in national development objectives. In other words, books, reading and the publishing industry continue to be central to cultural, economic and social development.

United Nations initiatives have paid dividends: at the end of the Literacy Decade, the global literacy rate had surpassed 84 per cent for adults and 89 per cent for young people,⁹ strengthening the resolve of the global community to continue its efforts. In adopting the Sustainable Development Goals, which entered into force on January 1, 2016, United Nations Member States committed to achieving full youth literacy by 2030.¹⁰ This means lifting out of illiteracy more than 123 million young people, over 60 per cent of whom are female.

⁴ See p. 19 of “To Read or Not To Read A Question of National Consequence”, NEA research report #47: <https://www.arts.gov/sites/default/files/ToRead.pdf>.

⁵ See „Reading for Change, Performance and Engagement Across Countries”, OECD, 2002, available at <http://www.oecd.org/edu/school/programmeforinternationalstudentassessmentpisa/33690904.pdf>.

⁶ See <http://documents.worldbank.org/curated/en/111011468162550538/pdf/391570educatio1eterminants01PUBLIC1.pdf> and more recently: UK Department of Education: Research evidence on reading for pleasure, Education standards research team, May 2012, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284286/reading_for_pleasure.pdf

⁷ <http://www.un-documents.net/a54r122.htm>.

⁸ OECD (2015), Students, Computers and Learning: Making the Connection, PISA, OECD Publishing. <http://dx.doi.org/10.1787/9789264239555-en> Page 94.

⁹ See <http://www.globalgoals.org/global-goals/quality-education/>.

¹⁰ See <http://www.globalgoals.org/global-goals/quality-education/>.



The importance of copyright as a basis for business models in the publishing industry also remains unchanged and has long been recognized by the World Intellectual Property Organization. The Berne Convention, WIPO Copyright Treaty and other agreements all take special care to ensure that copyright incentivizes authors and publishers to invest into the creation of literary and other works. Most recently, the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled emphasized “the importance of copyright protection as an incentive and reward for literary and artistic creations and of enhancing opportunities for everyone [...] to participate in the cultural life of the community, to enjoy the arts and to share scientific progress and its benefits”¹¹.

While copyright protection remains the bedrock of publishing industries, digital technology is disrupting the status quo by enabling authors to find readers via new media and devices and to communicate differently and more interactively. Because of the Internet, some of the more traditional players in the publishing industry – dissertation and directory publishers and subscription agents – have all but disappeared or been forced to drastically change their business models. Bookshops now have an online presence, libraries are competing with search engines and publishers are having to embrace new media and adopt new business models to survive. A number of conventional intermediaries have been replaced by innovative companies providing ground-breaking skills and services.

Fostering the development of a national book and reading culture – for example, through the involvement of local professional writers and publishers – requires some understanding of how the sector works and is impacted by the digital revolution. While the entire publishing industry has changed dramatically, different parts of the industry have been impacted in different ways. The prediction that in five, 10 or 15 years nobody would be reading or writing on paper¹² has not come true. It remains an open question whether it ever will.

Another pertinent question is why the publishing industry has been so slow to establish itself in a number of developing and emerging economies. To some extent, the answer lies in public policy: the publishing industry and its vast ecosystem of authors, publishers, bookshops, technology providers, libraries and intermediaries are highly dependent on sound public policy. Import tariffs on paper, copyright laws and their enforcement, duties (such as value-added or general sales tax) on books and a range of national laws and international

¹¹ http://www.wipo.int/wipolex/en/treaties/text.jsp?file_id=301016www.wipo.int/wipolex/en/treaties/text.jsp?file_id=301016.

¹² see for example <https://techcrunch.com/2010/08/06/physical-book-dead/>; <http://www.nytimes.com/2012/08/12/books/review/the-death-of-the-book-through-the-ages.html>.

agreements directly affect the sustainability of national publishing industries. Subsidies for public and school libraries increase the availability of books while literacy programs incites greater interest in them. National policies can strengthen local publishing, particularly textbook publishing, and prevent markets from being dominated by international publishers. Domestic publishing is especially advantageous to developing countries because it facilitates the supply of culturally relevant textbooks adapted to local requirements.

This publication is intended to help policymakers, especially those in countries interested in promoting local publishing, to better understand the industry and how copyright and other policies impact the way in which books are being created, published and consumed.



2. OBJECTIVE OF THIS PUBLICATION

The digital revolution has not merely upgraded the technology we use: it has given people access to exponentially more sources of information, learning and entertainment. It has also empowered them to interact with creators, businesses and peers in new ways, anywhere in the world.

For creative industries, the digital revolution has changed more than just the devices and media through which we consume “content” – the contemporary generic term for all cultural works on the Internet. It has created new reading habits, changed perceptions of content value, set new expectations as to speed and veracity of publication and engendered a sense of entitlement to share content without restrictions. These new behaviors have destroyed some business models and facilitated others. They have created new industry giants and swept away others that were unable to adapt.

The impact of the digital revolution on the book publishing industry has not been uniform. Some parts of the industry continue to embrace paper, as do many readers. Other parts of the industry are at the cutting edge of the information revolution and have driven the development of new technologies or quickly adapted to recent opportunities.

The first publication on copyright and book publishing by the World Intellectual Property Organization (WIPO) was *Managing Intellectual Property in the Book Publishing Industry*.¹³ To the extent that it continues to provide a very practical guide to copyright principles and licensing agreements, it has stood the test of time. That said, it was written at a time when the full impact of the digital revolution on the book industry was not yet known.

This publication will focus on the strategic challenges that the digital revolution has posed for what is traditionally referred to as the “book industry”, i.e., the sectors that publish: consumer books; textbooks for primary, secondary and tertiary education; and academic materials such as scientific journals and monographs. This definition is limited in the sense that it excludes those parts of the industry that publish databases, online courses, games, websites, newspapers, newsletters and professional, consumer or customer magazines. However, covering more than the three sectors outlined above would make this publication unwieldy and less useful to those interested in the traditional core business of publishing: to tell stories, to provide teachers with educational tools and to record and publish official scientific records.

¹³ <http://www.wipo.int/publications/en/details.jsp?id=255>

The intention of this publication is also to help forward-thinking authors, publishers and policymakers, especially those in developing countries, to understand the strategic challenges that they face and to gain a general insight into the choices made by their counterparts in other countries.

In this era of dynamic change, any report on digital issues is liable to struggle to give an account of the status quo. Given the range of advancements made in different countries, this report provides only snapshots. It most certainly does not predict future developments. New technologies may be around the corner that will dramatically change the publishing landscape. Digital markets around the world also vary greatly and sectors that may appear very similar are affected differently by digital changes.

Change is constant and digital technology drives the societal changes that shape the future of the publishing industry. This publication will examine the market factors, trends and policy drivers facing all authors, publishers and policymakers. Whereas all players need to evaluate the same drivers of change, individual authors, publishers and policymakers must draw on evidence and personal experience to reach their own conclusions. However, they should bear in mind the economic and political cost of delaying important decisions in this industry.

The two examples below illustrate how the digital revolution affects publishing in different sectors at different times.

Digital revolution case study no. 1: Encyclopedia Britannica

No publication illustrates the dramatic change in publishing better than the Encyclopedia Britannica, the English-language general reference work with the longest continuous publishing history.

The first edition of the world-famous Encyclopedia Britannica was published in Scotland in 1768. It aspired to bring together all of the world's knowledge into a single publication. Its name was a reference to Diderot's ground-breaking *Encyclopédie*, published only a few years earlier.

Owing to the care and attention given to each entry, editions were slow and expensive to produce. It took three years for all three books of the first edition to be published and approximately 3,000 copies were sold. The second edition had 10 volumes and took seven years to be published. Over the centuries, new editions expanded with the growth in knowledge that needed to be covered. The 15th edition, which was published from 1974 onwards, had 30 volumes and



has been revised annually. At its peak, in 1990, the Encyclopedia Britannica sold more than 120,000 copies.¹⁴

Then the digital revolution struck. Six years later, with fewer than 40,000 copies sold, amidst rumors of financial difficulty, the Encyclopedia Britannica was sold to an international investor. In 2010, the company announced that its revised 15th edition, which had sold 8,500 copies in total, would be its last print edition.

It would be wrong to say that the publishers of the Encyclopedia Britannica had not recognized the need to adapt to digital changes. At the time, the final print edition of Encyclopedia Britannica was sold for 1,395 US dollars while the online version could be purchased at an annual cost of 70 US dollars.

Encyclopedia Britannica had not only developed its digital production: it was also offering digital versions quite early. The first CD-ROM was published in 1994 and subscription-based online products were also developed in the 1990s. The publishers even experimented with a free online version in the late 1990s.¹⁵

Since its purchase by investors, the company that owns Encyclopedia Britannica has adapted its business strategy. It has reinvented Encyclopedia Britannica as a high-quality, curated reference publisher with a range of paper and digital products.

The dramatic collapse of print sales reflects a change in audience and the business model. An ever-growing number of people connect to the Internet. Wikipedia has become a universal starting-point for research and referencing, despite its clear and inherent shortcomings. This has left niches for other reference publishers, many of which continue to earn well from the publication of online and offline reference works.

Nowadays Encyclopedia Britannica has been transformed from a single, print-based publication into a multi-faceted publishing company that mixes and divides its content to create a varied portfolio of products.¹⁶ It offers encyclopedias, dictionaries and other books targeting different audiences, at times using Britannica-related brands, at other times publishing under other brand names such as Merriam-Webster. Printed books, DVDs and online subscriptions are aimed at schools, journalists, English-learners and public libraries. There are products that focus on academic subjects or provide images from a range of collections. A visit to the publisher-owned online shop (<http://store.britannica.com/>) and corporate website (<https://www.britannica.com/>) shows that this

¹⁴ <http://www.telegraph.co.uk/culture/books/9142412/Encyclopaedia-Britannica-stops-printing-after-more-than-200-years.html>.

¹⁵ For more background, see http://www.hbs.edu/faculty/Publication%20Files/Reference%20Wars%20-%20Greenstein_6c4ac193-51eb-4758-a5a6-a4c412261411.pdf.

¹⁶ See <http://corporate.britannica.com/about/today/>.

company is stretching itself to find new niches and audiences that recognize the brand's core value: curated knowledge.

Encyclopedia Britannica uses its powerful brand to offer a range of apps, online services and publications on seven different websites, each targeting different countries or regions. Other brands, such as the Merriam-Webster dictionary and Spanish Central, are added to the portfolio. The brand is extended to include Britannica Kids, Britannica Escola and Britannica Digital Learning. Publications International is licensed to print a six-book Encyclopedia Britannica Interactive Science Library targeted at schools.¹⁷

Michael Ross, Senior Vice President of Encyclopedia Britannica, summarizes his company's experience as follows: "Find your value proposition. If you don't have a value proposition that is separate from a format, particularly if that format gets made obsolete, then you are in trouble."¹⁸

¹⁷ See www.britannica.com.

¹⁸ See interview at <http://www.cbronline.com/news/cloud/private/encyclopaedia-britannica-how-a-print-company-embraced-disruptive-innovation-in-publishing-4898586>.



Objective of this publication

13

Encyclopædia Britannica;

OR, A

DICTIONARY

OF

A R T S and S C I E N C E S,

COMPILED UPON A NEW PLAN.

IN WHICH

The different SCIENCES and ARTS are digested into
distinct Treatises or Systems;

A N D

The various TECHNICAL TERMS, &c. are explained as they occur
in the order of the Alphabet.

ILLUSTRATED WITH ONE HUNDRED AND SIXTY COPPERPLATES.

By a SOCIETY of GENTLEMEN in SCOTLAND.

IN THREE VOLUMES.

VOL. I.

EDINBURGH:

Printed for A. BELL and C. MACFARQUHAR;

And sold by COLIN MACFARQUHAR, at his Printing-office, Nicolson-street.

M.DCC.LXXI.

Digital revolution case study 2: online literature in China

The digital revolution can also create entire new sectors and business models. The phenomenon of online literature in China is a prime example. In China, traditional publishing is highly regulated: only a small number of publishers are licensed. In combination with the scourge of widespread piracy in digital publishing in the 1990s, this reduced the appetite of Chinese trade publishers for developing the digital marketplace.

While traditional publishers have been slow to publish e-books and offer them through online bookshops, since 2003 Chinese online literature websites such as www.qidian.com have invited hobby writers to post their stories. To prevent piracy, many stories are serialized and gradually released chapter by chapter. Readers pay a small subscription fee to access the site and read new chapters while writers receive a share of that fee proportionate to their popularity.

This new method of creating and sharing stories has since developed into a cultural phenomenon, an economic engine and multi-faceted business model in its own right. Popular genres include fantasy and romance.

The growth of such online reading communities has propelled several writers to great fame and wealth. In 2016, Zhang Wei – writing under the pen name Tang Jia San Shao – was reported to be the first online author to have earned an annual income of 110 million yuan (16.8 million US dollars), on the basis of both subscriptions and license fees for the adaptation of storylines, characters and other elements of IP into television series, films, video games and branded merchandise.¹⁹ As a result of such developments, awareness of IP rights over original content is growing in China.²⁰

Excerpts from an interview with Zhang Wei²¹

Interviewer: You've been China's top-earning online fiction writer for four years in a row. What's your secret?

Zhang Wei: The list takes into account a lot of royalty income, including internet serials, publications, film, television, and games. I've never looked deeply into it, but I reckon I get a similar amount of income from each source. Over the years, the only thing I've aimed to do is update my work every day, and make sure that readers can see my work every day. What we have now is the result of more than a decade's worth of hardship. I'm one of the fastest writers in this field –

¹⁹ <http://www.sixthtone.com/news/qa-author-zhang-wei-chinas-internet-literature>.

²⁰ <http://www.nytimes.com/2016/11/01/world/asia/china-online-literature-zhang-wei.html>.

²¹ Full interview at <http://www.sixthtone.com/news/qa-author-zhang-wei-chinas-internet-literature>.



every day on average I churn out up to 8,000 Chinese characters [equivalent to around 5,000 English words].

Interviewer: How do you write so fast?

Zhang Wei: That's a tough question to answer. All I can say is I'm gifted. The more I write, the more experienced I become. I strengthen my grasp on the words, the plot, and the content. I become better at expressing my intentions.

Interviewer: How do you maintain your relationship with your readers as an Internet writer?

Zhang Wei: My readers generally range from to 25 years old. To me they are like friends, family. They are so important to me. I spend far more time with them than I do with my family. Support in the very beginning from them was the force that kept me going. If a writer expects loyalty from their readers, they must first be loyal to their readers. My team organizes a lot of interactive events with fans on platforms such as microblogging platform Weibo, messaging app WeChat and Baidu's forum community Tieba. These interactions are important because they allow me to hear what readers are thinking and allow readers to know what I am thinking, what we are doing.

Interviewer: Some critics have said that your stories are formulaic and lack literary value. How do you respond to that?

Zhang Wei: All writers have their own styles and writing methods. In my opinion, Internet fiction is the simplest form of spiritual enjoyment accessible to the general public. My readers come from all walks of life and read Internet fiction to relax in their spare time. All I am providing is a form of entertainment. I don't demand that readers remember me, or that they remember the content of every story, as long as they enjoy my novels and get happiness from them. The critics are making a mountain out of a molehill.

Interviewer: Where then does the value of Internet fiction lie? What's its main difference from traditional literature?

Zhang Wei: It's the boundless imagination. Internet writers in China are generally quite young. Most of us are born in the 1980s. Our educational backgrounds as well as our perceptions of the world are different from those of the previous generation. They grew up reading traditional literature grounded in rural China, and what they write is different from our work.

Today we are allowed more space to be imaginative, and boundless imagination is the basis of Internet fiction. As our country makes progress, people are able to experience more and expand their horizons. It's no different for us writers.

Interviewer: You're an adjunct professor of Internet literature. What do you tell your students about where Chinese Internet fiction is headed?

Zhang Wei: I tell them that Internet fiction in China today is in a period of rapid development. It's a serialized form of literary expression that rode on the coattails of multimedia developments in the multimedia world during the late 1990s. Internet fiction has expanded beyond belief since its birth. In the beginning it was a completely novel concept without any kind of foundation, which is why it continues to develop every year. And thanks to the marriage of Internet fiction with film and TV, it is set to maintain this rapid and steady development for some time. From its core content, Internet fiction will generate a multitude of derivative products. It will become a powerhouse in the entertainment business.

Interviewer: Does that mean you will be devoting more time to expanding your work into different fields and media?

Zhang Wei: I want to influence the world with China's intellectual property. That is the goal. To reach the goal, I need to take it one step at a time, through movies, TV, and other publications. I mostly write fantasy, which is more universally accepted, and thus better suited to adaptation. Several movies and TV shows adapted from my works start shooting later this year. We'll keep going in the future, too. One day I intend to build the "Disney World of China" – a commercial real estate development with a theme park based on my stories at its center. I've given myself 10 years to realize this dream and preparations are already under way.



3. THE GLOBAL PUBLISHING INDUSTRY

3.1 An introduction to the global publishing industry

The global average expenditure per person on books stood at 18 US dollars in 2015. However, total annual expenditure – whether by citizens or by public authorities buying textbooks and journals – is not evenly distributed: according to statistics, book sales exceed 100 US dollars per person per year in Germany, Norway, Republic of Korea,²² the United States of America and the United Kingdom, but less than 10 US dollars in countries such as Russia, Brazil, India and Mexico.²³ That figure is almost certainly lower in the many countries without publishing industry statistics. To begin to understand the dynamics of this industry, we must look at the world's major publishing markets. The extent to which consumer publishing in particular has gone paperless highlights the move towards digital.

3.1.1 *Global publishing at a glance*

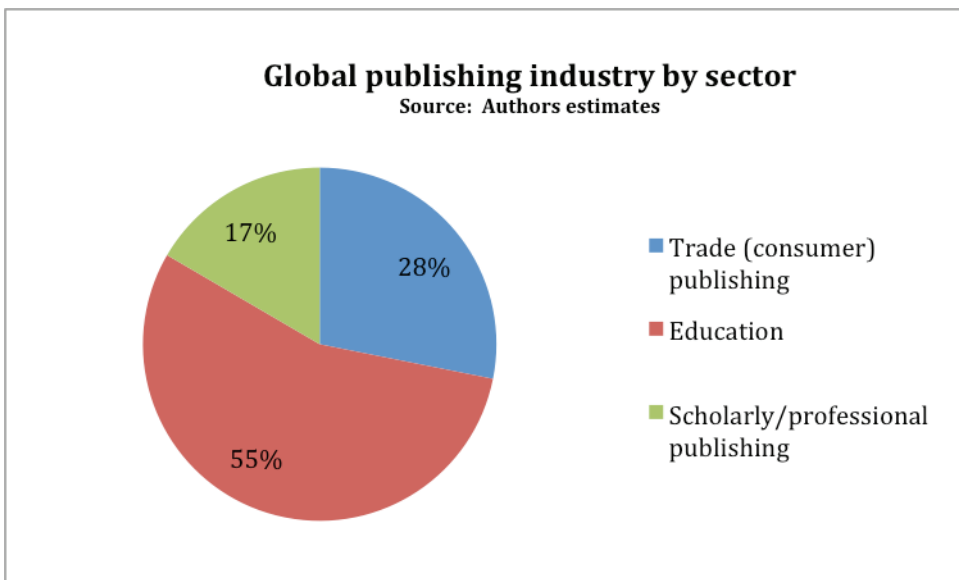
At consumer prices, the global book market is worth approximately²⁴ 145 billion US dollars,²⁵ making publishing one of the largest creative industries in the world. While consumer publishing is the most visible sector, educational publishing is the largest. In some developing countries, educational publishing accounts for more than 90 per cent of the national publishing industry's turnover. The third major sector, scholarly publishing, which is global but operates out of only a handful of countries, has an annual turnover of about 25 billion US dollars.

²² <https://www.publishersweekly.com/pw/by-topic/digital/content-and-e-books/article/61577-facts-and-numbers-on-the-korean-book-market-digital-publishing-in-korea-2014.html>.

²³ See Wischenbart, Rüdiger, et al. *BookMap Report 001/17, How big is Global Publishing? A bird's Eye Perspective*, 1st edition, 2017. Available at <http://www.wischenbart.com/page-59>.

²⁴ For a general remark on the publishing statistics referenced in this publication, please see the note on statistical data in the appendix.

²⁵ See Wischenbart, Rüdiger, et al., *Ibid.*



While in theory most countries have the resources and domestic demand to support their own publishing industries, the development of national publishing industries around the world is not uniform. The six largest book markets account for two-thirds of the global publishing business.²⁶ The United States of America is by far the largest publishing market, with an estimated worth of more than 37.25 billion dollars at consumer prices in 2016.²⁷ China is second, representing total revenue of more than 22.25 billion US dollars.²⁸ Germany is valued at more than 9.25 billion euros (10 billion US dollars), followed by the United Kingdom (6.5 billion US dollars²⁹), Japan (6 billion US dollars), France (4.25 billion US dollars) and India (3.75 billion US dollars). Italy, South Korea and Spain are valued at between 3 billion and 3.5 billion US dollars. Market shares quickly decrease thereafter, with only Turkey, Canada, Brazil, Russia, Australia and the Netherlands – in approximately that order – exceeding 1 billion US dollars.

Thus, North America and Europe account for more than half of the world's publishing market, with a handful of Asian countries – China, Japan, South Korea, Turkey and India – representing another quarter or so. Publishing remains underdeveloped in Africa, the Middle East and most of Asia and Latin America. That said, in recent years, the markets in most industrialized countries have been stagnating or declining. Dramatic growth has been seen in China, India and, intermittently, Brazil, although those countries' markets are more politically and

²⁶ http://www.wischenbart.com/upload/BookMap_brochure_Spring2017.pdf.

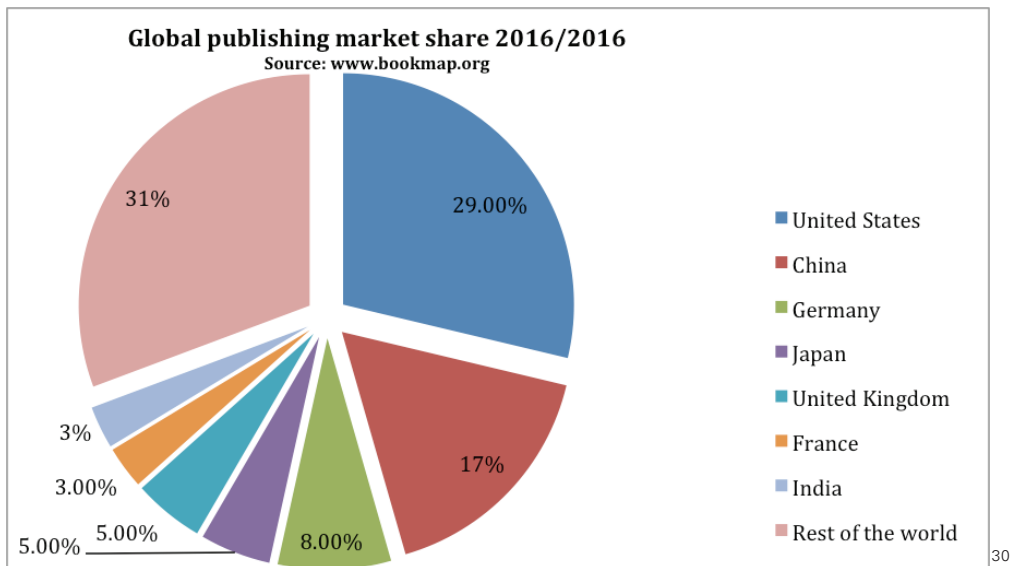
²⁷ 2016 data, How Big is Global Publishing 2017 – © 2017 by www.BookMap.org & Ruediger Wischenbart Content and Consulting.

²⁸ 2015 data, from Wischenbart, Rüdiger, et al: How Big Is Global Publishing? A bird's eye perspective. http://www.wischenbart.com/page-59#bookmap_report_01_is_out%21_

²⁹ This figure is strongly influenced by currency fluctuations of the GBP)



economically volatile. Brazil, Russia, India and China (the BRIC countries) are target markets for substantial growth. Ultimately, the growth and decline of publishing depends on the existence of an economic middle class that attaches value to education, reading, self-actualization, intellectual discourse and culture.

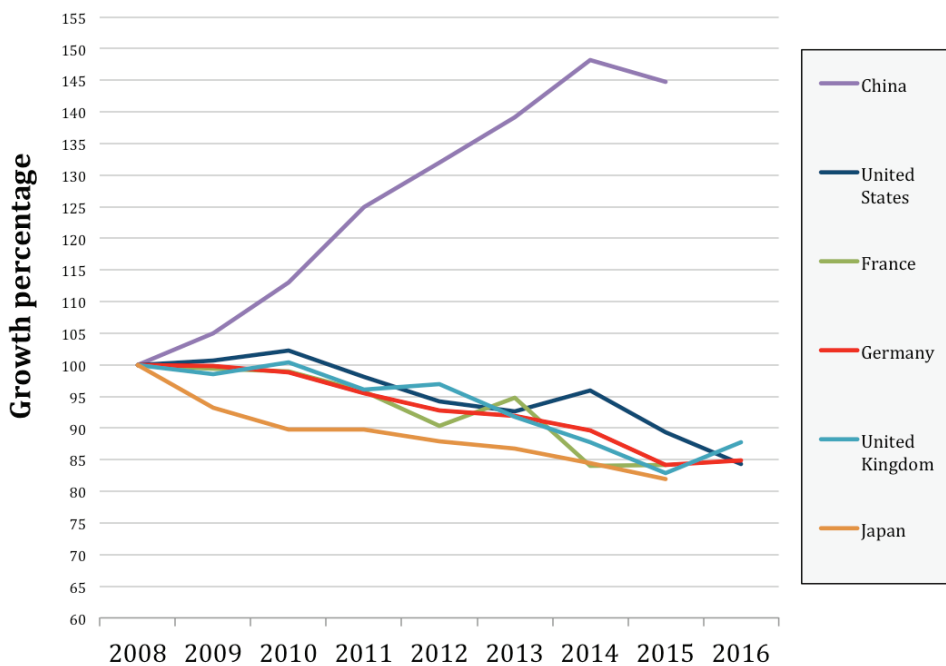


The publishing industry is extremely top-heavy. The 50 largest publishers worldwide have a turnover of around 76.5 billion US dollars, accounting for more than half of the global publishing market. In 2015, the 10 largest publishing houses were Pearson (United Kingdom), Thomson Reuters (United States), RELX Group (United Kingdom, the Netherlands and the United States), Wolters Kluwer (the Netherlands), Penguin Random House (United States), Phoenix Publishing and Media Company (China), China South Publishing & Media Group (China), Hachette Livre (France), McGraw-Hill Education (United States) and Verlagsgruppe Georg von Holtzbrinck (Germany). In 2015, their combined turnover stood at approximately 42.3 billion US dollars.³¹

³⁰ How Big is Global Publishing 2017 – © 2017 by www.BookMap.org & Ruediger Wischenbart Content and Consulting.

³¹ See Wischenbart, Rüdiger: The Global Ranking of the Publishing Industry 2015, http://www.wischenbart.com/upload/Global-Ranking-2016_Analysis_final.pdf. Most of the top ten publishing houses are engaged in a range of different publishing sectors, some outside of the scope of this publication, so the figures quoted here include revenues from activities excluded by this publication. For further details on currency rates, see general comment.

Comparing the 6 biggest markets:
The United States, China, Germany, Japan, the United Kingdom and France
(2008 to 2016, contant prices, relative in %, y-o-y)
Source: www.bookmap.org



32

One reason for this concentration is economies of scale, which are particularly applicable in a global, digital environment. Other reasons vary depending on the sector: in consumer publishing, large sums are required to sign up bestselling authors and promote them internationally; in education, a range of skills and resources are needed to develop high-quality content for local curricula; scholarly publishers must invest heavily in technology.

In the United States, about a third³³ of the trade market is covered by the five most dominant trade publishing houses: Penguin Random House, Hachette Book Group, Harper Collins, Simon & Schuster and Macmillan.³⁴ Of these, only two are actually based in the United States: Harper Collins, which is part of News Corp, and Simon & Schuster, which is owned by the CBS Corporation. Penguin Random House and Macmillan are respectively owned by Bertelsmann and Holtzbrinck, both of which are based in Germany. Hachette Livre is based in France. Other major international publishing houses include Grupo Planeta (Spain), Bonnier (Sweden), Egmont

³² http://www.wischenbart.com/upload/Global-Ranking-2016_Analysis_final.pdf.

³³ <http://publishingperspectives.com/2016/05/us-market-kempton-nielsen/>.

³⁴ <https://www.thebalance.com/the-big-five-trade-book-publishers-2800047>.



(Denmark), Phoenix Publishing and Media Group (China),³⁵ and China South Publishing & Media Group (China).

The total number of publishers has become difficult to track. Digital publishing has a low entry threshold since online sales (and online sales channels) have made it easier for small publishers, including self-publishing authors, to enter the market. Very little data is publicly available on the growing market share of self-publishing as many authors sell or license their books through channels that are not easily measured or do not publish data.

3.1.2 *The consumer sector*

Consumer publishing, or trade publishing as it is known in the business, represents around a third of the global publishing industry. It covers all books, whether paper or digital, purchased by the general public, including literary fiction and non-fiction. Typical literary fiction genres include novels, classics, general fiction, crime, suspense, science fiction, romance and graphic novels. Non-fiction genres include religion, reference, travel, biography, health, self-help, business, cooking, home and garden, art and computers.

All emerging economies can sustain a national consumer publishing industry. Publishing is an attractive industry to develop as it creates a large number of jobs for qualified people and does not place undue strain on natural resources or the environment. Good publishing also creates export opportunities.

Publishing markets depend on a literate, educated middle class that values education and encourages its children to read. Readers buy books for entertainment purposes, but also for self-improvement, professional development and children's advancement. Given the size and growth rate of their middle classes, a number of countries immediately stand out as potential growth markets: China, India, Indonesia, Nigeria and the Philippines.³⁶ Data on the growth of the middle class in emerging economies suggests an overall shift in the global publishing industry towards Asia and a very positive outlook for Sub-Saharan Africa.

Governments can directly drive the growth of their national consumer publishing markets by fostering a reading and book culture and, indirectly, by incentivizing local educational publishers. This can be achieved through reading campaigns

³⁵ As the Publishers Weekly Annual ranking has excluded all Chinese publishers for accounting reasons, the 2014 list is presented. For more up-to-date data, see <https://www.publishersweekly.com/pw/by-topic/international/international-book-news/article/74505-the-world-s-50-largest-publishers-2017.html>.

³⁶ For more data, see <http://blog.euromonitor.com/2015/09/top-5-emerging-markets-with-the-best-middle-class-potential.html> and <http://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=4187F83D-DA3B-6BF8-C7F76CF7E8A6A4B3>.

for very young children, literacy and reading programs,³⁷ support for libraries and policies that strengthen the book industry, such as reduced VAT on books and tax relief for book distributors and bookshops. Keeping authors, books and reading in the public eye through honors and awards, TV shows, public events and campaigns can also help to encourage reading habits.

3.1.3 *The educational sector*

Educational publishing provides textbooks, workbooks, test papers and teaching support material for public and private preschool, primary and secondary schools.

Nearly half (an estimated 45 per cent) of the world's publishing industry serves the educational market. This percentage is far greater in developing countries, where educational publishing is the bedrock of the domestic publishing industry, in some cases accounting for more than 90 per cent of turnover. Most domestic consumer publishers will have started as educational publishers before they expanded into children's books and other consumer publishing areas.

The largest international educational publishers include Pearson (United Kingdom), China Education Publishing & Media Group (China), China South Publishing & Media Group (China), Planeta (Spain), Hachette (France), McGraw-Hill Education (United States), Holtzbrinck (Germany), John Wiley & Sons (United States), Scholastic (United States) and Oxford University Press (United Kingdom).³⁸

High-quality textbooks are vital to education in developing and emerging economies. Education is one of the first areas of investment for any emerging economy, but where resources are limited, qualified teachers are in short supply and classes are large, a good education depends on textbooks.³⁹

Several factors determine the size of domestic educational publishing industries. Naturally, the number of children in schools and the extent of government spending on education provide a general framework. Private schools may also be a lucrative market where they play an important role. Curriculum changes give the markets new impetus as changes to learning objectives often require new textbooks.

³⁷ Examples include <http://www.reachoutandread.org/>, <https://www.booktrust.org.uk/>, www.szlib.com, <http://www.bookstart.or.jp/>, <http://www.natiperleggere.it/>, www.leerenfamilia.com and library.christchurch.org.nz/Learning/BooksForBabies/

³⁸ See Wischenbart, Rüdiger: *The Global Ranking of the Publishing Industry 2015*.

³⁹ See World Bank Group Research Report No 7956: *What Do Teachers Know and Do? Does It Matter? Evidence from Primary Schools in Africa*, <http://documents.worldbank.org/curated/en/882091485440895147/What-do-teachers-know-and-do-does-it-matter-evidence-from-primary-schools-in-Africa>.



Government policy

The most important factor in the educational market is national textbook procurement policy. The rules governing whether and how textbooks are adopted, who makes the decisions for adoptions (national bodies, federal states, regions, municipalities or schools) and who purchases them (government bodies, schools or parents) and how they are distributed to pupils often determine whether local demand for schoolbooks can be fulfilled by local authors and publishers and whether the distribution of those books supports local bookshops and other distribution infrastructure.

In 2013, for example, the Hungarian government passed a law to take over the production of school textbooks and to reduce the number of textbooks available to schools.⁴⁰ This has severely affected local educational publishing. Indeed, the law has been criticized by the publishing industry,⁴¹ the government's political opponents⁴² and sections of the press.⁴³

In another example, the South Korean Ministry for Science and Technology announced in 2011 that the entire school curriculum would be made available on computers, smartphones, and tablets by 2015,⁴⁴ prompting publishers to adapt their strategies accordingly. A year later, the ambitious policy was scaled back when educators and parents expressed concern that children were spending too much time facing computer screens.

Some governments – such as those of Greece, Norway, Poland and Switzerland – publish textbooks for exclusive use in their countries.⁴⁵ However, such lack of textbook choice and diversity may attract criticism, not least from local publishers, regarding the quality of those teaching materials. Furthermore, problems can arise where governments seek to use textbooks to promote controversial political agendas. This topic has been hotly debated in a number of countries. History

⁴⁰ Law on national public education textbook supply, 2013 CCXXXII. of December 21, 2013, as found at http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300232.TV&celpara=#lbj0id5a76. An overview of Hungarian education can be found at <http://www.oecd.org/edu/Hungary-Profile.pdf>.

⁴¹ <http://www.internationalpublishers.org/educational-publishing/education-publishing-news/147-hungary-nationalizes-schoolbook-market-spelling-ruin-for-educational-publishers>.

⁴² <http://www.freehungary.hu/index.php/component/content/article/56-hirek/2426-nationalised-school-book-market>.

⁴³ <https://444.hu/2015/06/30/nyegyedmilliardos-nyeresegbol-140-millios-veszteseg-et-csinalt-egy-ev-alatt-a-kello/>

⁴⁴ http://genproedu.com/paper/2013-01/full_003-009.pdf; <http://www.economist.com/blogs/banyan/2011/07/education-south-korea>. <https://www.dailymaverick.co.za/article/2011-07-27-south-korean-textbooks-to-go-fully-digital-by-2015/>.

⁴⁵ see <http://oerpolicy.eu/polish-ministry-of-education-releases-an-open-primer-textbook/> and <http://www.europeanbooksellers.eu/wp-content/uploads/2015/03/Books-at-which-Price.pdf>.

books in particular have been a source of controversy⁴⁶ in Hungary,⁴⁷ Russia,⁴⁸ South Korea,⁴⁹ the United States⁵⁰ and former Yugoslav republics.⁵¹

In some countries, the government tries to maintain high quality by organizing public tenders and allowing international publishers to submit bids. In such cases, large international publishers often have a competitive advantage due to their international experience, economies of scale, large editorial teams, and internationally recognized brands that are likely to persuade policymakers.

Where public schools do not purchase commercial textbooks, test papers and supplementary content from domestic publishers, the domestic publishers often publish works for private schools and the “afternoon market” (educational books to help children learn outside school, typically bought by parents).

Preschool and early learning have also developed into a market segment of their own as policymakers have increasingly focused on those areas. Early learning is considered a very inexpensive yet effective way of reducing inequality and increasing opportunities for all social strata by improving literacy and school preparedness. Investment in early education for disadvantaged children from birth to the age of five helps to reduce both the achievement gap and the need for special education for children with learning difficulties or disabilities. It also increases the likelihood of healthier lifestyles, lowers crime rates and cuts overall social costs. Every dollar invested in high-quality early childhood education produces an annual return on investment of between 7 and 10 per cent.⁵²

National markets

Educational publishing for primary and secondary schools is typically focused on national – as opposed to international – markets. There are three main reasons for this: firstly, national curricula differ widely; secondly, reading and writing increasingly tend to be taught in the mother tongue first (in many developing countries, this requires books to be published in several local languages); and thirdly, young children learn best when their reading materials relate to their specific context and life circumstances (this is particularly true for younger children).

⁴⁶ <https://www.ft.com/content/d3f9eeb6-ab7e-11e3-aad9-00144feab7de>.

⁴⁷ <http://hungarianspectrum.org/2014/04/17/hungarian-history-textbooks-under-scrutiny/>.

⁴⁸ <https://cgamoscow2014.wordpress.com/2014/03/08/the-history-of-russia-putins-version-by-krystyna-nyemchynova/>.

⁴⁹ <http://www.bbc.com/news/world-asia-34960878>.

⁵⁰ <https://www.nytimes.com/2015/10/22/opinion/how-texas-teaches-history.html>.

⁵¹ <http://faculty.education.illinois.edu/westbury/paradigm/vol2/Par2.6.Kovac.rtf>.

⁵² Heckman, James: The Economics of Inequality The Value of Early Childhood Education, in AMERICAN EDUCATOR | SPRING 2011, <http://files.eric.ed.gov/fulltext/EJ920516.pdf>.



Efforts have been made to internationalize curricula. This makes sense for undergraduates and older young people pursuing international qualifications such as the International Baccalaureate. Historically, this has given publishers from former colonial powers the opportunity to promote textbooks from their home countries. More recently, technology companies have promoted international curricula to facilitate the operation of their technology-based education platforms in different national markets, among other reasons. This runs counter to the aforementioned pedagogical arguments, that is, to educate young children in their native languages and avoid references to different cultural contexts.

3.1.4 *The scholarly and professional sector*

Scholarly and professional publishing is the third largest publishing sector. It produces journals, monographs, reference works and data sets for scholarly communication, i.e., as a public record of research findings, and for legal, accounting, financial and other professions. Target audiences are usually confined to postgraduate researchers and professionals.

Investment in scientific research has become an important policy for many developing countries that recognize the potential for related financial rewards (patents and innovation). Unlike primary and secondary education, the market is very much global, with most research being internationally shared. However, while national publishers exist in most – if not all – countries, the scholarly and professional publishing industry is highly centralized in Western Europe and North America.⁵³

Because the publication of findings is integral to the research process, authors and publishers play a different role in this area than in other areas of publishing. Authors do not publish for financial reward, but to formally record their findings, boost their reputation, secure funding for further research and advance their scientific careers.

As with educational publishing, consumers of publications do not usually purchase them. Whereas in educational publishing, textbooks and similar materials are purchased by governments and schools for use by pupils, in scholarly publishing, academic libraries usually purchase works for use by persons affiliated with their institutions. This is not always the case, of course, but is the predominant practice and affects publishing business models, whether print or digital.

One important difference between scholarly and other areas of publishing is that the volume of publications tends to be driven by research authors and not

⁵³ Ware, M. and Mabe M. (2015), *The STM Report: An overview of scientific and scholarly journal publishing*. STM Association, UK. http://www.stm-assoc.org/2015_02_20_STM_Report_2015.pdf.

by purchasers: as the number of researchers and their output grows, so does the number of articles published. There has been an estimated annual growth of over 3 per cent in the number of scholarly journal articles over the past three decades. This puts strain on purchasers (libraries and academia especially), who need to provide their patrons with access to the growing number of articles and specialized journals available but frequently lack the funds to do so.

There are around 5,000 journal publishers listed in the industry's international databases, with perhaps a further 5,000 smaller and more specialized or locally relevant publishers. Some 650 publishers fall under the umbrella of major international trade bodies. Of these, around 480 (73 per cent), representing around 2,300 journals (20 per cent), are run by not-for-profit publishers or scientific societies. Their business model tends to be geared towards economic sustainability or obtaining contributions to the owner's social purpose. The sector is also top-heavy, with more than 40 per cent of all journals being published by six companies: Springer/Nature (Germany), Elsevier (Netherlands), John Wiley (United States), Taylor and Francis (United Kingdom), Sage (United Kingdom) and Wolters Kluwer (Netherlands).⁵⁴

3.2 Global publishing markets

3.2.1 *United States of America: the world's leading publishing market*

The United States book and journal publishing industry generated net revenue of 26.24 billion dollars in 2016.⁵⁵ Revenue and unit volume have essentially stabilized over the past three years – a sign of market maturity.

The largest sector, consumer publishing, generated net revenue of 15.9 billion dollars. Revenue for downloaded audio nearly doubled between 2012 and 2016, from 299 million to 643 million dollars.

In 2013, revenue from online retail exceeded that of brick-and-mortar bookshops for the first time. In 2016, about 814 million units were sold into online channels. About 672 million books were sold to physical bookstores.

It would be remiss to refer to the United States publishing market without mentioning the dominance of one online bookseller: Amazon.com Inc. (commonly known as Amazon). The publishing industry is highly dependent on Amazon for online sales of printed books, but Amazon is less dependent on books: even

⁵⁴ http://www.stm-assoc.org/2015_02_20_STM_Report_2015.pdf.

⁵⁵ <http://newsroom.publishers.org/book-publishing-annual-statshot-survey-reveals-religious-crossover-and-inspirational-books-supported-trade-book-growth-in-2016/>.



though Amazon controls 65 per cent of sales of printed books online,⁵⁶ books account for only 7 per cent of its business.⁵⁷

Given its dominant position, Amazon can exert pressure on publishers. Smaller publishers may be forced to sell their books to Amazon at a discount of more than 60 per cent. Part of the discount is often hidden in promotional fees or “marketing development funds”, and extra fees are charged based on the previous year’s turnover.⁵⁸ This situation has generated a groundswell of complaints from the publishing industry alleging abuse of dominant position. Amazon faces a continued threat of antitrust litigation both in the United States⁵⁹ and elsewhere.⁶⁰ However, because Amazon appears to be using its dominant position to push down book prices for consumers, United States competition authorities tend to be reluctant to support publishers and other booksellers.

Consumer e-books in the United States

E-book sales to consumers grew dramatically in 2009 (356 per cent), 2010 (199 per cent) and 2012 (44 per cent). Growth peaked in 2013 at 3.24 billion dollars and declined to 3.2 billion dollars in 2014 and again by 11.3 per cent to 2.84 billion dollars in 2015. In 2016, e-book sales fell again to 2.3 billion dollars. Unit sales also declined by a further 14.7 per cent, with e-books now making up 14 per cent of the trade book market.⁶¹

Many observers cite the rise in e-book prices, resulting from the return of “agency pricing”, as an explanation for their faltering sales growth. Following a legal battle between the largest United States publishers in 2013, publishers (not retailers) now usually set the final retail price. Perhaps many e-book sales are also migrating to the self-publishing sector, whose sales figures are difficult to monitor and therefore may not be accommodated in statistical records.

E-book sales are also dominated by Amazon and, as a distant second and third, Apple and Barnes & Noble. This is largely due to the popularity of dedicated e-book readers, with Amazon’s Kindle being the predominant platform for trade e-books.

⁵⁶ <http://www.publishersweekly.com/pw/by-topic/industry-news/bea/article/62520-bea-2014-can-anyone-compete-with-amazon.html>

⁵⁷ <http://www.forbes.com/sites/jeffbercovici/2014/02/10/amazon-vs-book-publishers-by-the-numbers/#154625d265a3>.

⁵⁸ <http://www.forbes.com/sites/jeffbercovici/2014/02/10/amazon-vs-book-publishers-by-the-numbers/#154625d265a3>.

⁵⁹ <http://antitrust.booklocker.com/amazon-booklocker-settlement-agreement.pdf>.

⁶⁰ See, for example, Japan: <http://www.reuters.com/article/us-amazon-com-japan-antitrust-idUSKCN10J0GW> and the European Union Commission http://europa.eu/rapid/press-release_IP-15-5166_en.htm and http://europa.eu/rapid/press-release_IP-17-137_en.htm.

⁶¹ <http://newsroom.publishers.org/us-publishing-industrys-annual-survey-reveals-nearly-28-billion-in-revenue-in-2015/>.

3.2.2 *The European Union: a diverse single market*

More than 575,000 titles were published in Europe in 2015. The total annual sales revenue of book publishers of the European Union and the European Economic Area was approximately 22.3 billion euros (23.8 billion US dollars).⁶² The largest markets in terms of publishing turnover were Germany (9.2 billion euros,⁶³ 9.8 billion US dollars), followed by the United Kingdom (3.3 billion pounds sterling,⁶⁴ 4.85 billion US dollars), France (2.7 billion euros,⁶⁵ 2.9 billion US dollars), Italy (3.3 billion euros,⁶⁶ 3.52 billion US dollars) and Spain (3 billion euros,⁶⁷ 3.2 billion US dollars).

In addition to the new titles issued by European publishers in 2014, about 16.9 million different titles were listed as being in print or available, of which more than 3 million were in digital format. More than 60 per cent of publishing revenue came from consumer publishing and less than 20 per cent came from educational, academic and professional publishing.

Even though four out of five publishers sell e-books, their market share varies dramatically from country to country. In the United Kingdom, the market share of consumer e-books was 15 per cent for 2016, down from 17 per cent in 2015⁶⁸. In other countries, the market share was much lower: Germany had 4.6 per cent,⁶⁹ Spain 5 per cent,⁷⁰ Italy 5.1 per cent⁷¹ and France 6.5 per cent,⁷² with the other European Union countries accounting for a further one per cent or so.

Exports are an important part of the European publishing business; sales in 2015 accounted for 22.9 per cent. While book exports are significant for the publishing industry, including that of the United Kingdom, Germany, Spain, the Netherlands, France and Italy, all the trade (consumer) publishing industries in Europe are also actively buying and selling rights in translations, at times supported by governments who see the translation of domestic works into foreign languages as a form of soft diplomacy: books can be valuable ambassadors and either encourage understanding or support tourism. For example, Elizabeth Gilbert's

⁶² <http://www.fep-fee.eu/European-Book-Publishing-823>.

⁶³ http://www.boersenverein.de/sixcms/media.php/1117/WIPK16_Tabellenkompendium.pdf.

⁶⁴ <http://www.publishers.org.uk/services-and-statistics/statistics/pa-stats-snapshots/>.

⁶⁵ <http://www.sne.fr/enjeux/chiffres-cles/#sne-h-235-le-chiffre-d%e2%80%99affaires-des-editeurs>.

⁶⁶ <http://www.aie.it/Press.aspx>.

⁶⁷ <http://federacioneditores.org/img/documentos/010217-notasprensa.pdf>.

⁶⁸ The UK Book Industry in Statistics 2015, available at <http://www.publishers.org.uk/resources/uk-market/>.

⁶⁹ <http://www.boersenverein.de/sixcms/media.php/1117/ig2016-4.pdf>.

⁷⁰ <http://federacioneditores.org/img/documentos/010217-notasprensa.pdf>.

⁷¹ <http://www.aie.it/Press.aspx>.

⁷² <http://www.sne.fr/enjeux/chiffres-cles/#sne-h-235-le-chiffre-d%e2%80%99affaires-des-editeurs>.



book “Eat, Pray, Love”⁷³ has had an impact on the tourism industry in Bali and the promotion of Icelandic literature has led to a boom in the tourism industry in Iceland.⁷⁴

Case Study No 3: Iceland, a country immersed in books

When the Icelandic author Halldór Laxness received the Nobel Prize for Literature in 1955 he said: “I am thinking, too, of that community of one hundred and fifty thousand men and women who form the book-loving nation that we Icelanders are. From the very first, my countrymen have followed my literary career, now criticizing, now praising my work, but hardly ever letting a single word be buried in indifference. Like a sensitive instrument that records every sound, they have reacted with pleasure or displeasure to every word I have written. It is a great good fortune for an author to be born into a nation so steeped in centuries of poetry and literary tradition.”

Iceland is not only steeped in literary tradition, in many ways it is a world leader in promoting literacy, reading and book culture. Its current literacy rate of more than 99 per cent is a result of targeted policies dating back to the 18th century. Norwegian immigrants settled in Iceland during the late 9th and 10th centuries A.D.. The famous Icelandic sagas tell the stories of the early settlers. The Edda is also part of Iceland’s literary tradition with its myths and fairy tales. Stories are often linked to rock formations, waterfalls and other national landmarks. Their retelling, a pastime during the long Nordic winters, is a cornerstone of Icelandic culture.

Today, reading, writing and publishing remain an important part of Icelandic society. There are 34 bookshops serving its 330,000 inhabitants, including four online booksellers. Some 40 professional publishing houses have, for many years, published around 1,000 titles per year. The average print run for fiction titles is close to 1,000 copies and bestsellers can sell up to 20,000 copies; a staggering figure given the nation’s size. According to a 2013 study, 50 per cent of Icelanders read at least 8 books per year and 93 per cent read at least one book per year.

The Icelandic government actively promotes publishing. The Icelandic Literature Center is a government-funded office that raises awareness of Icelandic literature, both in Iceland and abroad, and promotes its distribution. Foreign publishers of Icelandic books can apply for translation subsidies. Authors, publishers and organizers of literary events can apply for support for Icelandic authors traveling to promote their work abroad. Furthermore, the Center

⁷³ See <http://content.time.com/time/magazine/article/0,9171,2011931,00.html>.

⁷⁴ <https://grapevine.is/mag/articles/2013/06/04/icelandic-literature-goes-global/>.

supports the publication of Icelandic works of literature and the advancement of literary culture in Iceland.

To promote Icelandic writing, Rannís, a government agency, manages the Artists' Salaries Fund, which provides monthly salaries to 550 individual fiction writers every year. More than 70 authors receive salaries for three to twelve months while writing their books. There is a similar, separate fund for non-fiction authors.

A great success for Icelandic literature was when Iceland was invited as a guest of honor at the Frankfurt Book Fair in 2011, helping to showcase Icelandic literature. This event was the catalyst for the promotion of hundreds of translations of Icelandic literary works, mostly crime fiction, into other languages. In 2011, Reykjavík became a UNESCO "City of Literature".

Digital uptake of Icelandic books remains surprisingly slow. Only about one per cent of Icelandic books are sold as e-books. This may be because Icelandic readers frequently buy English language e-books. The small national digital market makes Icelandic e-books far more expensive than their English language equivalents.

Iceland is also not immune to economic crises, changes in reading behavior and changes in policy. For example, in 2015, VAT was increased to 11 per cent, one of the highest VAT rates for books in Europe. Since 2008, turnover from book sales in Iceland has slumped by 23 per cent; with only 885 titles being published in 2015. By international standards, however, even this reduced number remains remarkable: the people of Iceland love to read and they love to write. This is reflected in the old Icelandic expression "*Ég er með bók í maganum*" or "I have a book in my belly", meaning I have a book in me waiting to be written.

3.2.3 Key Asian markets

With publishing markets largely mature in North America and Western Europe, the growth engine of publishing has moved to Asia. As soon as an educated and affluent middle class emerges, publishing markets develop. Governments invest in educational content and literature and educated consumers want to buy books, at first mostly for self-improvement, then also for entertainment and leisure.



The Chinese publishing market

There are 538 formally licensed publishers in China, who collaborate with countless independent so-called “cultural studios”. In 2014, they published 450,000 titles, a total net market value of 19.5 billion US dollars. In 2015, the total net market value was 22.3 billion US dollars.⁷⁵ Physical bookshops recorded a turnover of 12.5 billion US dollars and online bookshops recorded 3.2 billion US dollars.

E-books in China

The number of Chinese Internet users is reported to have reached 688 million in December 2015, 50.3 per cent of the total population. The vast majority of people (620 million) use mobile phones to access the Internet and the proportion of mobile phone users increased from 85.8 per cent in 2014 to 90.1 per cent in 2015. Reading habits in China have changed and adapted to digital devices. More than half of all adults who use computers read books on digital devices, and more than three quarters of them use mobile phones.

China’s e-book revenues have grown from 24.5 million US dollars (150 million yuan renminbi) in 2006 to 4.5 billion yuan renminbi in 2014, an annual increase of 20.5 per cent since 2012. According to official statistics, revenue from e-books in 2014-2015 was around 690 million US dollars (4.5 billion yuan renminbi). The international e-book reader giants joined the Chinese market late in the game: Amazon launched a Chinese-language store in 2012 and Apple’s iBook was launched in China in 2015.

The Chinese e-book market is split between “traditional” e-book publications from traditional publishers and digital, self-publishing platforms where online literature is written by Internet users, some of whom become professional, and sometimes wealthy, authors in the process. In 2015, the largest online literature platform, China Reading Limited, had 4 million registered authors and 297 million registered readers.⁷⁶

Growth of traditional e-books was slow because of piracy concerns and the challenges of obtaining copyright permissions for digital editions. Publishers are now far less cautious about digital development and China’s efforts to increase copyright protection and fight piracy has contributed positively to digital development.

⁷⁵ €20.914bn, see Wischenbart, Rüdiger, et al, BookMap Report Wischenbart,01/2017.

⁷⁶ www.wsj.com/articles/online-fiction-becomes-chinese-cultural-force-1469035251.

South Korea

South Korea is the eighth largest publishing market in the world.⁷⁷ The average household spends more than 225 US dollars per year on books, mainly supplementary educational books. With sales worth 3.8 billion US dollars, it is a mature publishing market that successfully trades internationally in translation rights, especially of children's books and *manga* comic books. Despite a highly developed digital infrastructure, South Korean digital publishing remains in its infancy. Currently e-books account for only 4.65 per cent of the overall market. As only 30 to 40 per cent of the 100 bestsellers are available in e-book format, only around 15 per cent of readers also read e-books.⁷⁸

Japan

Book sales in Japan's book publishing industry were worth around 5.85 billion US dollars (742 billion yen) in 2015.⁷⁹ This is 40 per cent less than when the market was at its peak in 1996. This dramatic decline may have many underlying causes, including an aging population, fewer students in education and an enthusiastic embrace of smartphone games.⁸⁰

E-books have been unable to gain a firm foothold in Japan. Specialized e-book readers do not have a high penetration rate. Mobile phones are much more widely used for reading; *manga*, a genre of Japanese comic books, account for the lion's share of digital reading. However, mobile phones are mainly used for gaming, with the smartphone gaming market of Japan estimated to be worth around 9.5 billion US dollars, larger than that of the United States.

3.2.4 Emerging markets

Wherever there are large populations, there is potential for a large publishing market. While the BRIC countries used to be viewed by economists as a monolithic bloc, their economic development has varied widely.

⁷⁷ Wischenbart, *Global eBook*, 2016.

⁷⁸ <http://www.publishersweekly.com/pw/by-topic/digital/content-and-e-books/article/61577-facts-and-numbers-on-the-korean-book-market-digital-publishing-in-korea-2014.html>.

⁷⁹ <http://www.jbpa.or.jp/en/pdf/pdf01.pdf>.

⁸⁰ <http://publishingperspectives.com/2016/06/kinokuniyas-hiroshi-sogo-bookselling-challenges-japan/>.



India

Even though only 12 per cent of its population are English speakers, the second most populous nation in the world has the second largest English-speaking population in the world. India's publishing industry is ranked sixth⁸¹ or seventh largest in the world and is worth an estimated 3.9 billion US dollars (260.6 billion Indian rupees).⁸² As the population expands, so does the literate population, which is expected to grow from nearly 800 million people in 2011 to more than 1.3 billion people in 2030. From 2012 to 2015, the book market grew by more than 20 per cent per year. As in many developing markets, education is the largest publishing sector in India. There are more than 5,000 publishers that serve the primary and secondary education market and there is also a sizable government publishing activity in the educational arena. More than 3,000 publishers serve the needs of higher education. As is typical for an emerging country, the consumer publishing sector is far smaller, with fewer than 1,000 publishing houses that account for only 6 per cent of the Indian publishing market. E-books are still in their infancy and the most frequently used reading device is still the personal computer. However, Indian publishers are investing heavily in e-books, with more than 70 per cent now having digitized some of their content.⁸³

Brazil

Brazil's publishing market was worth 1.5 billion US dollars (5.27 billion reais)⁸⁴ in 2016. The publishing market is suffering a significant downturn due to the difficult overall economy. Because the Brazilian government is the single largest purchaser of publications in the world, accounting for almost a quarter (23.5 per cent) of Brazilian publishing revenues, reduced government spending on books hits the sector particularly hard. The e-book market has yet to develop. Only 45,000 titles are available as e-books and sales of these account for less than 0.5 per cent of total sales.

⁸¹ <https://kitaab.org/2016/05/02/18-must-know-facts-about-the-indian-publishing-industry/>.

⁸² <https://kitaab.org/2016/05/02/18-must-know-facts-about-the-indian-publishing-industry/>. and Wischenbart, Rüdiger, Book Map 01/2017ibid.

⁸³ Nielsen India Book Market Report, 2015.

⁸⁴ http://www.snel.org.br/wp-content/uploads/2016/08/S%C3%A9rie-Hist%C3%B3rica-Fipe-2006_2016.pdf.

Russia

The Russian publishing industry has been particularly hard hit by the country's economic and political challenges. Already in sharp decline after the economic crisis in 2008, it has also been hit by the loss of the Ukrainian Russian-language market.⁸⁵ Statistics on the Russian publishing industry show a continuing decline in book production and experts estimate that the publishing market has shrunk to under 1 billion US dollars (56 billion roubles).⁸⁶

One reason for the decline of publishing is the rise of e-books. According to a 2013 survey, more than 70 per cent of Russian readers read e-books and 92 per cent of readers reported downloading e-books from the Internet "for free".

The legal market for e-books is gradually developing. The largest publisher, Eksmo-AST, has created its own online bookshop, LitRes. Two flat-rate subscription libraries, Bookmate and Mybook, have also successfully established themselves. Current estimates of the e-book share of the market are three to four per cent.⁸⁷ Some international publishers, such as Pearson,⁸⁸ are now also investing in the Russian e-book market.

3.3 The international trade in rights and translations

Publishing has always been an international business. Books and manuscripts have been sold at general trade fairs since Gutenberg's printing press enabled inexpensive print runs. The first fair that focused on printed books was the Frankfurt Book Fair, which dominated the international book trade from 1488 until the 18th century. Relunched in 1949, it remains the largest book fair in the world and the most important business event for international publishers. Publishers buy and sell translation rights for books, meet agents, distributors and printers and promote their publications. Few other book fairs have such a strong focus on international rights, but some others are important national cultural events. Local and regional book fairs enable cross-border trade in books where there is no effective distribution infrastructure.

Is there a push towards digital rights exchanges? There have been numerous efforts to replace traditional book fairs with virtual alternatives, or to move international licensing to online platforms. There has been some success with the automation of generic, high-volume, low-margin licensing. Some collective

⁸⁵ <https://publishingperspectives.com/2017/08/ukraine-publishing-industry-closures-amid-russian-book-ban/>.

⁸⁶ <https://publishingperspectives.com/2017/09/russia-book-market-consolidation-concerns/>, but note €1.168bn estimate by Wischenbart, Rüdiger *ibid.*, Book Maps 01/2017.

⁸⁷ <https://publishingperspectives.com/2017/05/russia-ebooks-growing-print-sales-down/>.

⁸⁸ <http://www.ewdn.com/2015/03/02/pearson-inks-deal-with-russian-online-education-platform-azbuka/>.



management organizations are also offering such services, for example the US Copyright Clearance Center.⁸⁹

Still, publishing and, in particular, international licensing of translations, rely heavily on trust and therefore on the establishment and management of personal relationships. Virtual fairs are not yet able to replicate international book fairs.

⁸⁹ <http://www.copyright.com/rightsholders/rightslink-permissions>.

4. WHAT DRIVES DIGITAL MIGRATION IN PUBLISHING?

Predictions about the death of the printed book were made as far back as 1835.⁹⁰ The frequency of such predictions has increased with the advent of computers, tablets and smartphones. People who confuse publishers with printers assume that publishing will completely disappear in the near future and consider publishers that continue to focus on print publishing as backward and heading for extinction. Even people who understand that publishers add value in ways other than printing often assume that, sooner or later, printed books will disappear.

The current state of digital migration in publishing paints a different picture. While writing, editorial and production processes are quickly becoming digital, and authors and publishers have embraced digital media and social networks for marketing and public relations, the uptake of e-books is developing at a slower pace and the share of print publications has been remarkably stable in many sectors. One indicator for the persistence of print publishing is the presence of bookshops and printed books in the retail environment. Even though their numbers are falling and books are being crowded out by other merchandise, most developed countries still support a number of brick-and-mortar bookshops, and there are signs of the recovery of independent bookshops. So how can authors, publishers and policymakers gauge when and how digital migration will occur in the various industry sectors in their own countries? What is holding back digital publishing and what will support the move towards digital publishing? When is the time for authors and publishers to invest in digital publishing?

4.1 Socioeconomic, cultural and political drivers

When attempting to predict future market developments, it is important to distinguish between three different kinds of drivers that encourage digital migration: socioeconomic, cultural and political drivers.

Socioeconomic drivers

Socioeconomic drivers are relatively easy to forecast. For publishing, important socioeconomic drivers include the size and growth of the population, the level of literacy, education and disposable income. In the digital environment, the most important drivers are Internet connectivity and the penetration of smartphones and other digital devices. The availability of smartphones, Internet connectivity, low telecommunications cost and secure online payment mechanisms all

⁹⁰ “Le journal tue le livre, comme le livre a tué l’architecture, comme l’artillerie a tué le courage et la force musculaire.” [Newspapers are killing books, just as books killed architecture, just as artillery killed courage and physical strength] *Mademoiselle de Maupin*, by Théophile Gautier, 1835. https://www.ebooksgratuits.com/html/gautier_mademoiselle_maupin.html?bcsi_scan_D99544420D78AF92=0&bcsi_scan_filename=gautier_mademoiselle_maupin.html (in French).



contribute to an economic environment in which consumers may choose to purchase e-books and governments may invest in digital education.

Cultural drivers

Cultural drivers are the most difficult to predict. They are the factors which reflect changes in human perceptions and behavior. For traditional publishing, key factors are the extent to which society values books and reading and the extent to which authors are recognized and respected. While almost all societies value reading for educational purposes and children are encouraged to read, countries around the world vary widely with respect to the role books play in adult life and public discourse. In some countries, national authors are celebrated and recent book publications are part of the public discourse and media chatter.

Drivers of digital migration include how popular digital reading devices are and how much time people spend on their smartphones reading, as opposed to playing games or interacting on social media. As mentioned before, Japan, for example, has one of the highest levels of Internet connectivity and smartphone penetration, but the e-book market has yet to fully develop. Dedicated e-readers are popular in Western markets, while markets like Poland and Russia mostly use non-dedicated computers or mobile devices.⁹¹

Policy drivers

Policy drivers are aspects of public policy that have an impact on publishing. These include taxation, in particular reduced or zero VAT rates for books, fixed book price regulation and efforts to fight piracy. Public policy also often influences other factors, such as government-directed literacy programs that promote both literacy and reading. Library subsidies help establish reading as a habit and supports local authors and publishers. Public Lending Right regimes⁹² may also support authors. Public educational spending can focus on teachers, infrastructure and textbooks. Collective licensing mechanisms may provide revenue, but also provide authors and publishers with a stable platform for training, dialogue and advocacy.

The importance of such policy measures varies greatly for each publishing sector, but overall it is important to note that public policy can heavily promote or hinder the development of a local publishing industry, including a digital publishing industry.

Some key drivers vary greatly between different publishing sectors. It is therefore necessary to look at drivers of publishing markets in each publishing sector

⁹¹ <https://www.paypalobjects.com/digitalassets/c/website/marketing/global/shared/global/media-resources/documents/paypal-global-gaming-and-ebooks-study.pdf>.

⁹² see <http://internationalauthors.org/public-lending-right-introductory-guide-launched/>.

separately, and then to look at the specific drivers that influence the migration to digital publishing products.

4.2 The ultimate driver: consumer choice

All these drivers affect the choices of individual consumers, not just whether to spend time and money on books, but also whether to buy these in digital format or to continue to buy print editions. Upon closer inspection, there are many reasons why readers may choose one over the other

Ten reasons why readers choose to read books in digital formats

- E-books are (often) less expensive.
- E-books can be read on a smartphone or tablet and are therefore easy to carry.
- Many e-books can be stored on the same lightweight device.
- E-books and publications can be updated to provide the latest information.
- The same device allows the enjoyment of other media such as music, film and games.
- In public, e-books allow readers not to feel self-conscious about what they are reading.
- Digital search, discovery and cross reference features allow fast and precise navigation.
- Multimedia elements in e-books can explain certain aspects better than static images, and mean that e-books can be read and enjoyed while doing other activities.
- It is possible to change the font size or make other adjustments in e-books to make them easier to read. This is of great importance to people with print disabilities.
- Linking to reference works, Wikipedia and other resources facilitate the understanding of complex content, or reading in a foreign language.

Ten reasons why readers may still chose to read books in paper format

- A well designed printed book is also an enjoyable tactile experience.
- Reading printed books is an opportunity to go offline.
- Parents want children to spend less time on digital devices.



- Printed books are easy to handle, robust and do not need electricity or connectivity.
- Making annotations and highlighting is easier in printed books.
- Learning is more effective with printed books.
- Printed books make great gifts and they look nice on a book shelf or coffee table.
- Browsing in a physical bookshop is an enjoyable experience as well as being a convenient way to discover new books.
- Digital devices are distracting.
- Printed books are easier to lend and share than e-books.

As can be seen from the list above, paper still has some significant advantages compared to digital formats. The arguments for purchasing a paper publication over a digital publication or vice versa will depend on the type of work, genre, the purpose for which it is used, and, most importantly, the digital and reading habits of a particular individual. This is in stark contrast to music and audiovisual works, where the share of people who value the benefits of a particular physical carrier, such as vinyl records, is far smaller.

It is therefore necessary to approach digital migration in publishing with an understanding of the individual aspects that influence the demand in a particular market or even the demand for a particular genre or book, rather than taking a blanket approach.

A key paradigm shift for publishers: consideration of the reader

Readers can now choose between printed books and e-books. This creates a paradigm shift for publishers. In the past, publishers would make their content available in the limited formats and through the few distribution channels available. Books were in hardcover or paperback and could be found in bookshops and libraries. In the digital environment, publishers need to consider where and how users are reading their content. For example, if readers are reading on their smartphones during their commutes, books must be published in formats that are easily read on such devices. In addition, the type of content may also change as commuters may prefer lighter, shorter reads on their way to and from work. In a similar vein, researchers need to find the latest research articles in a published international scientific corpus that is quickly expanding. Technology has made meta-studies, research on published research, possible. Researchers need these studies simply in order to be able to keep track of all the new developments. New

search tools and data-mining services are being developed by those scholarly publishers who see this change in behavior among their authors and readers. While educational publishers can develop digital education technologies that look great and use the latest technology, the long-term success of such technologies will depend on teachers and students actually using them because they solve a problem or provide a real benefit. Distance learning benefits hugely from digital educational publishing because it solves the problem of remote access. However, classroom technologies will only succeed where there is a pedagogical pay-off, even for those teachers who are reluctant to change their teaching habits.

4.3 Drivers of digital migration of consumer publishing

The e-book market requires not only the availability of books in electronic format and online shops, but also a whole ecosystem that includes distributors, vendors, payment systems, Internet connectivity and appropriate reading devices. Most importantly, the switch to e-books requires a change in reading habits. The extent of the switch depends on a range of drivers that vary greatly at the national level:

- the availability of reading devices, including bespoke e-readers, mobile phones and tablets;
- the popularity of reading e-books on such devices over playing games or engaging in social media;
- the existence of reliable and trustworthy online platforms;
- the availability of e-books at a price that readers consider fair; and
- the availability of printed books in nearby shops as an easy alternative.



The different levels of e-book penetration, even between countries with similar rates of Internet connectivity, smartphone penetration and social media usage, is surprising. The United Kingdom, France and Germany have similarly strong publishing markets, but only the United Kingdom has a strong e-book market. This is where cultural factors and the use of e-book readers, which may be influenced by publisher pricing policies, come into play. Where e-books are not sold with a considerable discount compared to print copies, consumers are not taking them up.

Within countries, the absence of trusted online e-book platforms keeps readers and publishers from venturing into the digital market. This can be a vicious circle: no e-books means no readers, and no readers means no e-books. Across countries, however, migrants often fuel the e-book market in their native languages. As more and more people live and work abroad, meaning they may no longer have access to bookshop that sell books in their native language, there is an international market opportunity for global online bookshops. For example, Amazon.com now sells books in more than 80 languages, including uncommon languages such as Igbo, Sami, Rajasthani and Khmer.

4.4 Drivers of digital migration in educational publishing

The main socioeconomic factors that drive demand for educational books, whether print or digital, are the number of children in education and the public funds available for educational content. However, from a publishing industry perspective, it is government procurement policy that is the most important driver. Governments can steer, either deliberately or inadvertently, the development of a

local educational publishing industry, depending on how they procure educational textbooks and digital educational resources.

One important socioeconomic driver for digital migration is the availability of information and communication technologies in schools. In OECD countries, more than 90 per cent of students have access to computers at school,⁹³ even though on average only 72 per cent report regularly using them. While the rates of computer availability and connectivity are lower at the global level, the overall direction is clear: computers and digital tools will soon be used in most educational institutions, with the exception of the few, but increasing, alternative educational institutions whose pedagogy specifically excludes the use of screen technology.

While government policies drive the publishing business in educational publishing, the success of digital initiatives depends largely on cultural drivers, such as those that reflect teacher and student perception and behavior. This includes, most importantly, the extent to which teachers are willing and able to incorporate digital tools into their teaching. Changes in technology are often received with skepticism by teachers, sometimes with good reason: over the past few decades, schools have experimented with the latest technologies to try to improve educational outcomes. Televised lessons, teaching with computers in early childhood education, language laboratories, interactive whiteboards and digital simulations, among others, have all been tried. The initial enthusiasm for each of these new technologies waned. Despite the exciting modern appearance of the latest gadget and the design of the technology, this technology has rarely met expectations in terms of improved educational outcomes. By the time empirical evidence shows that there is a need for a more sober and differentiated evaluation, a newer technology has been developed and is being touted as the latest panacea.

Case Study: OECD study on computers and learning

In 2015, researchers at the OECD published a report entitled “*Students, Computers and Learning*”.⁹⁴ This publication analyses the results of the global PISA exams of 2012 and looks at correlations between the hundreds of data points that are gathered from the participating students, schools and educational authorities. It focuses on the factors that appear to correlate with high PISA scores in reading and math and the factors that appear to have a negative impact on reading and math scores. Given the large data set, it is possible to identify

⁹³ <http://dx.doi.org/10.1787/888933252791>.

⁹⁴ http://www.oecd-ilibrary.org/education/students-computers-and-learning_9789264239555-en;jsessionid=431j0347ad3qp.x-oecd-live-02.



individual effects across countries and correct for socioeconomic and other factors.

While the use of information and communication technologies (ICT) is increasing around the world, the effect of its use on PISA scores is negligible or even negative.

The study concludes: “Despite considerable investments in computers, Internet connections and software for educational use, there is little solid evidence that greater computer use among students leads to better scores in mathematics and reading.”

The report concludes: “[T]he real contributions information and communications technology can make to teaching and learning have yet to be fully realised and exploited.”

An often overlooked driver of, or obstacle to, digital migration in education is student preference. Even today, a surprising number of students appear to prefer to study using printed textbooks. Research conducted between 2010 and 2013⁹⁵ with college students from the United States, Japan, Germany, Slovakia and India showed that between 77 per cent (Japan) and 95 per cent (Germany – note the difference in cultural drivers) of college students found it easiest to concentrate when reading print and 87 per cent said that, if the cost of print and e-books was the same, they would prefer print books for schoolwork. This is in line with research that shows that student reading behavior and retention differs depending on whether students read digital media or printed books. Printed books provide fewer distractions and are easier to annotate, leading to better retention. Currently, these findings are at odds with many government policies seeking to push for the promotion of digital education. They also demonstrate that simple market forces can be affected by human behavior and that different drivers towards digital development need to be taken into account.

4.4.1 *Digital educational publishing strategies*

All the major educational publishers in developed economies have invested in digital products and provide digital educational products. It has been a trivial adjustment to offer fixed-layout digital versions of paper textbooks. The second step for publishers has been to make e-books reflowable so that they can be read on different digital platforms. In moving to the EPUB 3 publishing format, publishers have invested more heavily in e-books and have added structure, navigation, links, multimedia and interactive features, including tests and

⁹⁵ Baron, Naomi, “Words Onscreen: The Fate of Reading in a Digital World,” 2015, <http://www.latimes.com/books/jacketcopy/la-et-jc-92-percent-college-students-prefer-paper-over-pixels-20160208-story.html>.

exercises, to e-content. The paper textbook or e-textbook thus becomes a central piece of a larger virtual learning environment (VLE) in which educational content, exercises, tutoring and testing are sold as a single package.

Effectively, such publishers have stopped selling books and started selling educational services. Some publishers have gone even further and have founded private kindergartens and schools. A new market that has developed is low-fee private schools. They are specifically targeted at low-income families in developing countries who want affordable quality education for their children.⁹⁶

The migration from paper books to VLEs is not linear and smooth, nor is it at this stage clear to what extent it will actually happen.

4.4.2 *Publisher reaction to digital migration*

Despite the 2015 PISA results continuing to show similar negative correlations between the use of ICT and PISA scores at the end of secondary education, there is no reason for publishers to resist the move to digital. Over time, digital tools will find their place in education, solve specific problems and perform better than traditional textbooks. As the market shifts, publishers must at the very least follow, while others lead.

Most educational publishers have embraced digital technology and now offer digital products, or at least supplementary material in digital formats. Pearson, the world's largest educational publisher, no longer describes itself as a publisher but as "the world's learning company". Some publishers are more focused on how they offer digital content, focusing on profitability both in the short and medium term. Even the most cautious publishers will find benefits in offering some content online. For example, some publishers no longer send printed review copies to teachers, but provide them with access to digital textbooks as a more secure and less costly way of promoting their textbooks and encouraging their adoption.

While digital products and technology require great investment in new skills and technologies, the fundamental challenge with digital migration in education is that the business model has not yet fully adjusted to the new product mix. In many countries, schools are prepared to pay for paper textbooks, but the process of allocating funds for digital products is more challenging. Printed books are often still required, but publishers are expected to provide digital content and supplementary material for free. There is added expense but hardly any supplementary income. Worse, in some cases the new reading hardware that is needed may be taken from the same budget lines as textbooks.

⁹⁶ <https://www.theguardian.com/global-development/2012/jul/03/pearson-invest-private-education-africa-asia>.



Nevertheless, a number of educational publishers have developed and tested educational software, apps and VLEs.

4.4.3 *Virtual learning environments, apps and MOOCs*

While the textbook remains a central building block in primary and secondary education, most publishers now see them as part of a larger set of learning resources. The Internet gives publishers the opportunity to provide further tests, exercises and teaching material. These can be licensed together with the book or sold separately, including to parents.

Unlike the use of digital tools in the classroom in primary and secondary education, online distance learning in tertiary education and post-tertiary education is a success story. Online courses, digital repositories and open educational resources have enabled access to educational content, removing this barrier to education for anyone who has access to the Internet and who cannot attend classes or needs to study in their own time. This is where publishers compete directly with new arrivals: Internet companies.

The starting-point for Internet companies is not the textbook. The central learning resource may be an online course, which they build around a website. Ultimately, both approaches can lead to similar outcomes: a VLE in which students can find all their resources, do exercises, take exams and, in the case of online courses, even obtain a certificate of achievement.

Thus, publishers must now compete with major Internet companies in the education market. While Internet companies have the advantage of more abundant resources coupled with technological and design know-how, they often lack an understanding of pedagogy and find it difficult to adapt to local curriculum requirements. Many will support international education standards in order to be able to scale their products internationally. Internet MOOCs (Massive Open Online Courses) often offer large parts of their content for free and have found new ways of monetizing it, including advertising, affiliate marketing, offering certificates of completion against a fee and brokering tutors. Selling information about their students to companies looking for outstanding candidates is a contentious issue. All educational publishers must be aware of the sensitivity of personal information.⁹⁷

4.4.4 *Textbooks in tertiary education*

Textbook publishing for tertiary education is an international market. Colleges and universities in different countries may require students to read the same

⁹⁷ See, for example, <http://mfeldstein.com/popular-discussion-platform-piazza-getting-pushback-selling-student-data/>.

textbooks as part of their courses. This has enabled the development of a global marketplace with international publishers publishing textbooks for college and university students around the world. Such a global market has its own challenges. While enough college students in the United States have been willing and able to spend 250 US dollars or more on individual textbooks, typical students in most other countries find these prices unaffordable. Publishers have developed a variety of strategies to combat parallel imports from lower priced countries and students have developed strategies to avoid paying such high prices. These dynamics are specific to the college textbook markets and are unlike those in the primary and secondary educational publishing market.

Many students consider college textbooks to be very expensive. Traditionally impecunious students have either bought second-hand books or purchased pirated copies. More recently, they have begun to import such books from developing countries where similar books are sold at far lower prices. Publishers have reacted in different ways. In some cases, they have stopped offering low-price editions. In others, they have modified editions for developing countries, often by adding country-specific content and changing the structure of the book, much to the advantage of students in developing countries who are now better served. The greatest savior for publishers has been the digital supplementary content. Access to websites with supplementary resources can be sold with the paper book. The license can easily be time-limited, or locked, or geographically limited. Stripped of these special features, the used or parallel imported book loses this added value after the license expires, or when being used in a different country.

4.4.5 Drivers of digital migration in scholarly and professional publishing

The scholarly and professional publishing market is largely global, rather than national, lending itself to digital publishing rather than print, since the Internet facilitates instant dissemination and global reach, both requisites for scientists publishing their research. It was a scientist, Tim Berners-Lee, who invented the World Wide Web in 1989. It is therefore no surprise that the scientific publishing sector has made the most headway in terms of digital migration and is already predominantly a digital publishing environment. However a variety of drivers continue to dramatically affect the development of the digital market in this sector.

The main drivers are connected to changes in the research environment, namely the internationalization and growth of research and research outputs, the demand for faster dissemination of research and instant access to the latest research publications, all of which are of great importance to the reader, i.e., the researcher.



One of the key factors that determine the growth in scholarly journal markets is the number of scholarly articles published by academics. As reported by the United Kingdom Royal Society in 2011, “Since the beginning of the 21st century, the global spend on research and development has nearly doubled, publications have grown by a third, and the number of researchers continues to rise” (from 5.7 million researchers in 2001 to 7.1 million researchers in 2007). Equally, the number of academics and researchers has steadily grown.⁹⁸ As the number of articles they each publish has also increased, the publishing industry has had to increase its capacity to offer space for their publications and has also had to put pressure on the purchasers (usually academic libraries) in order to find funding to pay for the space. This means there is pressure from the authors (academics) and from the customers (academic libraries), who have both demanded digital delivery and lower costs for access.

The digital environment has made publication space less scarce, as journals are no longer as tightly restricted as they were when they were printed. The limiting factors for market expansion are (currently) the library budgets. The market for journals is not very price-sensitive: the vast majority of customers are university libraries. Changes in pricing of important journals or databases, either up or down, has very little effect on subscription numbers.

Another important driver is the strong call for speedy publications by researchers, more technically sophisticated delivery, such as increased linkage and multimedia delivery, and easier reuse of content.

The third, and most discussed, driver for publishers in this sector is the policy driver. Open-access initiatives seek to ensure that research is made available for free to all researchers and the general public. The most frequently used argument for such policy objectives is that research that has been supported by public funds should be available to the public. The nature of scientific communication is a more powerful argument. Science and researchers require unconditional transparency, open scrutiny and universal equal access to the body of scientific knowledge. While some open-access initiatives are initiated by scientists, the library community or academic institutions, the most effective initiatives have come from governments and organizations funding research, such as the open-access publication policies introduced by the Wellcome Trust⁹⁹ or the Bill and Melinda Gates Foundation.¹⁰⁰

⁹⁸ Royal Society (2011) Knowledge, Networks and Nations: Global scientific collaboration in the 21st century. Royal Society, United Kingdom. https://royalsociety.org/~media/Royal_Society_Content/policy/publications/2011/4294976134.pdf.

⁹⁹ <https://wellcome.ac.uk/funding/managing-grant/open-access-policy>.

¹⁰⁰ <https://www.gatesfoundation.org/How-We-Work/General-Information/Open-Access-Policy>.

Making content free at the point of consumption requires a business model in which someone other than a buyer/subscriber must pay. Publishers and policymakers are experimenting with a range of business models (see Chapter 5 for more details) in the hope of finding one that is cost-effective, maintains publishing quality and scientific freedom, and is sustainable in the long term.

There are mixed business models which include some form of open access, either with an embargo or with designated open access repositories.¹⁰¹ Governments can also issue national licenses for publishers or strike other licensing deals. Publishers may change their business model to ask researchers to pay for publication. The latter creates its own set of problems: unless the money is covered by a research grant, the funding requirement gives power to those in academia who hold budgetary power. It also leads to unethical publishing practices, with predatory publishers setting up spurious but august-sounding journals to lure unwitting researchers into publishing with them.¹⁰²

Much of the digital development in this area has been in the area of scholarly journals, but monographs are closely following and the same drivers that influence journals increasingly also affect longer-form publications.

In 2009, only about two-thirds of publishers were publishing in electronic formats¹⁰³ and, for them, e-book revenues were under 10 per cent of total book sales. However, this figure has risen considerably since then due to the increasing demand to meet the growth in content in a more cost-effective way that also allows greater international distribution.

¹⁰¹ for an overview see <https://scicasts.com/insights/2123-open-science/10333-evolution-of-open-access-policies-and-business-models-which-way-to-the-future/>.

¹⁰² <https://www.nature.com/news/investigating-journals-the-dark-side-of-publishing-1.12666>.

¹⁰³ <http://www.alpsp.org/Reports-Publications/scholarly-book-publishing-practice-first-survey-2009>.



5. THE BUSINESS OF PUBLISHING IN THE DIGITAL ENVIRONMENT

5.1 Introduction: publishing and the digital environment

The digital revolution is not just a technological but also a social revolution. As with all revolutions, it is difficult to judge their ultimate impact on society while they are ongoing. Authors, publishers and policymakers must react to a rapidly changing and unpredictable environment. While policymakers, authors and publishers make their assessments about the speed and reach of the digital transformation in their sector and their business, it is also important to reflect on the business models that the digital environment enables, or even requires.

For the book industry the technological aspects of the digital revolution are particularly important: they affect how books and other publications are produced, distributed, promoted and consumed. However, the social and behavioral changes, i.e., the cultural drivers, are even more dramatic: they change consumer habits, attitudes towards reading, pricing expectations, and how readers want to interact with authors, books, bookshops, and other readers. The globalization of book publishing, like many other industries, is both a result of new technology and of changing behaviors and attitudes.

5.2 The traditional publishing value chain

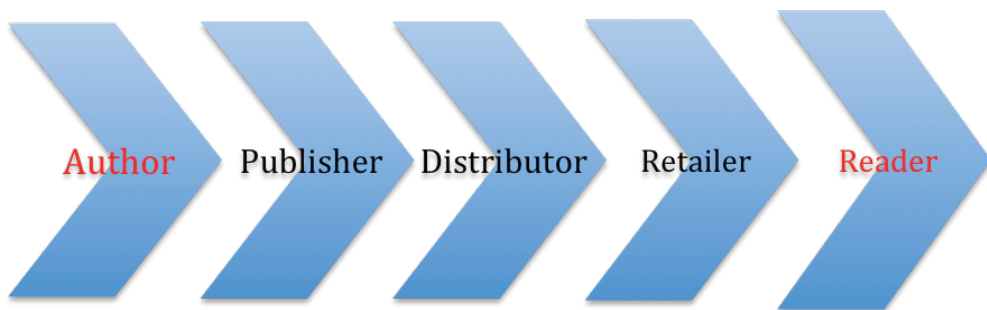
A value chain is a model that describes the sequence of commercial intermediaries that connect, adding value to a final product. The content created by authors and other rights holders passes through the publishing industry value chain before reaching the final consumers and readers. The value chain looks very different for consumer publishing, educational publishing and scholarly publishing. Within each sector, there have also always been some variations and players who have developed their own at times idiosyncratic value chains, so the following describe typical scenarios, within which individual authors and publishers may have developed their own variations and alternatives.

5.2.1 *Consumer publishing*

In consumer publishing, the traditional, typical value chain is simple: authors license their work to publishers, often supported by authors' agents, who help scout talented authors and specialize in licensing negotiations on their behalf. Publishers select works and manage book editing and production (including editing for consistency and readability, overall design, title design, formatting and printing). The printed books need to be warehoused before they are distributed, typically using wholesalers and distributors. The sales, marketing and public

relations, functions is typically performed by retailers, help to generate public awareness and demand for the book. For most fiction titles, a book is actively promoted as part of the “front list” for 18 months or less, after which it is kept on the “back list” and, ultimately, the rights revert to the author at the end of its commercial lifespan.

There are clear bottlenecks in the traditional value chain. That is to say, there are points of scarcity, which are difficult for printed books to cross. In print publishing, the traditional bottlenecks are the author getting published in the first place and the physical availability of the book, in other words, getting a book into bookshops where customers might find and purchase it. Large publishers have a distinct advantage and new market entrants will find it difficult to ensure that their books are being warehoused, distributed, put on shelves and actively promoted by sales staff in bookshops.



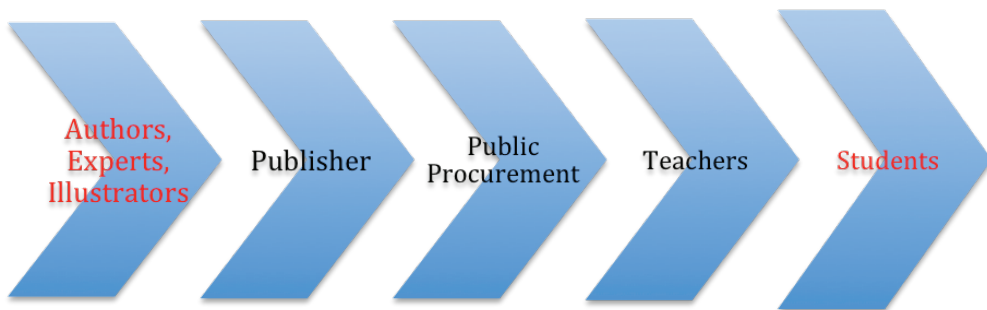
5.2.2 Educational publishing

The educational publishing value chain may vary greatly depending on a country’s public procurement policies. At the most extreme end of the spectrum, governments may author, print and publish school textbooks themselves. In that case, there is no commercial value chain at all. Commercial authors and publishers would focus on the “afternoon market” of supplementary material for parents, which would use the trade publishing value chain. More frequently, governments put out individual textbooks to tender and then award a contract to the successful bidder. This is then the only point of scarcity. Not only do such larger tenders inherently create greater temptation for corruption and manipulation, they also hamper the development of local educational publishing. Only financially very stable publishing houses can maintain the high skill level that good educational publishing requires on the basis of tenders that are few and far between. This is why such textbook tenders sustain international educational publishers at the expense of the local educational publishing industry.



At the other end of the spectrum, governments may simply prescribe curricula and stay away from the textbook publishing business. They rely on publishers, who are in competition with one another, to produce, sell, market and distribute their textbooks to individual schools and teachers. Most countries have textbook procurement policies which allow for some publishing industry competition. Some may insist that publishers deliver books in bulk to government warehouses, from where the government organizes their distribution. In other countries, publishers sell their textbooks to schools, but allow bookshops to handle distribution. This is a way to support local bookshops, which can rely on the steady income that regular textbook sales generate.

CURRICULUM



5.2.3 Scholarly publishing

Scholarly or academic publishing has some similarities to trade publishing, especially in the monograph market. However, for many scholarly publishers, there is a condensed version of the trade value chain, with publishers selling their publications (monographs and scholarly journals) either directly to libraries, or (frequently) via subscription agents. Bookshops are rarely used for selling journals and are a limited outlet for monographs.¹⁰⁴ One notable difference between scholarly and trade publishing is that the final purchaser is not usually the final consumer: the majority of sales are to libraries, not to the individual end users.

¹⁰⁴ Morris, S, Barnas, E, LaFrenier, D and Reich M (2013), *The Handbook of Journal Publishing*. Cambridge University Press.



5.3 Publishing value chains on the Internet

At first, the publishing industry sought to replicate its traditional value chain on the Internet. However, at the most basic level, digital technologies enable direct communication and content delivery between all persons involved in the value chain. This can happen through dedicated applications or through websites on the World Wide Web. Given the low cost and readily available technical expertise, the barriers to establishing a presence on the Internet are very low. Many of the barriers of entry for authors that hinder the commercial availability of their works in the print environment disappear on the Internet. Equally, all other stakeholders with traditionally distinct functions in the value chain also have an opportunity to expand their own services into the areas of their previous commercial partners.

While in theory lowering barriers of entry should allow for unlimited competition, network effects often create the opposite outcome: dominant stakeholders in the value chain. A discussion of the economic and social impact of the Internet economy cannot overlook the dominant position of a small number of stakeholders, nor is this limited to publishing or creative industries. Google, Facebook, Twitter, Uber, Airbnb and Netflix are all examples of companies in dominant positions in specific markets. For authors and publishers, the greatest concern is the dominance of a single online bookshop in individual markets, for example Amazon, which dominates in both print and e-book markets in North America and most of Western Europe. In some countries, other local online booksellers hold a similarly strong position or effectively compete with (and may outsell) Amazon. This is true for Dangdang in China, Flipkart in India and Vinabook in Vietnam.



While publishing is becoming increasingly global, it is worth noting that the business models discussed here are not uniformly found around the world and there are geographical and sectoral differences. Still, apart from facilitating the traditional value chain, the Internet has enabled three major types of business models: self-publishing by authors, user-generated content, and sponsored content. In the broadest sense, there is also a fourth business model: the unauthorized distribution of copyright-protected works, i.e., piracy. This chapter will look at these four business models and explore their impact.

5.3.1 *The traditional value chain goes digital*

The traditional consumer publishing value chain still plays an important role on the Internet: authors license publishers to produce, distribute and market print or digital books. Books are warehoused and sold through online bookshops where readers discover and purchase or download them. However, there are various ways in which the traditional value chain differs on the Internet.

Publishing costs in the digital environment

Commercial publishers have very similar costs for the creation of the first copy of a work, either in print or in digital form. These include costs for editing, layout, design and other production stages. However, savings are generated if print copies are not produced. On the other hand, royalties paid to authors for e-books tend to be a higher than those paid in the print environment. While 8-15 per cent royalties would not be untypical in the print environment, e-book royalties may often be closer to 25 per cent, with some authors' organizations campaigning for 50 per cent¹⁰⁵. The attractive fees or royalties earned from self-publishing services also leads to much greater flexibility in negotiating higher royalties. Although publishers make savings overall, some are passed on to customers. In most countries, e-books are less expensive than print copies.

In educational and scholarly publishing and for some trade publishers, digital publishing requires significant extra investments. Creating a digital edition may require additional technical skills and investment (see the section below on metadata); the publisher may need to develop sophisticated repositories of their content (e.g., scholarly publishing databases) with search and discovery tools; and there may be additional complexity in the delivery of content to intermediaries such as libraries.

Educational publishers are also expected to make substantial investments to develop supplementary online content – for example, adding interactive content

¹⁰⁵ <https://www.theguardian.com/books/2010/jul/12/ebooks-publishing-deals-fair>.

such as exercises, videos, supplementary teacher material, etc. This requires considerable additional resources and technical skills.

Online bookshops must develop their Internet presence. Consequently, their cost structure is very different from that of traditional bookshops. Although their infrastructure (overhead) costs may be far higher, they tend to generate savings elsewhere: for example, while brick-and-mortar retailers in the United States employ on average 47 employees for every 10 million US dollars of revenue, Amazon employs only 14.¹⁰⁶

How the added value of different intermediaries changes

The added value contributed by various intermediaries changes in a digital environment. While the production of print copies may still be of value to some authors and some readers (for example glossy art books, or carefully crafted hardback editions), the requirement for print has diminished or disappeared in certain domains, making this service unnecessary or of little value.

The emergence of the e-book means that publishers are no longer the gatekeepers to bookshops; libraries are no longer the sole custodians of information; and bookshops are no longer the most convenient places to buy a book. On account of this change, publishers who used to publish PhD dissertations for a fee have been among the first to be forced out of the market by the Internet, because most university libraries publish dissertations online for free and may no longer need print copies. Although digital distribution appears to be quite easy at first glance, it involves new skills that have increased its cost. These include:

- access controls (making sure only the intended recipient receives the publication);
- formatting (ensuring that the format supplied to the consumer or purchaser is compliant with their systems – e.g., Kindle version, ePub, PDF, etc.);
- version control (ensuring that the correct version is supplied);
- online payment systems (with refunding mechanisms); and
- metadata (for cataloguing, discovery and indexing systems).

¹⁰⁶ <http://www.forbes.com/sites/jeffbercovici/2014/02/10/amazon-vs-book-publishers-by-the-numbers/#4c3343e65a3a>.



Metadata

The relevance of Metadata has increased significantly on the Internet. Metadata is information about data. In the case of books, this includes bibliographical information that describes the book; i.e., title, author, publisher, time and place of publication. It can also include information about the content, such as genre, language, keywords, subject area, language level, and more. It may include information about the publication format: for print versions, this would mean describing the size or other features; for e-books, this would include the file format or accessibility options and features. Metadata often includes identifiers for works, editions, authors, publishers or other contributors. It may also include information about rights and current rightholders for various rights and territories.

Metadata is not only important for e-books. The traditional print commercial distribution network has equally become more efficient and reliable since bibliographic catalogues and databases included standardized metadata, most importantly the ISBN number, as well as further data that made works discoverable through a range of criteria.

Metadata is even more important on the Internet. Websites have terribly small “shop windows”, i.e., screen space where books can be presented. Even that small screen space is customized so that customers see books that are selected to match their taste, or that publishers have paid the site to promote. Search and discovery requires that a user keys in search data which is then matched to the metadata held in bibliographic databases.

Metadata management is highly important and is one of the key ways through which publishers add value to authors' works. Indeed, it can directly increase sales. It requires understanding of metadata requirements by various intermediaries, attention to detail and experience. Publishers lose sales when they provide erroneous spellings of book titles or the author's name, which is still a surprisingly common problem. For example, Western publications use over 100 different spellings for the name of the former Libyan leader and prolific author Moammar Gaddafi when transcribing it in Western alphabets.¹⁰⁷ Metadata and unique person identifiers ensure that search results yield the right author and book only if the correct spellings are keyed into the search box. Putting a book in the wrong subject category, or not providing popular, relevant, key words on the book's subject may mean lost sales. Identifiers prevent misordering of older editions. E-book metadata ensure that an ordered work is in the correct format (there are over 30 popular digital e-book formats).

¹⁰⁷ <http://blogs.abcnews.com/theworldnewser/2009/09/how-many-different-ways-can-you-spell-gaddafi.html>.

Traditionally, national ISBN (International Standard Book Number) agencies have been the focus of publisher interest in industry metadata¹⁰⁸ and all publishers are familiar with obtaining ISBNs and managing relevant data. Other identifiers are currently gaining importance: the Digital Object Identifier (DOI)¹⁰⁹ provides technical and social infrastructure for the registration and use of persistent interoperable identifiers for all kinds of content. The International Standard Text Code (ISTC)¹¹⁰ provides a unique single identifier for all published versions of a single work, which facilitates royalty management and discovery. The International Standard Name Identifier (ISNI)¹¹¹ identifies contributors to creative works and those active in their distribution. Two international publishing standards development bodies have been particularly instrumental to the development of digital publishing standards, namely The Publishing Group and the EPUB 3 Community Group at the World Wide Web Consortium,¹¹² who develop and manage important digital formats, and EDItEUR,¹¹³ an international publishing industry consortium that provides standards for the physical and digital book distribution chain.

Digital rights information is equally important and will be discussed below.

In the digital environment, it is not only important to obtain the necessary identifiers for each work and record the necessary metadata; it is also necessary to communicate such information in standardized ways. The ONIX for Books Product Information Message¹¹⁴ is the international standard for representing and communicating book industry product information in electronic form. Understanding how to create such records and keeping abreast of the latest versions is important to publishing success in the digital environment.

5.3.2 *Dis-intermediation and re-intermediation*

Virtually all service providers in the traditional value chain perceive the Internet as an opportunity to expand their services at the expense of other members of the value chain.

Some online retailers have bought or set up their own commercial publishing houses, hoping to replace publishers completely. Amazon started its own publishing in 2009 and now owns a series of imprints including Montlake Romance for romance novels and Thomas & Mercer for mystery novels. Such a

¹⁰⁸ Ssee <https://www.isbn-international.org/>.

¹⁰⁹ <http://www.doi.org/>.

¹¹⁰ <http://www.istc-international.org/>.

¹¹¹ <http://www.isni.org/>.

¹¹² Formerly IDPF, this is now part of W3C: <https://www.w3.org/publishing/>.

¹¹³ <http://www.editeur.org>.

¹¹⁴ <http://www.editeur.org/83/Overview/>.



vertical integration strategy is similar to the one found in other business sectors, such as luxury goods, where the brand owner may control the production, distribution and retail outlets.

Some publishers have expanded into self-publishing by providing discrete publishing services to authors for a fee. This allows them to monetize manuscripts on which they are not prepared to take an economic risk. Penguin, for example, bought a self-publishing company, Author Solutions, in 2012 (but ended this experiment in 2015).

Amazon, Apple, Kobo and other online retailers have also launched self-publishing services. This means that rather than paying authors a royalty, they charge would-be authors a fee for editorial and production services and for including their books in the online bookshop. Typically, this program is managed separately from the traditional publishing imprints.

Some authors' agents have also changed their business model and are now charging authors for their services, offering to also provide editorial, marketing or digital communication services.

Even libraries have engaged in efforts to squeeze out other members of the value chain. Academic dissertations are often published by university libraries and publishers are no longer involved. In some countries, libraries now pay substantial royalties to publishers for e-lending or even sale of e-books through their digital library lending platforms, effectively creating a new online retail channel. In scholarly publications, there is a growing trend for university libraries to publish research journals for their own academic staff in open-access websites, sometimes complementing and at times competing with publisher-owned journals.

Author self-publishing

The most extreme disruption of the traditional value chain occurs when an author takes full control. Authors can edit, produce and sell their own books to customers directly through their own dedicated websites. Depending on their expertise, they may choose to employ specialist service providers to edit and design the books, handle the technology and manage fulfillment and payment services. They could also create their own publishing house, just like the music publishers that many famous rock bands have created to manage their copyright. The advantage of this business model to authors is the complete control they have over their books and how they are marketed. They receive unfiltered feedback from their readers and can nurture this relationship and adjust their future writings in accordance with reader expectations, if they so choose. The potential disadvantages are

significant. Authors must develop skills to learn digital production, metadata and rights management, editing, distribution, sales, marketing and public relations. Alternatively, they can recruit professionals for these activities and then spend time managing their own hired team. However, all of this consumes the time they should have spent writing. Hence, this option would suit only well-known authors who are sufficiently wealthy to invest in the development of these channels and authors who are able and willing to develop the necessary technical expertise and spend time not just writing, but also managing their publishing business.

Case Study: J. K Rowling

A famous example is J.K. Rowling, who refrained from granting digital rights in the “Harry Potter” book series to any of her print or audio publishers. Instead, she launched her own website, Pottermore, in 2012. At its launch, this website offered far more than just a simple shop to buy Harry Potter books. It currently features additional writing from J.K. Rowling, provides background on J.K. Rowling’s Wizarding World and promotes the latest theatrical or cinematic spin-offs from the original book series. Interactive features allow readers to engage with the Wizarding World. The news section offers press releases and media coverage on all Harry Potter-related communications. The shop itself offers Harry Potter books in print and e-book versions as well as audio in Danish, Dutch, English, French, German and Japanese.

Case Study: Romance Writers in the United States

The market for romance novels is worth 1.08 billion US dollars (2013) in the United States¹¹⁵ and accounts for about 13 per cent of adult fiction. Some 39 per cent of all romance novels are purchased as e-books.

Romance novel buyers are typically female (84 per cent), and 29.5 per cent of readers primarily read e-books, with 23 per cent reading on more than one device. Typical romance readers are aged between 30 and 54 years, read and purchase new books regularly and discuss the books they read with friends. Readers typically have a subgenre preference and are loyal to writers whose books they have enjoyed. Subgenres include contemporary, historical, erotic, paranormal, young adult and Christian romance, among many others.

Self-publishing and e-book-only publishing are particularly popular among romance writers, which makes it particularly difficult to track e-book sales and their market share. Authorearnings.com, an innovative sales monitoring service, estimates that 89 per cent of romance unit sales are digital and over half of them are self-published. Some 74 per cent of unit sales are made through Amazon, 11

¹¹⁵ <https://www.rwa.org/p/cm/ld/fid=580>.



per cent through Apple, and 10 per cent through Google Play, Kobo and Nook. Of the 30,000 romance authors who sell through Kindle, approximately 780 of them earn over 50,000 US dollars and 1825 earn more than 10,000-25,000 dollars. At the very top, 15 authors earn more than one million US dollars per year; 10 of them are engaged in self-publishing.¹¹⁶

In educational publishing, teachers, social platforms, governments, libraries, foundations and crowdfunding initiatives have all made efforts to publish textbooks, tests and supplementary material for schools. These initiatives have met with varying degrees of success.

In scholarly publishing, there is relatively little self-publishing. There are a few instances where individual researcher-authors have started their own journals (e.g. the journal *Discrete Analysis*, launched in 2015: <http://discreteanalysisjournal.com/>), although there are few monographs which are self-published by the authors. Preprint repositories also play a major role in some disciplines like as physics and life sciences. Early versions of yet-to-be-published papers are presented for discussion and, most importantly, to establish the primacy of an author for findings.

User-generated content

Social media allows all participants to share views, information, software code, games, news items, music and video clips. Naturally, this also includes journal articles, poetry, novels, reviews and educational content. There are some social media, or quasi-social media which compete with traditional publishing or offer an alternative business model.

Wikis are websites that allow users to modify the content of a website through their web browser. The most celebrated example is Wikipedia which allows a potentially unlimited number of contributors to add to and edit a single, expansive encyclopedia. The rules have evolved over time but generally tend to allow contributors to express themselves freely. However, the self-policing community of contributors is expected to maintain editorial, political and ethical standards.

Wikipedia is not uniformly prolific in all languages and regions. Nonetheless, it provides publishers of reference works with a direct competitor, and challenges them to publish reference works that are either as comprehensive or up-to-date. Yet, the strengths of Wikipedia are also its weakness: the open curation and anonymity of its editors and authors undermine its credibility as a quotable reference. Its credibility is founded on the sources it relies on. Because Wikipedia is an all-purpose reference tool, there is still a market for specialized reference

¹¹⁶ <http://authorearnings.com/2016-rwa-pan-presentation/>.

sources. As Encyclopedia Britannica shows, reference works aimed at specific audiences such as academics, children, students, specific professions, persons with a specific cultural or political perspective, and other groups with more targeted needs, may still find a commercially viable market.

Wikis have also been used to generate educational content. The Netherlands, for example, has created the “*Wiki Weijs*”¹¹⁷ educational content platform where teachers can find, amend and share teaching material. In many other countries, teachers are invited to share their own content, tests or exercises on educational platforms for others to download, improve and reuse. While this appears to be a great way to harness the collective skills of the teaching community, from the theoretical standpoint, it underestimates the special, additional skills needed to develop cohesive, well-structured educational content. Good educational content supports a specific curriculum and forms part of a larger learning arc in which new content is developed based on previously learned elements. In this case, older content is subtly reiterated and included, and an overall pedagogical concept ensures long-term success. It is difficult to replicate such overarching and deep editorial and pedagogical thinking in modular learning units where those who improve content may not understand the rationale for certain elements. In practice such websites are also at risk of being influenced by free content provided by political, religious or commercial interests and often enough some high-quality content is copied from publishers.

Scientists are also using their own social networks to share research findings. It remains to be seen what role ResearchGate and Academia.edu or bibliographic platforms, such as Mendeley or Zotero, will play in scholarly communication.

5.4 Pricing and new business models

The consumer expectation is that e-books should be less expensive than physical books because of the obvious savings in printing, warehousing and distribution of print copies. In the United States and Germany, e-book versions of bestsellers cost 20 to 25 per cent less, but backlist titles are often heavily discounted.

One major difference in the digital world relates to the contractual implications of selling versus licensing. With printed books, customers purchase a physical copy which becomes their own property (to resell, lend, destroy, etc.). However digital books are usually not sold but licensed to the customer. This has many implications which are discussed elsewhere (e.g., under rights). However, in pricing terms, this opens the door to a wide variety of licensing and pricing models.

¹¹⁷ (<https://www.wikiwijsleermiddelenplein.nl/>).



Publishers are looking for alternative ways to license works at lower prices, thus creating further price tiers. They may sell licenses for single chapters of books or for a specific time period. Digital textbooks, for example, can be licensed for one or two years only. In scholarly and college education publishing, there are shorter “rental” periods of one day, or a few weeks. Some publishers are following the “Netflix” pricing model, i.e., charging a regular, renewable payment for access to a large e-book library. This is also one way to generate additional revenue from currently less popular backlist titles.

There are many pricing experiments, particularly in the educational, academic and scholarly publishing environment. A few examples are given below.

- “Bundling” content: Large publishers sell licenses to specific collections (e.g., a “Health” list, which comprises a range of journals and books). This provides cheaper per-item access for the customer and simpler sales transactions for the publisher (one sale rather than hundreds).
- Patron Driven Acquisition (also called Demand Driven Acquisition): Purchase of e-books by academic libraries is largely speculative unless a book is one of the stipulated course books. Hence, a model has been developed whereby the library pays a relatively small fee for access to the publisher’s entire list (or collection). It provides for a fixed number of accesses to each publication (for example, six), such that once the library’s patrons access the book for the seventh time, its full price is charged to the library. Accordingly, libraries pay a full price only for the books that their patrons actually use.¹¹⁸
- In the trade library market, some publishers sell book licenses, albeit with a limited loan stipulation. For example, in 2015, Penguin announced that it was selling its books to public libraries, with the proviso that they could only be loaned 36 times, after which the library would need to renew its license. This was supposed to take account of the limited lifespan of a printed book which was estimated to be about a year (or approximately 36 loans).¹¹⁹
- Pre-payment for articles: In the academic environment some publishers accept advance payment for articles. This means that an academic library pre-pays for access, but is only charged for the articles that its patrons actually access.¹²⁰

¹¹⁸ <https://library.hud.ac.uk/blogs/hike/2012/12/06/patron-driven-acquisition/>.

¹¹⁹ <https://www.penguinrandomhouse.co.uk/media/news/2015/december/penguin-random-house-uk-launches-extended-ebook-library-lending-/>.

¹²⁰ See <https://www.elsevier.com/solutions/sciencedirect/content/articlechoice>.

- Online membership: Some online sites charge a monthly membership fee and then offer the user one “free” publication each month as part of their membership. They are also able to purchase additional books and are invited to take advantage of special offers that allow them to purchase more at a discount price. A good example is the audiobook service, Audible. This service is not a publisher, but rather an online bookshop which has the permission of publishers to offer such deals to its members.

E-lending

Library lending of e-books poses a particular challenge, because libraries consider e-book lending to be part of their public service, while publishers perceive this activity as a plausible risk that could compete with, and cannibalize, their book sales, or their own very similar commercial licensing models. Publishers have tried a range of licensing strategies to mitigate this risk, much to the disappointment of libraries.

Some of these strategies are:¹²¹

- delaying e-lending of frontlist titles for a certain time period after publication;
- limiting concurrent e-lending: only one reader can borrow an e-book at a time;
- limiting the number loans before the full book price is charged again;
- charging libraries a fixed or individually-set lending fee per use;
- requiring libraries to charge a fixed or individually-set licensing fee from each borrower; and
- lending books through commercial libraries, such as Amazon Prime’s kindle library.

For public not-for-profit libraries, the above solutions raise many concerns and challenge most of the principles that they hold dear. In the paper world, libraries were free to purchase any published book at any time. They were able to allow readers to copy under copyright exceptions and could archive and store books in accordance with their collection policies. With e-books, libraries would like to establish a right to lend,¹²² in order to perform their public service of granting access to books. It is not clear what the limits of such new lending rights should

¹²¹ For more details, see <https://publishingperspectives.com/wp-content/uploads/2015/11/Guide-to-Ebook-Licensing-Purchase-Models-Bookwire-and-Dosdoce.pdf>.

¹²² <http://www.ifla.org/node/7418>.



be, and how they relate to the commercial structures that provide such rental services, currently considered to form part of the “normal exploitation” of a published work.

There are a number of practical issues: libraries often use digital intermediaries to provide e-lending services.¹²³ However, this raises certain open policy questions: How can these third-party digital databases be integrated into library collections? How can the role of libraries be preserved in the digital environment? Should that role change? This remains an area for consultation, discussion and experimentation with all stakeholders.

Price experimentation

One of the great advantages of the Internet is the ability to experiment in real-time and on a small scale. Publishers can rapidly change their prices and respond flexibly, provided they are licensing works to retailers through the so-called agency model. This means that the retailer is not free to set its own prices, but acts as an agent who sells the books at a price set by the publisher. In the alternative model, retailers are free to set their own prices, provided they pay the rightholders the agreed fee per copy sold. Retailers typically prefer the latter arrangement, because it allows them to control all book prices. They can grow their market share through steeply discounted prices, a loss leader that can be recouped later or elsewhere. Authors and publishers have an interest in maintaining the right to set prices as they have no interest in allowing various retailers to start a price war over their books. This has led to some court cases with retailers accusing publishers of colluding to enforce the agency model.¹²⁴

The online environment also provides further opportunity for differential pricing, i.e., charging a different price to various customers. Different prices may be charged for customers of different sizes. For instance, different subscription fees may be charged depending on the size of the university, the location of the customer, or the format of publication. Discounted prices could be charged for not-for-profit companies. Price differentiation without product differentiation creates the risk of circumvention (as in the case of parallel importation) or unhappy customers if they feel that they are unfairly paying more for the same product. Some publishers differentiate their products through enhancements, to ensure that customers who are willing to pay more are offered an attractive value proposition that merits the higher expense. “Freemium” pricing models are one such example: readers pay nothing for reading the first chapter but must buy the book if they want to read it in its entirety. Some readers will pay extra for

¹²³ http://www.bibliotheksportal.de/fileadmin/user_upload/content/bibliotheken/international/Study_Public_Library_E-Lending_Models_2014.pdf.

¹²⁴ <http://fortune.com/2016/03/07/apple-supreme-court-ebook/>.

additional features, such as supplementary learning material or mock tests for textbooks, specially illustrated books, or audio recordings performed by prominent actors.

One disadvantage of the digital environment is the dominance of some of the larger players. Amazon is pre-eminent in Western Europe and the USA as the online vendor of both print and digital books. On account of such dominance (similar to the position of major brick-and-mortar bookshop chains), it was able to demand that publishers license or sell their books to Amazon at a price equal to or lower than the one offered to other e-book retailers. However, this was challenged by Börsenverein (the German book trade association) in 2014 when it filed a complaint about several of Amazon's business practices with the German antitrust office. Its complaint was taken up by the European Commission which considered that Amazon's requirements may have violated EU antitrust rules that "prohibit abuses of a dominant market position and restrictive business practices". In May 2017, it adopted a decision that renders legally binding commitments offered by Amazon to stop certain practices.¹²⁵

5.4.1 *Writers sharing their content for free*

Aspiring and successful writers can share their writing in a variety of ways. Blogs, fan-fiction websites, dedicated websites for authors of particular genres and others provide opportunities for writers to grant readers access to their writings. While most do this as a hobby, others use these tools directly or indirectly to earn income. For bloggers, advertising is the most frequent income stream that develops gradually as their blogs become more popular. Others request readers to subscribe to parts of their content, or sell their books directly to customers. Such free publications also allow for indirect compensation: interesting writing may attract publishers or showcase the skills of freelance writers ready to accept commissioned work. Blogs also showcase expertise which is then sought in the form of keynote presentations, training or consultancy work. At times, the lines blur between hobby writers, aspiring writers, writing experts and fully professional writers. In an ironic twist, blogs about writing, self-publishing and making a living as an online-writer have become their own topic and a genre for self-published and traditionally published authors.

While there is anecdotal evidence that writing open-access content can generate substantial income streams in other media for individual authors, such authors must be considered as outliers. A look at the advertising income generated through the Internet makes it abundantly clear that this income stream is reserved for a select few, excluding a large number of middle-range writers. With the

¹²⁵ http://europa.eu/rapid/press-release_IP-17-1223_en.htm



lion's share of advertising revenue (estimated at 160 billion US dollars)¹²⁶ going to Google and Facebook, very little remains to be shared among the countless other intermediaries, let alone individuals who, provide content on the Internet.

5.4.2 *Sponsored content*

There has always been a segment of publishing that is freely available to readers. This includes government-published content, educational content and publications of research funders and philanthropic organizations all seeking the broadest possible dissemination. Aid organizations, religious bodies and other non-governmental organizations publish school textbooks, while governments publish laws, government-generated data and public service information. In many developing and least developed countries, the majority of the content is published through such channels. Such publications are frequently released using own staff or agencies. More cost-conscious entities (which make transparent calculations about the actual cost of internal resources) often choose to outsource the publishing operations to commercial partners.

From a publishing industry perspective, government, philanthropic or foreign-aid funded publications are released through a business model which requires a single entity to pay for the publication up front. The Internet has facilitated such publishing. It has seemingly addressed the availability and distribution issue that often comes with content that is primarily not driven by economically viable demand. There is less need for external service providers if the primary objective is to make information available and in great quantity, with little regard for presentation and curation.

This practice has also gained relevance in educational publishing. A number of governments, such as Greece, request bid-winning publishers to produce primary and secondary school textbooks and post the content online for free download by all users. Receiving only a flat fee upfront, with no prospect of regular royalty payments, makes publishing in this environment challenging. If publishers cannot find regular, predictable income streams, they will not invest in much-needed skills development. Single book tenders typically lead to publications that are low-cost and of approximate quality. Commercial educational publishers then turn to the parental market and invest in books designed to be used at home. Unwittingly, a two-class system emerges within the education sector, with students from low-income households having access solely to lower-quality books.

From a public policy perspective, free content may also have some drawbacks. Where consumers do not pay, someone else must. Accordingly, that person or

¹²⁶ <http://www.marketingtechnews.net/news/2016/jun/21/global-digital-ad-spend-hit-285-billion-2020/>.

entity then gets to decide what has to be published. This is true of academic management (or donors) deciding which journal articles to fund; philanthropic (and often value-driven) organizations paying for content that is consistent with their values; and governments funding books deemed to be most appropriate, even where users would choose otherwise, if given the choice. As Jaron Lanier put it: “It is all too easy to forget that ‘free’ inevitably means that someone else will be deciding how you live”.

5.4.3 *Crowdfunding of books*

Crowdfunding is a business model where entrepreneurs or individuals planning to create a specific product or implement a project invite the public to pledge, then pay towards its development or finalization. In exchange for their contribution, funders may receive a specific reward. Crowdfunding projects typically include computer games or the introduction of technology ideas or designs into the market. Board games, music albums, films or other creative endeavors lend themselves to crowdfunding, especially where a large and/or loyal fan base can be activated. Crowdfunding has a long history. In book publishing, subscribers have for centuries been asked to make pledges for a book that was not yet published. Even the pedestal of New York’s Statue of Liberty was funded through crowdfunding.

Securing financing through crowdfunding has a number of advantages: the financial risk is covered upfront; demand for the product can be determined prior to publication; and the process promotes marketing and PR. Over the past decade special crowdfunding services have emerged, such as Kickstarter, Indiegogo or sites specialized in crowdfunding books, such as Pubslush or Unbound.

At Kickstarter, for example, about one third of the more than 224,000 proposed projects succeed in getting pledges for their funding targets. More than 60 per cent of book publishing projects request between 1,000 and 9,999 US dollars. On average, the pledges are approximately 80 US dollars. As of August 2016, more than 1,226 million backers had pledged over 100 million US dollars for 9,660 successfully crowdfunded books. Projects include republications of a 400th anniversary illustrated version of Don Quixote and of recently discovered poetry by Pablo Neruda. Children’s books are particularly popular crowdfunding projects.

The success of crowdfunding campaigns initiated by authors and publishers will depend on whether they are able to direct a large number of fans, customers or friends to contribute via the crowdfunding website. The site itself rarely promotes any specific project. This means that time and effort must go into public relations and marketing of the crowdfunding campaign, effectively pre-loading the investment in aspects of bookselling that normally would happen after the launch.



An inspiring story that is well narrated in a carefully crafted explanatory video may help; the same applies to rewards that give funders a sense of receiving something valuable in return. The skill and effort required to develop a successful crowdfunding campaign should not be underestimated. Books that are successful at crowdfunding may also be noticed and picked up by commercial publishers.

Crowdfunding scholarly monographs?

A recent initiative¹²⁷ has highlighted the potential for a special kind of crowdfunding for scholarly monographs. Publishers approach libraries and ask them to fund in advance the publication of a specific monograph at a steeply discounted price, relative to the price of a conventional monograph. If enough libraries commit to the project, then the publisher produces the book and publishes it under an open-access license. This model generates benefits for all parties. Crowdfunding reduces the publication risk and creates a positive cash flow for publishers. Authors are motivated to promote their own book project because if few libraries subscribe, the book will not be published. Libraries also benefit by paying less. Authors and libraries are satisfied that the book is published under open access.

5.4.4 *Subscription and temporary licensing*

Subscription-based models mean that consumers have access to a large body of content in exchange for regular payments. In other words, all access to the content is lost if the payments are interrupted. Consumers are familiar with this business model used by music streaming services like Spotify, Soundcloud or Google Play Music and by audiovisual streaming services like Netflix or Hulu. Subscriptions have always been part of journal and magazine publishing. To date, the subscription remains the prevailing model in journal publishing, even though open-access business models are gradually developing.

A number of companies have established e-book subscription models. Scribd, Bookmate and Amazon's Kindle Unlimited all offer access to thousands of e-books for a monthly fee. Before offering their e-books through such services, authors and publishers consider whether such a move enhances or cannibalizes their sales through other channels. Major publishers are most happy to monetize backlist titles which are not otherwise actively marketed. They are usually reluctant to include their most recent launches, as these can be sold for higher returns through other channels. Authorearnings.com data shows that self-publishing romance authors who have published a number of titles tend to put some into Kindle Unlimited and leave some out, indicating that library subscription

¹²⁷ <http://www.knowledgeunlatched.org/>.

models are a secondary way to monetize books when individual sales no longer pay.

5.5 Open-access and “free” content

One of the most ground-breaking changes of the Internet economy has been the advent of free information, and consumers’ expectation that digital content should be available to them free of charge at the point of consumption. From a public policy perspective, the availability of open-access and free cultural, educational and scientific information is a relevant goal. However, this goal conflicts with other, equally crucial objectives such as the incentive to create and ensure the availability of high-quality content (i.e., content whose production requires considerable investment).

This has created a rather complicated situation. Consumers are reading more books than ever, watching more films than ever, reading more news and magazine articles online, but are paying less. This raises cultural and behavioral issues: consumers are willing to pay for the hardware they use and for the services of Internet Service Providers but are reluctant to pay for the content.

The music and film industries have, in the past, grappled with a digital market plagued by rampant and unauthorized sharing. Music and video streaming services have substantially changed the framework. Although the commercial woes remain, there currently exists a realistic and widely accepted legal market for music.

5.5.1 Advertising-supported publishing

The Internet has largely adopted the advertising model to fund free content. This model enables search engines, social media, video hosts, cloud storage and other Internet services to offer free services to consumers. The advertising model requires very large audiences and limited operational costs so that very small earnings can add up to cover the service costs. This model lends itself to large-scale technical services, such as content-hosting sites. It is not suitable for content-creation services which typically target smaller audiences, such as most trade books, or for content that is expensive to produce. It does have some limited place in journal and newsletter publishing or blogging.

Hybrid business models: Managing analogue and digital businesses together

The Internet is ushering in an unprecedented and global change in the way the world learns, communicates and is entertained.



By June 2016, more than 50 per cent of the world's population had become connected to the Internet. Over half of these Internet users live in Asia. Even more important to publishing is the penetration of mobile telephony. At the end of 2016, 95 per cent of the global population lived in an area covered by a mobile-cellular signal. There are almost as many phone subscriptions as there are humans on earth, and even in most developing countries the share of mobile phone users, within the 15-74 year age bracket, exceeds 85 per cent.

The Internet is a single channel for all kinds of entertainment. There are countless seamless transitions between reading, listening, watching, sharing, commenting, buying, engaging, and influencing. Humankind reads and writes more on the Internet than anywhere else.

The International Telecommunications Union describes the change of behavior as follows: "In 2016, people no longer go online, they are online. An increasingly ubiquitous, open, fast and content-rich Internet has changed the way many people live, communicate and do business, delivering great benefits for individuals, governments, organizations and the private sector."¹²⁸

However, printed books remain relevant in this modern world. Although the publishing industry has embraced digital technology in all aspects of its value chain, using it for the creation, production, sale and marketing of books, the printed book, which is as an output of a digital publishing process, appears to have remained with us in some sectors as a staunch anachronism, a reminder that readers value their lives outside of virtual reality and that old media are never truly be replaced by new media. Old media can only retreat into a corner where they continue to play to their strengths. For many readers, the joy of reading cannot be fully separated from the pleasure of holding a book. For many students, the physicality of the textbook facilitates learning and understanding.

Accordingly, the majority of books are sold in paper form. Many people prefer buying in bookshops. Parents read brightly illustrated paper books to their children as an alternative to ever-present digital entertainment.

For the foreseeable future, therefore, most publishers will have to manage a hybrid economy, where books are published in print and in digital form; where books can be bought online and from brick-and-mortar retailers; and where authors and publishers must manage both physical and digital distribution environments.

This is particularly difficult in many ways. Slow digital migration puts pressure on independent bookshops. New skills in digital sales and distribution need to be

¹²⁸ ITU, Measuring the Information Society Report, 2016, p. 195

learned as the old skills set, appropriate for the physical market, losses relevance. This is more of an opportunity rather than a threat for all stakeholders. It simply means that the industry is going through a phase of gradual adjustment, rather than a revolutionary change. Authors, publishers and other stakeholders have time to adjust, learn new skills and build capacity. At the same time, there should be no complacency. In an industry plagued with such low margins, all business sectors and income streams matter.



6. MANAGING RIGHTS IN THE DIGITAL ENVIRONMENT

6.1 Copyright and the Internet

A summary presentation of how the Internet works would highlight the abiding importance of copyright.

The Internet is a global network of computers that share information using standardized communication protocols. In other words, computers exchange information in digital packets. All content (be it an e-mail or an e-book) is segmented into data packets sent from the originator's server through the network to a destination server, where it is unpacked and reassembled. This reassembled information is then presented on the recipient's computer monitor via any chosen browser, app or program.

All Internet operations involve the reproduction and communication of digital copies of information, which may be data, messages, literary works, illustrations, software programs, databases, audio recordings, performances, audiovisual performances or other material. Where such operations involve copyright-protected works, copyright law comes into play.

In the analogue world, the uses to which a buyer subjects a physical book are largely understood. On the Internet, however, a digital copy must be accompanied by information on its authorized uses. Relations between senders and recipients of copyright-protected works are governed by licenses; i.e., agreements that stipulate the acts restricted by copyright law. Most websites and social media providers have made these licensing terms and conditions explicit in their user agreements. Where such licenses are not explicit, there may still be implicit licenses; i.e., assumptions that recipients can reasonably make regarding what they are authorized to do. Ultimately, national copyright laws will set limits to authors' rights over their works, once a copy has reached a reader.

Copyright law is national law. Consequently, authors and publishers must always comply with their national laws governing rights and obligations. However, the World Wide Web, and with it most of the Internet, was designed to facilitate cross-border interactions, regardless of jurisdiction. Users therefore have access to copyright-protected works that have been created under different national copyright laws and uploaded, hosted and communicated in different countries and jurisdictions, at times without the knowledge of the user. Licensing partners may therefore find that there are differing views as to which national copyright laws apply to specific actions or govern their relationship. International private law, also known as conflict of laws, is the part of a national law that determines which set of laws must be applied to a specific transaction. Where licenses are agreed upon

between parties in different countries, parties often have the latitude to choose the applicable law or jurisdiction that can provide clarity on the laws governing the agreement. Where no express agreements have been made, national laws (and ultimately the courts) decide which national copyright law applies.

Even though copyright law is national, it is informed by international treaties that provide minimum standards of protection to rightholders under international public law. The most important international copyright and intellectual property treaties are administered by the World Intellectual Property Organization (WIPO). The Berne Convention for the Protection of Literary and Artistic Works and the WIPO Copyright Treaty (WCT) apply unequivocally to literary and artistic works created in the digital environment and reproduced digitally or made available in digital formats. Still, these treaties are contracts under public international law that bind national governments. Their effect on national copyright laws depends on how each country chooses to transpose such treaty obligations into its national legislation, and how national courts interpret the laws into which these obligations are transposed.

Many WIPO treaties have a wording that is clearly understood to describe very specific common IP protection standards. Because of these high common standards, it is possible to make some general comments on how copyright works on the Internet, despite the general caveat that national laws must be consulted to make a clear determination in individual cases.

Authors and publishers must understand copyright and licensing

Traditionally, publishers have been more accustomed to a sales environment where printed books are sold without any subsequent relationship between the author, publisher and book buyer. This gave rise to the “first sale doctrine”, namely: the right of the purchaser of a material object, such as a book, in which a copyrighted work is printed, to resell or transfer the object itself. This principle forms the basis for the second-hand book business.

In principle, this resale right does not exist for e-books, much to the disappointment of libraries and readers who would like to resell the e-books they no longer need. In the digital environment, each digital copy comes with a license, a contractual relationship that binds the reader to the contractual partner and governs the ongoing relationship until the copyright expires. Typically, such licenses do not permit the transfer of ownership to another party.

Beyond the contract itself, the prerequisite for any sale is ownership of the relevant rights. Caution should therefore underpin any assumptions of rights transfer, especially in older author/publisher agreements. For example, many



readers “bought” e-book copies of George Orwell’s “Animal Farm” and “1984” from Amazon.¹²⁹ However in 2009 Amazon’s rights to sell the Kindle e-book edition were challenged. It appeared that the uploading publisher did not have the relevant rights. Amazon found itself unable to license these two works to Kindle customers who had previously “bought” and downloaded them¹³⁰ in good faith. Amazon was forced to react to the challenge of its right to license the works. The e-books that readers thought they had “bought” suddenly disappeared from their readers (with full refund). The legal reason for this was that there must be a licensing chain from the author through the publisher and the e-book seller to the Kindle user. If that chain is broken, it would mean that the reader’s license was issued by someone who does not hold the necessary rights. In that case, the e-books would have to be removed at the behest of the real rightholder.

For authors and publishers, every digital file transfer is accompanied by licensing terms, whether expressed in a contract, implicit or governed by national laws. Authors and publishers must therefore learn more about copyright and intellectual property. They must fully understand the extent to which they license works to intermediaries or their readers. Publishers must understand, document and manage the rights they themselves have in works licensed from authors, graphic artists and other collaborators and how they can license them onward.

6.2 Relevant digital rights

WIPO’s first publication addressing copyright and book publishing, entitled *Managing Intellectual Property in the Book Publishing Industry*,¹³¹ remains relevant for all basic licensing matters. A brief summary of the tenets of global copyright would highlight the areas where digital rights are crucial.

According to the Berne Convention, authors do not need to follow any formalities to establish their copyright once a work has been created in print or in digital format. A persistent digital manifestation of the work is sufficient. However, there are practical benefits to copyright registration where a voluntary national registry exists, so that a formal record of the registration date and the identity of the registrant are kept. Registration is a way of creating a practical claim of authorship, should this be later disputed.

From the moment of creation, the author (or possibly their employer, as is the case in countries that allow work-for-hire) immediately and solely owns the right to authorize any of the so-called “restricted acts” or “exclusive rights”, namely:

¹²⁹ See <http://www.nytimes.com/2009/07/18/technology/companies/18amazon.html>.

¹³⁰ http://www.nytimes.com/2009/07/18/technology/companies/18amazon.html?_r=0.

¹³¹ <http://www.wipo.int/publications/en/details.jsp?id=255>.

reproduction, publication, distribution, translation, adaptation, performance and broadcasting of the work, as well as making it available to the public.

The above terms may not always be expressed verbatim in licensing agreements. Commercially, these rights are separable and expressed differently. In print publishing, publishers may acquire rights for physical reproduction in a specific and understood format (hardback, paperback, serialization, etc.) as well as distribution. Even licenses that only authorize the sale of print copies would include a license to make digital copies and adaptations to the extent that these are required by the production process.

For e-books, publishers may acquire the right to digital reproduction (specific digital book formats, multimedia formats) and communication to the public. Licenses may allow adaptation to suit a particular media, such as audiobook rights and dramatization rights. Translation rights may be sold globally for one language, or for a specific geographic region. These licenses are typically limited over time.

The Digital technology has introduced new ways of using and, consequently, licensing a literary work. Works can be filed in digital libraries, with or without financial compensation. They can be adapted for use in software apps and video games. Merchandising can include anything from stationery to theme parks. Audiovisual adaptations can be licensed separately for cartoon versions, television series or films. These rights are licensed on the basis of copyright, and can include many of the aforementioned “restricted acts”. They are also based on trademarks through which authors of particularly famous or distinctive characters and book environments can protect characters, fictitious locations and original names used in their works and on merchandise.

6.3 New digital copyright challenges

Copyright law and licensing terms must adjust as the technology and the business models of the publishing industry change and vice versa. This section highlights five areas where the digital environment has created new challenges, namely the author-publisher relationship; the separate licensing of digital and print rights; the rise in global rights requests; and the particular challenges of self-publishing.

6.3.1 *Digital rights and the author-publisher relationship*

The author-publisher relationship is central to publishing. The WIPO publication entitled *Managing Intellectual Property in the Book Publishing Industry* remains pertinent in presenting all the fundamental aspects of author-publisher agreements. Given the new complexity of rights management, it does not suffice for the agreement to be documented solely in writing. The licensing data should



be expressed in such a way that it can be entered into a digital rights management system, ideally using standardized rights language.

Author-publisher contracts have always been a matter of contention between authors and publishers. The digital environment has fueled these conflicts and added new elements of discord. All major publishing houses have standard contracts and there are several models that are being promoted by authors and publishers' organizations, occasionally jointly. While these model agreements provide the requisite legal framework and language (which should always be adapted to national laws and individual circumstances), they fail to address key negotiating points that require particular attention from stakeholders involved in digital publishing. The stronger their bargaining power, the more authors (or publishers) can shape the publisher contract.

Typically, authors are in a weaker bargaining position relative to the publisher and must accept the publishing terms presented to them, at least initially. States like France, Italy, Spain and Germany protect authors as the weaker party in contractual relations by, for example: introducing regulations governing contract conclusion formalities; imposing restrictions on the scope of rights transfers (regarding future modes of exploitation or future works); and applying rules that govern the payment of adequate or equitable remuneration, specify how to interpret the (scope) of contracts, and determine the effect of transfers on third parties. Such rules also provide for the uses to which the work can be put and the termination of contracts.¹³²

Authors and publishers are best served if their agreements are clear and deemed fair by both sides – regardless of where the books will be published.

When an author negotiates digital rights with a publisher, it is important that the exact definition of the rights being granted is clearly understood by all parties. This may be an area of confusion and potential conflict. For example, the e-book or audiobook or other digital version could be a full-text version, an abridged version, or an enhanced version with additional materials which may, or may not, be created by the same author. Different "audio" rights are impacted if a work is being recorded, adapted for a dramatization, or enhanced with audio for persons with print disability.

Most aspects of the author-publisher agreement are discussed in *Managing Intellectual Property in the Book Publishing Industry*. The digital environment requires particular attention be paid to the following elements of any publishing agreement:

¹³² See <https://ec.europa.eu/digital-single-market/en/news/commission-study-remuneration-authors-books-and-scientific-journals-translators-journalists-and>.

1. providing a clear and unambiguous description of the rights licensed in a given work, i.e., including the formats of publication that a publisher is licensed to produce, the language, and the licensed territories;
2. specifying whether the agreement is exclusive or non-exclusive;
3. stating the duration of the agreement and terms governing reversion of rights to the author; and
4. indicating royalty rates as well as reporting and payment schedules, including advances.

6.3.2 *Licensing print and digital rights*

Historically, an author would license a publisher and that publisher would publish and market a book throughout its life cycle in a given territory. The advent of specialist publishers (e.g., paperback and audio), has created an opportunity to license different commercial formats directly to different publishers.

Digital publishing formats can be licensed together with the paper format, licensed separately, or withheld. Increasingly, the “Volume Rights” (the main contract between the author and publisher, which traditionally includes all formats) now include e-book rights. Most major publishers would want to acquire the right to publish both the e-book and paper formats. For mass-market titles, they will want to reap the rewards of their sales and marketing efforts for both digital and print format sales. Where there is a hardback market, they will perhaps want to delay the e-book publishing date, so that this premium book format does not compete with the e-book (much cheaper in many countries) price. The exact release strategy for e-books is a business decision that may be different in each market.

Authors are concerned about rights that are licensed but not subsequently commercialized. They do not want to license e-book rights if the publisher will subsequently fail to publish the book in digital format. This should be a point of negotiation. Belgium,¹³³ France,¹³⁴ Germany,¹³⁵ Hungary¹³⁶ and Sweden¹³⁷ have a legal obligation for the publisher to exploit the licensed rights.¹³⁸ Ultimately a

¹³³ LDA, art. 26(1).

¹³⁴ CPI, L. 132-1 et seq.

¹³⁵ VerfG, s. 1.

¹³⁶ HCA, art. 56-57.

¹³⁷ URL, art. 33.

¹³⁸ See study: “CONTRACTUAL ARRANGEMENTS APPLICABLE TO CREATORS: LAW AND PRACTICE OF SELECTED MEMBER STATES” at http://www.europarl.europa.eu/meetdocs/2009_2014/documents/juri/dv/contractualarrangements_/contractualarrangements_en.pdf.



shared understanding of publishing strategy and schedule can avoid legal strife with licensees in any country.

6.3.3 *Licensing global rights*

Traditionally rights have been exclusively licensed to a publisher for a particular territory and/or, in the case of translations, for a particular language. Larger publishers with major publishing houses in several countries may also acquire the rights for the respective countries.

It may also still be convenient to authorize the first publisher to license international translations of a work, rather than do this through an agent, provided that the publisher is able and willing to actively seek international licensing partners. This makes sense when a publication combines the works of several creators, such as heavily illustrated books, and in the scholarly and educational markets where the publishers have already established niche contacts within their field.

While publishing has always been an international industry, there has always been a territorial focus in the educational and trade markets. However, the digital environment means that a single, even small, publisher can now serve a global audience. Consequently, there is a move towards requiring global rights in all sectors. For example, the publisher, Bloomsbury, says on its website: “For picture books of all kinds, fiction and non-fiction, UK publishers generally require world rights as the UK market alone is not large enough to sustain the costs of four-colour printing. US publishers are lucky enough to have a sufficiently large home market to mean they are not reliant on foreign sales and therefore will not always require world rights.”¹³⁹

Academic and professional publishing typically caters to an international market. It is therefore necessary for a publisher to acquire global rights, at least for a specific language. The same applies to any publishers who cater for a global audience in one language. There are many languages currently spoken and read by large and relatively wealthy diaspora communities, which are also interested in acquiring books in their native tongue. E-book publishing is perfectly suited for such audiences. Given that the diaspora communities are spread over many countries, it is important to acquire global sales and distribution rights for publication in those languages.

¹³⁹ Walsh, Caroline (nd) Publishing Agreements. Bloomsbury Writers&Artists, <https://www.writersandartists.co.uk/writers/advice/162/after-publication/rights-and-legal-advice/publishing-agreements>, <https://www.writersandartists.co.uk/writers/advice/162/after-publication/rights-and-legal-advice/publishing-agreements> (accessed on January 26, 2017).

6.3.4 *Agreements for self-publishing authors*

Never before has it been so easy for authors to publish their own books. Never has it been so hard to make a living from writing. The freedom to publish without the support of an agent and without a commercial publisher means that authors must become far more licensing-savvy.

Self-publishing authors now have the choice to publish with a range of different publishing services. Because the author pays for the publishing services, some elements of the agreement are different from traditional publisher agreements and require particular attention.

- Authors should clarify whether the contract is exclusive, or allows the same book also to be published through other intermediaries.
- Authors should identify whether their book is only sold, or whether it can also be lent, for example in Amazon's Kindle Book lending program. Royalty rates may also vary considerably depending on the options an author chooses.
- The ability to adjust and withdraw is crucial to the freedom that self-publishing gives authors.
- As always, special attention should be given to rights reversion clauses: how quickly can a book be withdrawn from the program if the author wishes to offer it through a different service?

6.4 **Public domain, free, and orphan works**

As mentioned above, using "free" content to make publications and offering content "for free" is first and foremost a business model, and not necessarily a legal determination. The fact that content can be accessed freely or expressly without charge does not mean it can be freely re-used. Publishers must be careful to make a distinction between works that are not, or no longer protected by copyright law (but beware of moral rights!) and copyright-protected works which have been licensed with very broad public licenses.

Publishers who republish historical literature for which the copyright term is completed may not need to worry about obtaining licenses, unless they are using modern translations. Republishing national laws, economic data or patent records is frequently permitted without any need to take out an individual license. However, the mechanisms through which their national laws allow these works to be published may vary. For example, this could include exceptions or limitations to restricted acts under copyright law, or an open license. Re-publishing content found "for free" on the Internet follows the same principles: content from



websites, short videos, weblog entries, memes, Facebook and twitter messages, shared photos and the like cannot be copied or republished without authorization. Most major social websites have clear licensing terms for reuse of content. In the absence of clear licensing terms, or in the absence of a copyright exception, such works should not be used without express authorization from the rightholders.

Finding the correct rightholder is often difficult, in particular where the initial publisher did not attach sufficient metadata to the work. For published works, the most recent publisher is a good place to start a search. Authors' or publishers' collective management organizations or national libraries often have information that helps identify or locate rightholders. This issue is particularly important for libraries and archives seeking to digitize their collections and make them accessible. The number of rightholders to be contacted for authorization may be so large that it is prohibitive. A number of countries, including Canada¹⁴⁰ and the United Kingdom,¹⁴¹ have now enacted national laws that allow for some forms of reuse of orphan works and the European Union has issued a Directive to address this issue.¹⁴² Most of such laws require a diligent search for the rightholder and impose certain conditions on the republisher or the purpose of reuse before a license may be granted.

6.5 Managing Digital Rights

Publishing in the digital environment means dealing with greater rights complexity. As the number of revenue stream opportunities increases, publishers and other intermediaries must be able to quickly and accurately assess whether they own or control the relevant rights and whether they can license these rights under their business policies and strategy, and at what price. Automated licensing mechanisms are now being developed: software programs search for specific content, identify whether it can be licensed for a specific intended use and then conclude the licensing arrangement without further human intervention. The systematic and (most importantly) consistent and persistent recording of digital rights information also allows publishers to provide transparent information and payments to authors, a crucial trust-building element of their relationship.

When recording rights, a good starting-point for identifying what rights can be recorded and how is ONIX for Licensing Terms (OLT),¹⁴³ a developing family of ONIX messaging standards. OLT formats are specialized to the needs of different user groups and applications.

¹⁴⁰ <http://www.cb-cda.gc.ca/unlocatable-introuvables/other-autre/BRO-2016-08-26-EN.pdf>.

¹⁴¹ <https://www.gov.uk/guidance/copyright-orphan-works><https://www.gov.uk/apply-for-a-licence-to-use-an-orphan-work>.

¹⁴² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:299:0005:0012:EN:PDF>.

¹⁴³ <http://www.editeur.org/85/Overview/>.

ONIX for Publications Licenses is a communications format that is important for journal publishers as it enables publishers, intermediaries and libraries to express license terms for digital materials in a structured way so that they can be input to and interpreted by an electronic resource management system. This solves the problem that libraries have with managing different licensing terms from different publishers.

ONIX for Rights Information Services helps libraries identify rightholders for works in their collections. This reduces the number of orphan works in a given collection.

ONIX for RROs (Reproduction Rights Organizations) facilitates the transfer of information from reproduction rights organizations to authors and publishers. This improves the speed and accuracy with which license fees paid to RROs can be distributed to individual authors and publishers.

6.6 Blockchain and Digital Rights Management

Blockchain is recently developed type of software that creates a digital, decentralized, and distributed ledger. Data cannot be altered retrospectively. This means that it can track, for example, asset ownership and transfer without external verification. Each new transaction can be added to the blockchain following an agreed set of rules. Any person can check the record, but, unlike centralized databases, no one central organization has the authority and power to modify the data. Bitcoin, the well-known Internet currency, uses blockchain technology. Some industries use blockchains to timestamp documents, track assets, safeguard software against tampering and secure digital infrastructure. It is predicted that this technology will revolutionize data management as it allows decentralized transactions and data management.¹⁴⁴

Can this technology impact publishing? There has been some experimentation in the music industry, where rights management for composers, lyricists, performers and publishers is often very complicated. There are three advantage of blockchain technology that make it equally attractive for the publishing industry. Firstly, it allows tracking of rights ownership in a digital file back to the original creator or creators. Secondly, it can make payments more efficient by combining blockchain technology and machine-readable licenses into payments systems. Thirdly, it can make collective licensing more competitive and therefore efficient by enabling alternative licensing platforms.

¹⁴⁴ See <https://www.economist.com/news/leaders/21677198-technology-behind-bitcoin-could-transform-how-economy-works-trust-machine>.



Blockchain technology is not without critics.¹⁴⁵ One concern is whether the technology can scale to the numbers of licensed uses of music files on the Internet. More importantly, the lack of a central authority may also ultimately mean a lack of responsibility and accountability. There are also legal concerns: anyone can claim to be the original owner of a creative work. Even if the original registrant is vested with some authority to do so, this can be tested. Who can be sued, and what can be done, if a blockchain cannot be altered, but there is a need to reassess ownership, for example after a court order? These concerns are equally valid for the publishing industry.

6.7 Collective licensing

Collective Management Organizations (CMOs) administer collective licenses on behalf of a large number of rightholders. The first CMO was created by dramatic authors, composers and lyricists in France in 1829¹⁴⁶ and CMOs soon established themselves for theatrical performances, followed by music. The advent of mass photocopying necessitated the creation of author and publisher collecting societies: RROs. Today, the International Federation of Reproduction Rights Organisations (IFRRO) has 92 RRO members. In 2015, they collected 1.14 billion US dollars (1.067 billion euros).¹⁴⁷ The revenue varies from country to country, but in many countries RRO payments are a very important part of author and publisher income, in particular for educational publishers, as collective licensing is particularly well-developed in this sector. RROs are typically governed equally by authors and publishers and the rules for distributing revenue, while differing widely from country to country, often require that RRO revenues are shared between authors and publishers.

While RROs deal primarily with the administration of collective licenses, they also serve other important purposes: they bring authors and publishers together around the shared issue of strengthening copyright and collective management thereby improving author-publisher dialogue. RROs are also an important stakeholder organization in national copyright debates. RROs also often support the development of other parts of the publishing industry infrastructure. They develop identifiers and standards, help authors and publishers lobby on copyright issues and develop ongoing relationships with the library community, another important stakeholder in the publishing industry.

¹⁴⁵ <http://www.hypebot.com/hypebot/2017/08/why-you-cant-put-the-music-industry-on-a-blockchain-excerpt.html>.

¹⁴⁶ For more on the history of CMOs, see http://www.cisac.org/content/download/1127/19620/file/CISACUniversity_The_History_of_Collective_Management_FINAL.pdf. http://www.cisac.org/content/download/1127/19620/file/CISACUniversity_The_History_of_Collective_Management_FINAL.pdf.

¹⁴⁷ http://ifrro.org/sites/default/files/ifrro_board_report_2016.pdf, http://ifrro.org/sites/default/files/ifrro_board_report_2016.pdf.

The inclusion of digital collective licenses has been a complicated process. While in the print environment there is consensus that photocopying can only be licensed through collective licenses, consensus on which rights to license collectively in the digital environment has been slow to develop. Publishers initially sought to license all digital uses, even minor uses, directly. One important reason for this hesitation is the revenue-sharing rules in collecting societies: 50/50 revenue splits between authors and publishers are common in collective licensing regimes, but exceptional in author-publisher contracts that determine royalties from licenses that publishers sell directly.

A number of collecting societies have developed licensing schemes that include digital uses such as scanning and the inclusion of parts of books or individual journal articles in digital course packs or online learning resources. Some RROs, particularly those whose business model requires voluntary mandates from authors and publishers, have been able to develop successful new licensing products that address specific user concerns.¹⁴⁸

At the same time, RROs as a whole have come under pressure. Changes to the law in Canada have resulted in a weakening of national RROs and court cases in Belgium (also involving the European Court of Justice)¹⁴⁹ and Germany¹⁵⁰ have called into question the role of publishers in collecting societies.

Whether RROs can continue to play such an important role in the publishing industry infrastructure will depend on policymakers. Key issues are the representation of authors and publishers, the ability to collect licensing fees for private copying and, in particular, the extent to which use of parts of textbooks and other books in educational institutions requires the payment of fees to rightholders through local RROs.

¹⁴⁸ See, for example, : <https://learningfield.com.au> <https://learningfield.com.au/> and, <http://www.copyright.com/business/rightfind/>.

¹⁴⁹ C-572/13, *Hewlett-Packard Belgium SPRL v Repobel SCRL*.

¹⁵⁰ *Martin Vogel vs. VG Wort*, BGH ZR 198/13.



7. PIRACY AND DIGITAL PUBLISHING

Piracy, the copyright equivalent of theft, is as old as publishing itself. Publishers have always had to deal with printers overriding print runs or popular books being unlawfully imported or reprinted by third parties. Even though piracy was a widespread issue before the advent of the Internet, the Internet has exponentially changed its reach, scale and potential impact. It is safe to say that every successful e-book will be pirated and unlawful copies can be found on the Internet to download for free, at times before official publication. In 2015, for example, the Michel Houellebecq novel, "*Soumission*", was available online for free, as an illegal download one week before its official release as a printed book. Such reports make some rightholders reluctant to enter the digital market.

There is no verifiable, empirical data on piracy as a whole. It is possible to extrapolate data by estimating the percentage of global Internet traffic generated by file-sharing sites and then estimating the percentage of pirated works. For book piracy this data is meaningless, as books are typically relatively small file sizes and the piracy channels can be more complex. If precise data were available, it is most likely that a differentiated image would emerge: in countries with sufficiently stable digital markets, at least a large percentage of the publishing market is probably lawful. The almost complete absence of functioning digital markets in some regions means that nearly all e-book sales, irrespective of their size, are unauthorized. Global numbers are therefore meaningless. From a policy standpoint, the question is whether there is an orderly market that supports a sustainable publishing environment that generates employment, taxation and, most importantly, books.

Some creative industries survive in an environment where only a small percentage of consumers are paying: street musicians play for free and rely on voluntary payments, on occasion with remarkable success.¹⁵¹ In the Indian film industry, "Bollywood", pirates make more money than the film industry itself.¹⁵² Clearly, the economies of scale work in favor of this film industry, given the enormous size of the Indian market. This model applies similarly to "Nollywood", the Nigerian equivalent. It is nonetheless sobering to pause and consider what an amazing creative and economic engine they could be if artists, performers, creators and all the stakeholders in these industries were able to receive the full benefits of their copyright rights.

¹⁵¹ See WIPO publication „How to make a living from music“, p. 126.

¹⁵² <http://www.thenewsminute.com/article/indian-films-gross-2-billion-piracy-makes-35-more-48603>.

Some authors (and publishers too) have embraced piracy. They see online piracy and the free availability of their books online as a marketing tool for promoting their paper sales. Bestselling author Paulo Coelho posts links to any digital versions and translations of his books on his own website. He insists: “The more people ‘pirate’ a book, the better. If they like the beginning, they’ll buy the whole book the next day.”¹⁵³

This approach is de facto a business model, where the digital sales lost through piracy are offset by the marketing and PR effect for the printed book and by the cost savings of not fighting piracy. Branding and (self-)image may also play a role. The business model can only be sustained by authors and publishers who have a sufficiently large print book market. It can also work for authors for whom the actual book is just a vehicle to promote their credentials and expertise that they can then monetize otherwise. Therefore there is little surprise that academic authors, who receive their primary income from their academic institutions, often have little concern regarding piracy of their monographs. This business model does not work for authors whose works are not bestsellers and where the overall demand for their works, whether in printed or digital form, is too small to be sustainable if a large proportion of the demand is satisfied without any payments to authors and publishers.

Piracy therefore remains a concern for the vast majority of authors and publishers. The whole of the potential market shrinks by the portion of demand that is being served by pirates. With most publishing sectors operating low-margin businesses, and publishers requiring the profits of the few bestsellers to sustain the costs of the entire publishing program, a small number of pirated copies can have a significant impact.

Before discussing tools to fight digital piracy, it is important to acknowledge that the impact of piracy is different for different publishing sectors. Not all markets are equally prone to piracy. Some markets serve customers that have a strong culture of copyright compliance. This is true for IP-based industries but, importantly, also for libraries, public institutions – including public educational institutions – and higher education institutions in most countries. This is one of the reasons why the debate over copyright exceptions, a lawful way to make use of works without compensation, is so energetic in these sectors. Other sectors, such as banking, consultancy and accounting, have a strong interest in being seen to be compliant with laws in general, including copyright. Equally, some markets are particularly prone to piracy, such as the science fiction genre, or higher education textbooks, sectors where the typical readers’ IT skills exceed their understanding of

¹⁵³ <https://www.theguardian.com/books/2012/feb/01/paulo-coelho-readers-pirate-books>.



copyright, or their regard for it. Trade (consumer) publishing in emerging markets also tends to be vulnerable to piracy, as the first consumers to embrace digital reading are also those that tend to be most IT-literate and familiar with sources of unauthorized music, films and e-books. Most legal e-book markets originate in an environment of digital readers served only by pirates and therefore accustomed to obtaining books from anonymous sources for free or at very low cost. This makes the development of such markets particularly daunting. The more established and mainstream a digital market becomes, the more its readers tend to be law-abiding, especially if that choice is made easy through convenient marketplace offerings.

In any case, piracy should not be taken lightly. Attitudes to illegal downloading of music, films and e-books are changeable. Rightholders are not just victims of piracy; they can change the way society perceives activities that deprive them of their just rewards. Rights will only be respected if people assert them.

7.1 Anti-piracy strategies

What strategies can authors and publishers pursue in such circumstances?

Some publishers believe that online piracy is so risky to their business that they refuse to engage in digital publishing altogether. In the short term, this strategy avoids losses. In the longer term, it is only successful in sectors that are likely to remain staunchly print-based. Such sectors could include publishers of children's books, table-top books and a few others. In most other sectors, authors may seek out publishers who offer some return from digital publishing as well as from print. In the longer term, such print-only publishers may become specialized subcontractors of publishing houses that are able to publish a range of formats, with little to distinguish such print-only publishers from printing businesses.

A first strategy to prevent piracy is to make use of business models that cannot easily fall victim to piracy. Publishers who sell access to regularly updated databases or digital library collections, such as journal publishers and digital educational publishers, can monitor traffic on their platforms and easily stop flagrant password abuses. The constant updating means that even if a person manages to copy a product, the original product will always be of a superior quality. Another tactic is to bundle a given book with a digital product and make access to the digital product password-protected. Higher education textbooks may come with an access code to a rich digital learning environment, the license for which is sold with individual passwords on textbooks. Passwords that are abused can be shut down. This method may also weaken the second-hand textbook market.

A second approach is to use technical protection measures (TPMs). TPMs are technical barriers to the copying and making available of digital files. Article 11 of the WIPO Copyright Treaty obliges contracting parties to provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures. A range of technologies exist and they differ in cost, effectiveness and inconvenience for the reader. It is unlikely that any technology is 100 per cent effective, but that may not be necessary to safeguard the digital market. TPMs create a barrier which is not merely a technical inconvenience, but also shows that the work in question is being protected by the copyright owner. This, too, will persuade some readers to license rather than to engage in piracy.

The third strategy involves actively fighting piracy, in particular those who profit from it.

7.1.1 *Fighting online piracy*

As with many other forms of cybercrime, fighting piracy on the Internet is complicated by the anonymity that the Internet provides. Nevertheless, it is not impossible. First and foremost, it requires a publishing industry that is willing to defend and enforce its rights. This comes at a cost, in terms of finance, resources and collective effort. If authors and publishers believe that their work has value and adds value, then defending these rights is an important political and practical step.

There are a number of measures that authors and publishers need to take at the outset.

Documenting rights ownership and the chain of rights transfers is important in court cases. Including copyright notices and digital rights management (DRM) information in e-books, as well as express licensing terms, ensures that users and people that wish to share these works more widely are aware of the limits of their contractual rights and know their obligations. DRM information and information about the original contractual licensee can be embedded in digital watermarks, which may sometimes include hidden information that is included in the digital files and is copied when the work is copied.

Apart from the technological measures, there are also important political measures. Visibly standing up against piracy is equally important, in order to motivate enforcement authorities, judges, policymakers and legislators to create legal and enforcement frameworks that take piracy seriously. Authors and publishers must be willing to speak out and show that piracy is not a victimless crime.



It is not necessary to win all court cases; instead, it is important to fight and win landmark piracy cases that publicly assert the existence, effectiveness and legitimacy of copyright law. Online investigations, rewards for those who help identify pirates and the costs of court cases can be very expensive. Authors and publishers may therefore be selective about the cases they take to court and ask their associations to help them fight landmark cases. RROs and rightholder organizations can often also offer financial support.

Where policymakers and the courts fail to provide adequate and effective copyright protection, the international author and publisher community may support local rightholders in reminding their government of their obligations under the WIPO and WTO treaties they have ratified. These do require, where applicable, adequate and effective copyright protection.

Developing lawful markets

Online piracy existed in most countries before commercial markets could develop. All publishing industries therefore faced at inception the seemingly daunting task of developing a commercial market in an environment used to sharing copyright-protected works for free.

The successful development of an e-book market requires a small number of prerequisites, which are discussed below.

Basic infrastructure for online commerce. This includes trusted payment mechanisms and a reliable distribution infrastructure.

A fair price. Consumers expect e-books to be less expensive than paper books. Only novels with powerful brand-named authors can sell e-books versions of their books at prices closer to the paper book price. The price is also affected by government policies such as fixed book price regimes, parallel import regulations and VAT and general sales tax rates.¹⁵⁴

Visible efforts to fight piracy by all stakeholders and policymakers. These include clear laws, committed courts, trained enforcement agencies and rightholders who actively defend their rights. Furthermore, the public must be educated on why rightholders should be remunerated and how copyright laws can be observed. Court convictions, even if few and far between, create a sense of the right and wrong of piracy and a sense of risk among the perpetrators.

The most powerful strategy to fight piracy is to offer an online experience and service that is far better than that of pirated web sites. Legitimate platforms

¹⁵⁴ For details of the discussion of VAT on e-books in the EU, see <https://euobserver.com/digital/136111>.

offer more than just content. They offer a safe, convenient and enjoyable online experience. This includes ensuring the quality of the e-books on offer and ensuring the reliability of the website. It also involves keeping the website free of viruses, unwanted advertising or advertising of illicit or explicit services, maintaining high download speeds, making recommendations based on previous purchases, content reviews and online communities, offering opportunities to engage with authors, offering related content or other merchandise, providing customer service, helplines, convenient apps and other benefits.

Readers want trustworthy websites that allow safe browsing, convenient discovery and great service. Authors and publishers want to know their works are easy to discover, adequately protected and transparently licensed.



8. CONCLUSION

The publishing industry is in the midst of the digital revolution. Technology is changing all elements of publishing, although the printed book as a product remains popular and resilient. The complete migration of all publishing industry sectors to digital platforms is not a foregone conclusion, at least not in the medium term. For readers, migration to digital products is enabled by the availability of digital technology. Nonetheless, readers can still choose whether to read on-screen or on paper.

Printed books appear to be different from other media, because readers see more than nostalgic value in the paper medium. Paper is robust, compact, easily handled, cheap, simple, and requires no electricity. It can be annotated, torn, repaired, felt, folded, displayed, and enjoyed away from any computer. These qualities are often, but not always, appreciated. If the reader finds value in paper books, they persist. Where digital formats provide important extra utility or solve pressing problems, they prevail.

Scientific communication was the first area in which paper ceded to digital, as researchers need digital technology to make the constantly growing body of scientific knowledge searchable and the information they require discoverable. Paper staunchly persists in children's book publishing, because parents see books as the preferred alternative to even more screen time. Distance learning has gone digital as it bridges physical distance far more effectively than any printed book could. Yet, in the classroom in primary and secondary education, digital tools have so far rarely added to the most important aspect of learning: the student-teacher relationship. Digital solutions are succeeding only where they solve problems that paper books cannot.

Paper appears doggedly persistent in areas such as art, cookery and travel books. It also remains popular with certain audiences, young and old, who simply prefer reading on paper or learning from printed textbooks unless they are traveling, reading in a language other than their mother tongue, or need to modify the size and spacing of the text, etc.

This changing behavior describes the new situation in which publishers find themselves: print will play an important role in most publishing sectors. However, because reading and accessing publications can happen in so many different contexts, publishers must learn to also provide access to their content in a range of digital formats.

For the publishing industry itself, “going digital” is not a single act, or the simple question of selling a product as a digital file. “Going digital” is a change of mindset. It means getting to know the readers, understanding why they are buying books, when they are reading them, what they are looking for, and then making sure that publications are available to them where and when they want them, in the format that they want to use to satisfy their individual needs. This shift towards the user is the true revolution. It puts all the power into the hands of the reader. Successful publishers are those that do not resist, but adapt their service to these needs and build their business model around it. In addition, even if the publishers decide to publish in paper format, in order to succeed they will have to adopt a digital mindset: observing their readers, learning about their needs, and finding ways to serve them with their books.

This reader focus complicates the business strategies of authors and publishers. There are far more distribution channels, potential income streams and business models to consider. Authors and/or their publishers must now manage the delivery of content in an ever-increasing array of formats and through a range of platforms. Managing this requires a new skill set to handle the complexity of numerous licensing options and schemes.

Copyright remains essential for the future of publishing, as Jaron Lanier put it: “IP is a crucial thread in designing a humane future with dignity. [...] IP offers a path to the future that will bring dignity and livelihood to large numbers of people. This is our best shot at it.”¹⁵⁵

Despite all the changes in media, technology and reader behavior, the essential role served by the publishing industry serves still remains: to harness the creativity of writers and the skills of publishers to tell stories, share ideas and pass on knowledge.

8.1 Public policy checklist to enable digital migration

Any country that has a literate and educated population can sustain a local book culture and a publishing economy. All publishing sectors are highly dependent on government policies. Below is a table showing policy areas that affect paper and digital publishing.

¹⁵⁵ http://www.wipo.int/wipo_magazine/en/2016/02/article_0001.html.



Copyright-related policies

POLICY AREA	Laws, policy measures	Stakeholders	WIPO assistance
Copyright laws			
Implementation and ratification of relevant WIPO treaties	Berne Convention, WCT, Marrakesh Treaty	All	Available at the request of the national authority
Legislative Assistance	Compatibility with WIPO treaties	All	Available at the request of the national authority
Respect for copyright	Public awareness campaigns	All	
Anti-piracy policies	Awareness, training, enforcement	Authors, publishers, enforcement agencies, courts	Available at the request of the national authority
Appropriate legal framework for authors and translators	Copyright and contract law	Authors, translators and publishers	
Copyright and licensing skills	Capacity-building for authors, publishers and other stakeholders	Authors and publishers, libraries	
Forward-looking copyright policy dialogue	Round-table, multi-stakeholder consultations that encourage collaborative solutions	All	Available at the request of the national authority
Collective management	Capacity-building, review of effectiveness, efficiency and good governance of CMOs	Authors, publishers, libraries and other potential licensees	Available at the request of the national authority

Digital Publishing Policies			
VAT/GST	Appropriate and consistent VAT rates for e-books and other digital publications	Authors, publishers, libraries, retailers, consumers	
Book pricing	Appropriate rules regarding fixed book prices	Authors, publishers, retailers, consumers	
Competition law	Appropriate competition oversight that enables competitive online bookselling and distribution	Authors, publishers, retailers, consumers	

Accessibility	Appropriate policies and practical mechanisms are in place to ensure that books are available for persons with print disabilities	Publishers, libraries, organizations representing persons with disabilities	Available at the request of the national authority
---------------	---	---	--

Digital Educational Policies			
Digital education policies	Appropriate educational objectives that adequately assess digital tools and their impact on education	Authors, publishers, educational policymakers, technology providers, teachers, researchers	
Digital educational pilots	Careful piloting and evaluation of major digital initiatives	Researchers, authors, publishers, educational policymakers, teachers	
Digital purchasing policies	Policies that sustain local educational expertise, in particular among authors and publishers	Authors, publishers, educational policymakers, teachers	
Textbook procurement policies	Policies that incentivize local authors and publishers to invest in the skills required for quality textbooks. Careful assessment of market impact of policies.	Authors, publishers, educational policymakers, teachers	

Open-access policies			
Open-access policy	Promotion of appropriate open-access policies that enable public access and ensure long-term sustainability of scholarly communications	Publishers, universities, libraries, scholarly institutions	
Awareness of existing free access schemes and organizations promoting access	Awareness and promotion of existing licensing schemes and other mechanisms and organizations that improve access	Initiatives promoting access to scientific information	



General Policies			
General book promotion campaigns	Promotion of books and reading in public broadcasting, through national awards, etc.	Authors, publishers, libraries, broadcasters, other cultural institutions	
Early literacy campaigns	Campaigns to promote reading to and with young children	Libraries, charities, pediatricians, midwives, international early reading campaigns	
Publishing Industry Statistics	Gathering and publishing industry data to monitor progress of the sector	Publishers, associations, public bodies that gather statistical data, international specialist consultants	

8.2 Author /Publisher Digital Strategy checklist

Authors and publishers must become copyright and Internet literate. Copyright, like any other right must be understood, asserted and managed. This requires the development of a series of new skills:

Copyright Management		WIPO
Copyright training	Authors and publishers must understand their national copyright laws and the rights vested in them under these laws	
Copyright compliance	Authors and publishers must be respectful of the rights of others whose works they themselves use, such as illustrators, translators and third-party licensors	
Rights management	Authors and publishers must identify the rights they have, in particular the extent of their digital rights.	
Author-publisher relationships	Authors should discuss with publishers their digital publishing strategy as part of the licensing process	
Self-publishing	Authors must understand copyright implications of different publishing service providers, including self-publishing	
Collaboration	Authors and publishers should strengthen their national NGOs to defend their interests.	
Collective management organizations	Authors and publishers should strengthen their national RROs/CMOs encourage a strong national and international network	

9. ANNEX

9.1 Acknowledgements

This publication was made possible at the initiative of the WIPO secretariat in response to Member State interest in supporting authors and publishers around the world as they navigate the digital revolution.

Particular thanks go to the Republic of Korea for sponsoring this publication and to Dimiter Gantchev of the WIPO Secretariat for his guidance, comments and support.

Pippa Smart has been a patient and skillful initial editor whose knowledge of the publishing industry has greatly enhanced this publication. Thanks go to all those who have contributed with their counsel, data and generous permission.

Rüdiger Wischenbart Content & Consulting is the primary source of publishing data and statistics in this report. Locating, assessing, interpreting and harmonizing publishing industry statistics is an important and extremely difficult task and Rüdiger and his team at www.bookmap.org have developed the kind of expertise that makes sense of often incomplete and chaotic data.

9.2 A Note on the statistics and data used in this publication

The digital revolution has made measuring the publishing industry, already a near-impossible challenge in the paper world, practically impossible. The rise of self-publishing has meant that it is no longer possible to count the number of publishers, as many authors publish their works either commercially or as part of their social media presence and could themselves be counted as publishers. Equally, it is no longer possible to count the number of titles published, as it is no longer clear what a title is, and when to consider a book that is repeatedly, or even constantly, updated to a new title or a revised edition. Counting books or e-books sold no longer makes sense when access to libraries or large databases is licensed, perhaps for limited periods of time.

Trade secrecy also adds to the uncertainty: many major publishers are privately owned and do not need to disclose detailed business information. Some of the world's largest online book retailers do not collaborate to publish data on book sales, nor do authors' agents publish any data on international rights sales.

There is a noticeable dearth of examples and data from least developed and developing countries in this publication. There are few referenced or published case studies known to the author. This is due to a lack of formal organization of the local publishing industries and a lack of global attention to them. This



is certainly an area where a second edition of this report, with input from the readership, could bring important improvements.

However, there are some publicly available data points and as they change over time, this allows observers to draw certain conclusions. The impressive work done by Rüdiger Wischenbart on publishing statistics at www.bookmap.org cannot be rated highly enough.

All data in this book is presented in terms of US dollars. The strong fluctuations of the US dollar, in particular relative to the British pound, the Russian rouble and the euro make comparisons of market sizes difficult. Most of the publishing data cited was published in euros, which may already have required complicated currency adjustments. Where the original data used euros or other currencies, the annual average exchange rate for that year is used for conversion, based on <https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates>.

9.3 About the Author

Jens Bammel is an international publishing industry consultant. Having studied law in Berlin, Geneva and Heidelberg, he completed his legal training in Berlin, France and Indonesia. He has worked as legal advisor to the United Kingdom magazine industry before joining the Publishers Licensing Society of the United Kingdom as CEO from 1998 until 2003. From 2003 until 2015 he represented the international publishing industry as Secretary General of the International Publishers Association. Since then, he has worked as a consultant to publishers, publishers associations and international organizations. All views expressed in this publication are his own and not those of the World Intellectual Property Organization.

